



CATHOLIC EMPLOYEE BENEFIT GROUP

FINANCIAL REPORT

JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To The Trustees
Catholic Employee Benefit Group

We have audited the statement of net assets available for benefits of Catholic Employee Benefit Group (the Trust) as of June 30, 2011 and 2010, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, net assets available for benefits of Catholic Employee Benefit Group as of June 30, 2011 and 2010, and its changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, TX
November 18, 2011

CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 1,380,900	\$ 1,447,737
Accounts Receivable	110,619	124,311
Other Assets	<u>2,500</u>	<u>-</u>
Total ASSETS	1,494,019	1,572,048
 LIABILITIES		
Benefit obligation	503,049	645,904
Other liabilities	<u>248,507</u>	<u>290,124</u>
TOTAL LIABILITIES	<u>751,556</u>	<u>936,028</u>
 NET ASSETS AVAILABLE FOR BENEFITS	 \$ <u><u>742,463</u></u>	 \$ <u><u>636,020</u></u>

CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ADDITIONS		
Contributions	\$ 7,113,792	\$ 7,083,611
Rebates	69,375	70,716
Stop loss reimbursement	<u>117,993</u>	<u>552,149</u>
TOTAL ADDITIONS	7,301,160	7,706,476
DEDUCTIONS		
Medical and dental claims	6,137,410	6,450,835
Insurance premiums	447,147	425,066
Management expenses	591,216	483,744
Administrative expenses	10,627	4,608
Professional services	<u>8,317</u>	<u>66,480</u>
TOTAL DEDUCTIONS	<u>7,194,717</u>	<u>7,430,733</u>
Change in net assets available for benefits	106,443	275,743
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING	<u>636,020</u>	<u>360,277</u>
NET ASSETS AVAILABLE FOR BENEFITS, ENDING	\$ <u><u>742,463</u></u>	\$ <u><u>636,020</u></u>

**CATHOLIC EMPLOYEE BENEFIT GROUP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Distributions are recorded when paid.

Income Taxes

The trust and its legal counsel believe that the Trust is designed and currently being operated in compliance with the applicable requirements of the IRC, including the amendments resulting from the Tax Reform Act of 1986 and subsequent legislation. Therefore, no provision has been made in the financial statements for federal income taxes.

The trust has adopted the provisions of FASB ASC 740-10, (FASB Interpretation No 48, *Accounting for Uncertainty in Income Taxes*). The trust records a liability for uncertain tax position when it is probable that a loss has been incurred and the amount can be reasonably estimated. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Accounts Receivable

Accounts receivable are stated at unpaid balances less any allowance for doubtful accounts. Management has determined that all receivables are fully collectible at year end.

Concentration of Credit Risk

At June 30, 2011 and 2010, the Trust had bank deposits in excess of FDIC insurance limits of approximately \$1,309,866 and \$985,472, respectively. The trust does not have any pledged securities held against its bank accounts.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable, benefit obligations, and other liabilities approximates fair value due to the short maturity of these instruments.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – THE TRUST

The Trust was established in 2006 to provide life, health and dental benefits to employees of the subscribing employers, and their eligible dependents, and covers substantially all employees of the subscribing employers.

Benefits are provided to retired ordained and active ordained and pre-ordained employees working thirty or more hours per week on the day the employee begins active employment. Benefits are

provided to all other religious order and lay employees working thirty or more hours per week after sixty days of continuous active employment.

Participation in the Trust is voluntary; however, each person desiring dependent coverage is required to contribute an amount determined by the Trust Committee.

The Trust agreement provides that the subscribing employers contribute to the Trust all amounts (other than those required to be contributed by participants) necessary to provide benefits.

The Trust purchases Individual Excess Risk insurance covering medical and prescription drug paid claims exceeding \$190,000 per member during the plan year. Also the plan has a lifetime maximum payment per covered individual which is set at \$2 million.

NOTE 3 – BENEFIT OBLIGATIONS

The approximate present value of accumulated plan benefits as of June 30, 2011 and 2010, and the changes in accumulated benefits are as follows:

	<u>2011</u>	<u>2010</u>
Benefit obligations as of July 1	\$ 645,904	\$ 681,112
Benefit claims incurred	5,994,555	6,415,627
Claims paid	<u>(6,137,410)</u>	<u>(6,450,835)</u>
Total benefit obligations as of June 30	<u>\$ 503,049</u>	<u>\$ 645,904</u>

NOTE 4 – COMMITMENTS

Catholic Employee Benefit Group entered into a two year contract on July 1, 2008 with a third party administrator. This contract renewed effective July 2010 for an additional two year period. The monthly payments to the third party administrator are dependent on the number of members in the plan. The total expense for benefits management under the agreement for fiscal year 2011 and 2010 amounted to \$261,658 and \$229,679, respectively.

NOTE 5 – OTHER LIABILITIES

Other liabilities at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Accounts payable - vendors	\$ 35,826	\$ 16,698
Deferred revenue	<u>212,681</u>	<u>273,426</u>
Total other liabilities as of June 30	<u>\$ 248,507</u>	<u>\$ 290,124</u>

NOTE 6 – CONTINGENT LITIGATION

From time to time, the Trust is named a defendant in legal actions arising out of the normal course of business. The Trust is not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business.

NOTE 7 – SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through November 18, 2011, the date which the financial statements were available to be issued.