



St. Patrick Center  
Building Permanent, Positive, Change.

## Note To The Consolidated Audit For The Archdiocese of St. Louis

The following audited financial statements for St. Patrick Center  
are found on pages 34, 35 and 36:

- Schedule of Financial Position
- Schedule of Activities
- Schedule of Cash Flow

# Archdiocese of St. Louis

Consolidated Financial Statements  
(Excluding Parishes) as of and for the  
Years Ended June 30, 2011 and 2010,  
Additional Information on the Agencies  
Receiving United Way Funding as of and  
for the Year Ended June 30, 2011, and  
Independent Auditors' Reports

# ARCHDIOCESE OF ST. LOUIS

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## INDEPENDENT AUDITORS' REPORT

The Most Reverend Robert J. Carlson  
Archbishop of St. Louis  
Archdiocese of St. Louis

We have audited the accompanying consolidated statements of financial position of the Archdiocese of St. Louis (the "Archdiocese") as of June 30, 2011 and 2010, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Archdiocese's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Archdiocese's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Archdiocese as of June 30, 2011 and 2010, and changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 27, 2011

# ARCHDIOCESE OF ST. LOUIS

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2011 AND 2010

(In thousands)

ASSETS	2011	2010	LIABILITIES AND NET ASSETS	2011	2010
CASH	\$ 15,141	\$ 23,329	ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 15,050	\$ 15,617
RESTRICTED CASH AND INVESTMENTS	12,996	12,499	CLAIMS PAYABLE	14,244	10,192
INVESTMENTS	508,339	448,247	DEFERRED REVENUES	18,042	18,737
ACCOUNTS RECEIVABLE — Net of allowance for doubtful accounts of \$2,543 in 2011 and \$2,924 in 2010	7,503	7,350	ACCRUED FUTURE CARE COSTS	52,537	51,574
GRANTS, PLEDGES AND BEQUESTS RECEIVABLE — Net of allowance for doubtful accounts of \$4,876 in 2011 and \$2,684 in 2010	32,901	45,589	DUE TO ARCHDIOCESAN PARISHES	1,222	1,023
LOANS TO ARCHDIOCESAN PARISHES — Net of allowance for doubtful accounts of \$6,082 in 2011 and \$1,537 in 2010	30,720	32,364	DEPOSIT LIABILITIES	130,996	125,440
OTHER NOTES RECEIVABLE	13,108	112	NET PAYABLE ON INVESTMENTS PURCHASED AND SOLD	(33)	16,966
DUE FROM ARCHDIOCESAN PARISHES — Net of allowance for doubtful accounts of \$4,990 in 2011 and \$4,493 in 2010	633	492	NOTES PAYABLE	69,957	55,439
CEMETERY LAND AND IMPROVEMENTS AVAILABLE FOR INTERMENT AND MAUSOLEUMS	8,849	8,938	PRIESTS' RETIREMENT LIABILITY	104,415	88,772
OTHER ASSETS	5,130	4,187	OTHER LIABILITIES	27,453	30,509
PROPERTY AND EQUIPMENT — Net of accumulated depreciation of \$143,195 in 2011 and \$135,119 in 2010	185,404	176,765	Total liabilities	433,883	414,269
TOTAL	\$820,724	\$759,872	NET ASSETS:		
			Unrestricted:		
			Undesignated	(80,343)	(73,050)
			Designated	337,943	290,403
			Noncontrolling interest in subsidiaries	2,448	2,612
			Total unrestricted	260,048	219,965
			Temporarily restricted	51,566	50,769
			Permanently restricted	75,227	74,869
			Total net assets	386,841	345,603
			TOTAL	\$820,724	\$759,872

See notes to consolidated financial statements.

