

CATHOLIC EMPLOYEE BENEFIT GROUP
FINANCIAL STATEMENTS
JUNE 30, 2010

Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Assets Available For Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4-6

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, 2010, and the related statement of changes in net assets available for benefits for the year 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 audit. The financial statements of Catholic Employee Benefit Group as of June 30, 2009 were audited by other auditors whose report dated March 10, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audit provides 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, 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

Certified Public Accountants

Tyler, TX
December 28, 2010

CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 1,447,737	\$ 1,133,925
Accounts Receivable	124,311	137,198
Other Assets	<u>-</u>	<u>2,702</u>
Total ASSETS	1,572,048	1,273,825
LIABILITIES		
Checks issued in excess of bank balance	-	2,904
Benefit obligation	645,904	681,112
Accounts payable	-	10,497
Other liabilities	<u>290,124</u>	<u>219,035</u>
TOTAL LIABILITIES	<u>936,028</u>	<u>913,548</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$ <u><u>636,020</u></u>	\$ <u><u>360,277</u></u>

The Notes to Financial Statements are an integral part of these statements.

CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ADDITIONS		
Contributions	\$ 7,083,611	\$ 6,526,243
Rebates	70,716	78,441
Stop loss reimbursement	<u>552,149</u>	<u>321,583</u>
TOTAL ADDITIONS	7,706,476	6,926,267
DEDUCTIONS		
Medical and dental claims	6,450,835	6,405,251
Insurance premiums	425,066	367,228
Management expenses	483,744	479,120
Administrative expenses	4,608	6,623
Professional services	<u>66,480</u>	<u>20,225</u>
TOTAL DEDUCTIONS	<u>7,430,733</u>	<u>7,278,447</u>
Change in net assets available for benefits	275,743	(352,180)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING	<u>360,277</u>	<u>712,457</u>
NET ASSETS AVAILABLE FOR BENEFITS, ENDING	<u>\$ 636,020</u>	<u>\$ 360,277</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, 2010 and 2009, the Trust had bank deposits in excess of FDIC insurance limits of approximately \$985,472 and \$880,000, 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. general 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.

NOTE 3 – BENEFIT OBLIGATIONS

The approximate present value of accumulated plan benefits as of June 30, 2010 and 2009, and the changes in accumulated benefits are as follows:

	<u>2010</u>	<u>2009</u>
Benefit obligations as of July 1	\$ 681,112	\$ 714,927
Benefit claims incurred	6,415,627	6,371,436
Claims paid	<u>(6,450,835)</u>	<u>(6,405,251)</u>
Total benefit obligations as of June 30	<u>\$ 645,904</u>	<u>\$ 681,112</u>

NOTE 4 – COMMITMENTS

Catholic Employee Benefit Group entered into a two year contract on July 1, 2008, with a third party administrator. 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 2010 and 2009 amounted to \$229,679 and \$189,566, respectively.

NOTE 5 – OTHER LIABILITIES

Other liabilities at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Accounts payable - vendors	\$ 16,698	\$ 75,500
Deferred revenue	<u>273,426</u>	<u>140,535</u>
Total other liabilities as of June 30	<u>\$ 290,124</u>	<u>\$ 219,035</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 December 28, 2010, the date which the financial statements were issued.