# ARCHDIOCESE OF ST. LOUIS

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
Operating:		
Revenues and gains:		
Contributions, pledges, bequests and grants, net of direct fund-raising expenses of \$2,672 in 2011 and \$2,870 in 2010	\$ 36,963	\$ 39,564
Government fees and grants	33,049	29,362
Investment income	62,231	47,078
Tuition and student fees, net of scholarships of \$5,828 in 2011 and \$5,313 in 2010	32,185	32,166
Fees and services, net of expenses of \$2,319 in 2011 and \$2,486 in 2010	63,280	63,529
Insurance premiums	29,813	30,168
Net loss on sale of property	(287)	(47)
Other revenues	1,151	1,616
Total unrestricted revenues and gains	<u>258,385</u>	<u>243,436</u>
Net assets released from restrictions:		
Restrictions satisfied by time	10,403	4,042
Restrictions satisfied by purpose	9,944	9,859
Total net assets released from restrictions	<u>20,347</u>	<u>13,901</u>
Total unrestricted revenues, gains and other support	<u>278,732</u>	<u>257,337</u>
Expenses:		
Program	218,544	208,267
Management and general	17,337	16,012
Fund-raising	7,710	9,138
Total expenses	<u>243,591</u>	<u>233,417</u>
Change in unrestricted net assets from operating activities	<u>35,141</u>	<u>23,920</u>
Nonoperating:		
Pension-related changes other than net periodic pension cost	2,611	711
Transfers for surplus (deficiencies) of endowment investments	2,331	6,301
Total nonoperating	<u>4,942</u>	<u>7,012</u>
Change in unrestricted net assets	<u>40,083</u>	<u>30,932</u>

(Continued)

# ARCHDIOCESE OF ST. LOUIS

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

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	2011	2010
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions, pledges, bequests and grants	\$ 7,615	\$ 41,527
Investment income	15,850	8,314
Net assets released from restrictions	(20,347)	(13,901)
Transfers for surplus (deficiencies) of endowment investments	<u>(2,321)</u>	<u>(6,279)</u>
Change in temporarily restricted net assets	<u>797</u>	<u>29,661</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions, pledges, bequests and grants	237	9,509
Change in donor intent		(400)
Investment income	131	87
Transfers for (deficiencies) surplus of endowment investments	<u>(10)</u>	<u>(22)</u>
Change in permanently restricted net assets	<u>358</u>	<u>9,174</u>
CHANGE IN NET ASSETS	41,238	69,767
NET ASSETS — Beginning of year	<u>345,603</u>	<u>275,836</u>
NET ASSETS — End of year	<u>\$ 386,841</u>	<u>\$ 345,603</u>

See notes to consolidated financial statements.

(Concluded)

## ARCHDIOCESE OF ST. LOUIS

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 41,238	\$ 69,767
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	11,068	10,749
Net investment gain	(65,738)	(43,892)
Allocation of gain on Restricted Fund investments	9,259	5,589
Provision for uncollectible loans and receivables	6,853	648
Net loss on sale of property	287	47
Forgiveness of note payable	(140)	
Contributions restricted for long-term investment	(237)	(9,509)
Contributions restricted for purchase of property and equipment	(2,970)	(33,978)
Contributions received — property and equipment	(138)	(201)
Changes in assets and liabilities:		
Accounts receivable	228	573
Grants, pledges and bequests receivable	2,542	2,376
Due from Archdiocesan parishes	(638)	1,080
Cemetery land and improvements held for interment and mausoleums	89	82
Other assets	(381)	(521)
Accounts payable and accrued expenses	(265)	(1,306)
Claims payable	4,052	(1,941)
Deferred revenues	(695)	476
Accrued future care costs	963	1,991
Due to Archdiocesan parishes	199	963
Priests' retirement liability	15,643	14,474
Other liabilities	(3,056)	1,810
Net cash from operating activities	<u>18,163</u>	<u>19,277</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net decrease (increase) in restricted cash and investments	(497)	389
Net increase (decrease) in short-term cash investments	7,556	(5,316)
Payments for the purchase of investments	(501,432)	(498,237)
Proceeds from sale of investments	482,523	489,496
Disbursement of loans to Archdiocesan parishes	(9,445)	(4,555)
Repayment of loans by Archdiocesan parishes	6,544	6,982
Disbursement of other notes receivable	(13,017)	
Repayment of other notes receivable	21	
Payments for additions to property and equipment	(20,757)	(12,219)
Proceeds from sale of property	37	34
Net cash from investing activities	<u>(48,467)</u>	<u>(23,426)</u>

(Continued)

## ARCHDIOCESE OF ST. LOUIS

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in deposit liabilities	\$ (3,703)	\$ (1,778)
Contributions restricted for long-term investment	296	234
Contributions restricted for purchase of property and equipment	10,865	16,241
Payments on notes payable	(453)	(749)
Borrowings on notes payable	<u>15,111</u>	<u>2,077</u>
Net cash from financing activities	<u>22,116</u>	<u>16,025</u>
INCREASE (DECREASE) IN CASH	(8,188)	11,876
CASH — Beginning of year	<u>23,329</u>	<u>11,453</u>
CASH — End of year	<u>\$ 15,141</u>	<u>\$ 23,329</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,439	\$ 2,829
Noncash investing and financing transactions:		
Net payable on unsettled investment purchases and sales	(33)	16,966
Property and equipment additions included in accounts payable and accrued expenses	1,963	2,265
Contributions received of property and equipment	138	201
Contributions pledged for property and equipment	769	18,552
Contributions pledged for long-term investments		9,275

See notes to consolidated financial statements.

(Concluded)

# THE ARCHDIOCESE OF ST. LOUIS

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	Program						Support			Total Expenses
	Catholic Charities	Education	Administration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	Total	
2011										
Salaries	\$ 33,016	\$ 24,365	\$ 685	\$ 7,470	\$ -	\$ 65,536	\$ 7,417	\$ 3,698	\$ 11,115	\$ 76,651
Health and retirement benefits	7,498	4,559	161	1,999		14,217	1,501	683	2,184	16,401
Payroll taxes	2,345	1,702	49	427		4,523	488	265	753	5,276
Total salaries and related expenses	42,859	30,626	895	9,896	-	84,276	9,406	4,646	14,052	98,328
Occupancy	5,232	2,718	4	1,648		9,602	1,246	90	1,336	10,938
Supplies and equipment	5,444	2,679	111	1,703	1	9,938	1,070	1,030	2,100	12,038
Fees and services	6,312	2,176	3,595	3,355	2,303	17,741	2,062	1,736	3,798	21,539
Assistance to individuals	7,742	24		62		7,828				7,828
Insurance claims and premiums paid	1,176	811	43,483	272		45,742	261	28	289	46,031
Grants and assessments	223	710	9,313	1,332		11,578	7	25	32	11,610
Interest expense	1,589			1	10,183	11,773	2		2	11,775
Other expenses	989	187	65	686	23	1,950	398	127	525	2,475
Provision for doubtful accounts	236	985		8	4,545	5,774	577		577	6,351
Provision for future care costs				3,787		3,787				3,787
Depreciation	4,521	2,927		1,107		8,555	2,308	28	2,336	10,891
Total expenses	\$ 76,323	\$ 43,843	\$ 57,466	\$ 23,857	\$ 17,055	\$ 218,544	\$ 17,337	\$ 7,710	\$ 25,047	\$ 243,591

(Continued)

# THE ARCHDIOCESE OF ST. LOUIS

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	2010	Program						Support		Total Expenses
		Catholic Charities	Education	Adminis- tration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	
Salaries	\$ 32,753	\$ 24,154	\$ 476	\$ 8,582	\$ -	\$ 65,965	\$ 7,268	\$ 3,553	\$ 10,821	\$ 76,786
Health and retirement benefits	7,823	7,601	101	2,383		17,908	1,478	693	2,171	20,079
Payroll taxes	2,344	1,686	32	516		4,578	482	254	736	5,314
Total salaries and related expenses	42,920	33,441	609	11,481	-	88,451	9,228	4,500	13,728	102,179
Occupancy	4,926	2,082	3	1,640		8,651	1,464	86	1,550	10,201
Supplies and equipment	5,427	2,568	41	1,704	1	9,741	1,324	1,167	2,491	12,232
Fees and services	5,913	2,708	2,662	3,373	2,130	16,786	1,940	3,200	5,140	21,926
Assistance to individuals	7,512	40		15		7,567				7,567
Insurance claims and premiums paid	1,256	865	38,375	414		40,910	287	30	317	41,227
Grants and assessments	178	809	10,413	2,249		13,649	2	15	17	13,666
Interest expense	1,484				6,960	8,444	3		3	8,447
Other expenses	950	72	11	910	24	1,967	331	119	450	2,417
Provision for doubtful accounts	681	1,022		(103)		1,600	(770)		(770)	830
Provision for future care costs				1,991		1,991				1,991
Depreciation	4,490	2,821		1,199		8,510	2,203	21	2,224	10,734
Total expenses	\$ 75,737	\$ 46,428	\$ 52,114	\$ 24,873	\$ 9,115	\$ 208,267	\$ 16,012	\$ 9,138	\$ 25,150	\$ 233,417

See notes to consolidated financial statements.

(Concluded)

# ARCHDIOCESE OF ST. LOUIS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Organization** — The consolidated financial statements include the accounts of all the organizations (excluding parishes), which report to the Archbishop of St. Louis and which operate under the auspices of the Archdiocese of St. Louis (the “Archdiocese”). The parishes of the Archdiocese are excluded from the consolidated financial statements because the Archdiocese does not maintain an economic interest in the parishes. These organizations generally are grouped as follows:

*Catholic Charities* — Entities of the Archdiocese which provide social services to residents of the Archdiocese through three primary areas: elderly services, children services, and family and community services.

*Education* — Catholic Education Office, Archdiocesan and regional high schools, Department of Special Education, and St. Mary’s Special School, all of which maintain a mission to deliver high quality Catholic education to residents of the Archdiocese.

*Administration* — Entities of the Archdiocese which provide administrative services and financial support to parishes, schools, and agencies of the Archdiocese.

*Other Ministries* — Catholic Cemeteries, Kenrick-Glennon Seminary, clergy-related offices, St. Louis Review, Mission Office, and other entities that serve the other pastoral needs of the residents of the Archdiocese.

*The St. Louis Archdiocesan Fund (the “Fund”)* — A separate charitable trust that encompasses the majority of the financial and investment activities of the Archdiocese.

All significant intradiocesan balances and transactions have been eliminated.

**Cash** — The Archdiocese maintains its cash accounts primarily with banks located in Missouri. The Archdiocese has cash balances on deposit with Missouri banks at June 30, 2011 in the amount of \$618 that exceeded the balance insured by the Federal Deposit Insurance Corporation.

**Restricted Cash and Investments** — Restricted cash and investments represent funds whose use is limited under U.S. Department of Housing and Urban Development (HUD) regulatory agreements, State of Missouri Department of Labor (MDOL) requirements, escrow amounts related to environmental liabilities or for construction.

**Investments** — Investments are carried at fair value based on quoted market prices when available. When a market price is not readily available, management estimates the fair value based on information obtained from the investment custodian or the investment manager. Net realized gains or losses on sales of investments are based on the difference between the proceeds received and the cost of the investments sold. Sales and purchases of investments are recognized based upon the trade date of each transaction. Recording transactions based upon trade date results in a net payable or receivable at year-end on unsettled purchases and sales. Investment income or loss (including realized and unrealized gains and

losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets in investment gain (loss) unless such income or loss is temporarily or permanently restricted by explicit donor stipulation or by law.

**Grants, Pledges and Bequests Receivable** — Grants, pledges and bequests receivable that are expected to be collected within one year are recorded at net realizable value. Grants, pledges, and bequests receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

**Loans to Archdiocesan Parishes** — Loans are made by the Fund to parishes. They are reported at their outstanding principal balance plus unpaid accrued interest.

The allowance for uncollectible loans represents management's estimate of probable losses inherent in the Fund's lending activities, including unfunded lending commitments. Credit exposure deemed to be uncollectible is charged against this account. Cash recovered on previously charged off amounts is recorded as a recovery to this account. The Fund performs periodic and systematic detailed reviews of its lending portfolio to identify credit risk and to assess the overall collectability of the portfolio. Loans are reviewed on an individual basis and assigned a credit rating. When assessing credit risk, the Fund considers such factors as payment history, financial stability, and leadership.

**Other Notes Receivable** — Loans have been made to non-affiliated entities of the Archdiocese. The notes have various payment terms with interest rates up to 4.25%. Remaining loan terms range from 1 to 6 years.

**Due from/to Archdiocesan Parishes** — The Archdiocese has receivables and payables resulting from operating and investing transactions with the parishes.

**Cemetery Land and Improvements Available for Interment and Mausoleums** — Land and improvements available for interment and mausoleums are recorded at original cost plus the cost of improvements, reduced by the cost of land sold.

**Other Assets** — Other assets primarily include prepayments for goods or services not yet received, prepaid pension benefits, deferred financing costs and assets held for sale. Deferred financing costs represent costs incurred to obtain financing for construction of facilities. These costs have been deferred and are being amortized over the term of the related obligation.

**Property and Equipment** — Property and equipment are recorded at cost and are depreciated using the straight-line method over the following useful lives:

Land improvements	10–25 years
Buildings and building improvements	5–40 years
Furniture, fixtures, and equipment	3–10 years

**Impairment of Assets** — If facts and circumstances suggest that a long-lived asset, or related group of assets, may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset, or related group of assets, is not recoverable based on projected undiscounted net cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

**Claims Payable** — Claims payable generally represents an estimated aggregate liability expected to be incurred, based upon actual claims data and estimates of claims incurred but not yet reported for the Self-Funded Employee Benefit Plan and the Office of Risk Management (see Note 7). Estimates for legal actions include the attorney fees anticipated to resolve unsettled matters.

**Deferred Revenues** — Deferred revenues consist of tuition and student fees received in advance, entrance fees for retirement living accommodations, grant funds that have not been spent on program services, proceeds received for interment services not yet performed, and subscription proceeds received in advance of circulation. Tuition and student fees collected in advance are recognized on a straight-line basis as revenue in the following fiscal school year. Grant funds that have not been spent on program services are deferred until the expense is incurred. Revenues for interment services not yet performed are deferred until the services are performed. Revenues for subscriptions are deferred until the circulation is performed.

Residents of retirement living facilities pay a one-time entrance fee entitling them to accommodations for as long as they are able to live independently. Of the entrance fee paid by residents, 75% is recorded as deferred revenue and is amortized into income using the straight-line method over the estimated life of the building. The remaining 25% (the “25% Deferred Revenue Amount”) is recorded as deferred revenue and is amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. Upon termination of a lease, the resident, or their estate, is entitled to a refund equal to 75% (the “75% Subsequent Entrance Fee”) of the subsequent tenant’s entrance fee.

Refund of the 75% Subsequent Entrance Fee is contingent upon the Archdiocese securing a subsequent tenant and obtaining the subsequent tenant’s entrance fee. Upon termination of a lease, any remaining portion of the 25% Deferred Revenue Amount is recognized as revenue in the same period.

Effective July 1, 2002, the Archdiocese changed its 75% Subsequent Entrance Fee policy. Vacating tenants who signed lease agreements on July 1, 2002 or later (the “Post-Change Tenants”) are entitled to a refund equal to 75% of the entrance fee they paid rather than 75% of the subsequent tenant’s entrance fee. This refund is still contingent upon the Archdiocese securing a subsequent tenant and obtaining the subsequent tenant’s entrance fee. To the extent that 75% of the entrance fee paid by the subsequent tenant exceeds the refund paid to the vacating tenant, the difference will be recorded as deferred revenue and will be amortized into income using the straight-line method over the remaining life of the building. This policy change has no impact on the accounting for the 25% Deferred Revenue Amount from that described above.

**Accrued Future Care Costs** — In connection with each sale of a lot or crypt, the Catholic Cemeteries of the Archdiocese of St. Louis (the “Cemeteries”) contractually agrees to provide certain perpetual endowed care maintenance of the lot or crypt. Accrued future care costs represent the estimated contractual costs of the Cemeteries to maintain its existing graves and crypts in the future, discounted to present value at the rate of 8.25% in 2011 and 2010. The maintenance costs used to estimate the liability are based upon a five-year rolling average and are assumed to escalate at an inflation rate of 3.25% per year in 2011 and 2010. The change in this estimated liability from the beginning to the end of each year is recorded as a provision for future costs within program expenses in the consolidated statements of activities.

Funds received and designated for endowed care are invested, but not legally restricted; therefore, they are not segregated in the accompanying consolidated statements of financial position.

**Other Liabilities** — Other liabilities primarily include the present value of annuity liabilities, environmental liabilities, for which an escrow is recorded in restricted cash and investments, refundable advances, early teacher retirement liabilities, and unfunded pension obligations.

**Environmental Liabilities** — The Archdiocese establishes a liability for environmental liabilities when it is probable that a liability has been incurred and the Archdiocese has the ability to reasonably estimate the liability. The Archdiocese is subject to environmental remediation related to a previously donated property. The Archdiocese subsequently sold the property. At June 30, 2011 and 2010, the Archdiocese accrued \$3,365 and \$3,371, respectively for the estimated cost of remediation. The estimate is not discounted, as the timing of the anticipated cash payments is not fixed or readily determinable. The Archdiocese is unable to predict with certainty the ultimate resolution of such liability, but expects it to extend several years into the future.

**Net Assets** — The following is a description of the three classifications of net assets:

*Unrestricted Net Assets* represent those net assets whose use is not restricted by donors. Unrestricted net assets include amounts designated by the Archdiocese for specific purposes. Unrestricted net assets of certain consolidated organizations are designated because such net assets are to be used solely to support the operations of that specific organization. Net assets equal to the net book value of property and equipment net of the related notes payable, are designated as the existence of such net assets and creates a limitation on the use of those net assets. Negative undesignated net assets reflect liabilities that are expected to be repaid with future revenue sources.

*Temporarily Restricted Net Assets* represent those net assets whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Archdiocese pursuant to those stipulations.

*Permanently Restricted Net Assets* represent those net assets whose use has been limited by donor-imposed stipulations that they must be maintained in perpetuity, the income of which is to be used by the Archdiocese in accordance with the stipulations imposed by the donor.

**Noncontrolling interest in subsidiaries** — In January 2010, Accounting Standard Update No. 2010-07, *Not-For-Profit Entities (Topic 958), Not-for-Profit Entities: Merger and Acquisitions* was issued, which made certain consolidation guidance applicable to not-for-profits.

The guidance requires the presentation of noncontrolling interests in the net assets of consolidated entities to be reported as a separate component of the appropriate class of net assets in the consolidated balance sheets and the amount of consolidated excess of revenues over expenses attributable to the Archdiocese and the noncontrolling interest. The Archdiocese adopted this guidance as of July 1, 2010 retrospectively to all periods presented. The following changes in presentation of noncontrolling interest were made to the 2010 financial statements:

- Noncontrolling interests of \$2,612 were reclassified from other liabilities to unrestricted net assets attributable to noncontrolling interests in the consolidated statement of financial position.
- Consolidated change in net assets was recast to include excess of revenues over expense attributable to both the Company and noncontrolling interests.
- The consolidated statement of cash flows now begin with the change in net assets (including noncontrolling interests) and is no longer a reconciling item in arriving at net cash provided by

operation activities. Distribution and contributions to/from noncontrolling owners are reported in cash flows from financing. In 2011 and 2010, there were no distributions or contributions.

**Contributions, Pledges, Bequests and Grants** — The Archdiocese recognizes contributions, pledges, bequests, and grants as revenue at the time an unconditional promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are specified for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted revenue that increases those net assets.

During 2011 and 2010, fund-raising revenue was \$5,983 and \$7,219, net of direct fund-raising expenses of \$2,672 and \$2,870, respectively, and is included in contributions, pledges, bequests, and grants in the consolidated statements of activities.

**Government Fees and Grants** — Government fees and grant revenue are recognized as expenses are incurred.

**Contributed Property** — Contributed property and equipment is recorded at fair value at the date of donation and is reported as unrestricted contribution revenue. Contributions of cash and other assets restricted to the acquisition of property and equipment is reported as temporarily restricted revenue; those restrictions expire when the property and equipment is placed in service by the Archdiocese. Contributions of such property and equipment of \$138 in 2011 and \$201 in 2010, which approximates the fair values at the dates of donation, are included in the consolidated financial statements.

**In-Kind Contributions** — Included as contribution revenue in the consolidated financial statements are in-kind contributions of goods and services, excluding contributed property and equipment, of \$4,121 in 2011 and \$4,361 in 2010. Contributed goods are recorded at fair market value at the date of contribution. Contributed services represent the excess of estimated professional worth over salary paid to the person providing such services. Estimated professional worth is determined by researching comparable professional salaries in the community.

**Net Patient Service Revenue** — Net patient service revenue, which is included in fees and services, is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Payment for services under the Medicaid program is based on defined prospective cost of service rather than on the basis of standard billing rates for such services. Services rendered to Part A Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient's classification within the "resource utilization grouping" system. Services rendered to Part B Medicare program beneficiaries are paid based on the Medicare allowable fee schedule.

**Expenses** — The Archdiocese categorizes its expenses as follows:

*Program expenses* relate to activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the organization exists. The Archdiocese considers all

expenses, excluding fund-raising expenses, of certain of its organizations to be program expenses as those organizations exist solely to fulfill a specific purpose/mission of the Archdiocese.

*Management and general expenses* relate to administrative activities that are not identifiable with a single program or fund-raising activity but that are indispensable to the conduct of those activities and to the Archdiocese's existence.

*Fund-raising expenses* relate to activities that involve inducing potential donors to contribute financially or in-kind to the Archdiocese.

**Income Taxes** — The Archdiocese is a not-for-profit organization as described under Section 501(c)3 of the Internal Revenue Code and is exempt from federal income tax under the provisions of Section 501(a). Income taxes are provided on net taxable income from unrelated business activities and do not have a material impact on the consolidated financial statements. The Archdiocese does not have any uncertain tax positions.

**Fair Value of Financial Instruments** — The carrying amounts of accounts receivable, due to/from Archdiocesan parishes, accounts payable and accrued expenses, claims payable and other liabilities approximate fair value due to the short period to maturity. The grants, pledges and bequests receivable, and the loans receivable from Archdiocesan parishes approximate fair value due to the similarity of the discount or interest rates with the current market rates of return on investments with similar maturities. The demand and money market deposit liabilities issued by the Fund approximate fair value because they earn interest at agreed-upon rates which approximate market rates. Customer time deposits are issued with a stated maturity between three months and five years with a fixed interest rate for the term of the instrument. Included in total deposits is \$40,630 in 2011 and \$45,157 in 2010 of time deposits, with a fair value of approximately \$40,876 in 2011 and \$45,586 in 2010. The fair value of the notes payable, excluding the HUD mortgages eligible for forgiveness and other forgivable loans, using current interest rates for similar debt, is estimated to be approximately \$24,991 in 2011 and \$25,822 in 2010 compared to the book value of \$20,747 in 2011 and \$21,935 in 2010. Forgivable loans are excluded as the loans do not mature or bear interest. Therefore, the estimate of fair value is not practicable.

**Fair Value Measurements** — Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. These principals apply to fair value measurements required under other accounting guidance that require or permit fair value measurement, the Financial Accounting Standards Board (FASB) having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The Archdiocese reports its restricted and unrestricted investment portfolio at fair value.

The ASC defines fair value and establishes a hierarchal framework which prioritizes and ranks the market price observability used in fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The inputs used to measure fair value must be classified into one of three levels as follows:

*Level 1* — Quoted prices in an active market for identical assets and liabilities;

*Level 2* — Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and

model-derived prices whose inputs are observable or whose significant value drivers are observable. Specifically, values for government securities (other than U.S. Treasury securities), municipal bonds and most corporate bonds are primarily derived from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include market interest rates and volatilities, credit spreads and yield curves. Values for mortgage-backed securities are primarily derived from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include credit default rates, credit prepayment rates and loss severity ratios. Values for publically held mutual fund investments and privately held comingled fund investments are based on the net asset value calculated for the pooled fund of which the Archdiocese owns a percentage. The calculated net asset value is based the aggregation of values for the individual securities comprising the pool, primarily foreign equity securities, which are based on quoted prices for identical assets in active, foreign markets accessible at the measurement date. There are no restrictions on investment redemption related to these pooled funds; and

*Level 3* — Assets and liabilities whose significant value drivers are unobservable. Unobservable inputs reflect the Archdiocese's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. The Archdiocese has considered discounted cash flows of its guaranteed insurance contract in determining value.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Archdiocese's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment. In accordance with this guidance, the Archdiocese is not permitted to adjust quoted market prices in an active market, even if the Archdiocese owns a large investment, the sale of which could reasonably impact the quoted prices. See Note 4, Fair Value Measurements, for further details on the Archdiocese's assets measured at fair value.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

The Archdiocese invests in various securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could materially affect the amounts reported in the consolidated statements of financial position.

**Change in Presentation** — In prior years, the Archdiocese reported cash flows from contributions restricted for property and equipment as operating activities in the cash flow statement. Because these contributions were restricted for long term investment, they should have been reflected as financing activities. In the 2011 cash flow statement, these amounts are properly reflected as financing activities. The 2010 cash flow statement has been restated to reflect this correction. Contributions for property and equipment in 2010 previously reflected in operating cash flows were \$33,978 and are now reported as \$16,241 of financing cash flows and \$17,737 of noncash financing activities.

## 2. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at June 30, 2011 and 2010, consist of the following:

	2011	2010
Restricted accounts at FDIC insured financial institutions	\$ 3,605	\$ 2,892
Money Markets — U.S. Government securities	5,987	5,718
U.S. Treasury bonds	3,080	3,576
Guaranteed insurance contracts	<u>324</u>	<u>313</u>
Total restricted cash and investments	<u>\$ 12,996</u>	<u>\$ 12,499</u>

HUD regulatory agreements limit the use of \$5,351 of the total restricted cash and investments in 2011 and \$4,689 in 2010. MDOL requirements limit the use of the U.S. Treasury bonds.

## 3. INVESTMENTS

Investments at June 30, 2011 and 2010, consist of the following:

	2011	2010
Short-term money market investments	\$ 12,253	\$ 19,809
Equities	119,007	98,994
Publicly held mutual fund investments	76,583	59,413
Privately held comingled fund investments	36,858	32,030
U.S. government and agency securities	93,046	91,907
Foreign government securities	3,237	
Corporate and municipal bonds	56,276	44,449
Mortgage-backed securities	<u>109,775</u>	<u>100,402</u>
Total investments held in The St. Louis Archdiocesan Fund	<u>507,035</u>	<u>447,004</u>
Money Market — U.S. Government securities	11	17
Corporate and municipal bonds	320	306
Publicly held mutual fund investments	<u>973</u>	<u>920</u>
Total investments held outside of The St. Louis Archdiocesan Fund	<u>1,304</u>	<u>1,243</u>
Total investments	<u>\$ 508,339</u>	<u>\$ 448,247</u>

Income from investments consists of the following:

	2011	2010
Interest and dividend income	\$ 12,474	\$ 11,587
Net realized and unrealized gain	<u>65,738</u>	<u>43,892</u>
Total investment income	<u>\$ 78,212</u>	<u>\$ 55,479</u>

#### 4. FAIR VALUE MEASUREMENTS

The valuation of assets measured at fair value in the Archdiocese's Statement of Financial Position at June 30, 2011 and 2010 is summarized below:

	Fair Value Measurements at June 30, 2011			
	Fair Value June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	\$ 12,253	\$ 12,253	\$ -	\$ -
Equities	119,007	118,965	42	
Publicly held mutual fund investments	76,583		76,583	
Privately held comingled fund investments	36,858		36,858	
U.S. government and agency securities	93,046	81,213	11,833	
Foreign government securities	3,237		3,237	
Corporate and municipal bonds	56,276		53,102	3,174
Mortgage-backed securities	<u>109,775</u>		<u>109,775</u>	
Investment held in The St. Louis Archdiocesan Fund	<u>507,035</u>	<u>212,431</u>	<u>291,430</u>	<u>3,174</u>
Money Market — U.S. Government securities	11	11		
Corporate and municipal bonds	320		320	
Publicly held mutual fund investments	<u>973</u>		<u>973</u>	
Investment held outside of The St. Louis Archdiocesan Fund	<u>1,304</u>	<u>11</u>	<u>1,293</u>	
Total investments	<u>\$508,339</u>	<u>\$212,442</u>	<u>\$292,723</u>	<u>\$3,174</u>
Money Market - U.S. Government securities	\$ 5,987	\$ 5,987	\$ -	\$ -
U.S. Treasury bonds	3,080	3,080		
Guaranteed insurance contracts	<u>324</u>			<u>324</u>
Restricted cash and investments (see Note 2)	<u>\$ 9,391</u>	<u>\$ 9,067</u>	<u>\$ -</u>	<u>\$ 324</u>

**Fair Value Measurements at June 30, 2010**

	<b>Fair Value June 30, 2010</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Short-term money market investments	\$ 19,809	\$ 19,809	\$ -	\$ -
Equities	98,994	98,994		
Publicly held mutual fund investments	59,413		59,413	
Privately held comingled fund investments	32,030		32,030	
U.S. Government and agencies securities	91,907	86,740	5,167	
Corporate and municipal bonds	44,449		41,082	3,367
Mortgage-backed securities	<u>100,402</u>		<u>93,506</u>	<u>6,896</u>
Investment held in The St. Louis Archdiocesan Fund	<u>447,004</u>	<u>205,543</u>	<u>231,198</u>	<u>10,263</u>
Short-term cash investments	17	17		
Corporate and municipal bonds	306		306	
Publicly held mutual fund investments	<u>920</u>	<u>920</u>		
Investment held outside of The St. Louis Archdiocesan Fund	<u>1,243</u>	<u>937</u>	<u>306</u>	<u>-</u>
<b>Total investments</b>	<b><u>\$448,247</u></b>	<b><u>\$206,480</u></b>	<b><u>\$231,504</u></b>	<b><u>\$10,263</u></b>
Short-term cash investments	\$ 2,892	\$ 2,892	\$ -	\$ -
Money Market — U.S. Government securities	5,718	5,718		
U.S. Treasury bonds	3,576	3,576		
Guaranteed insurance contracts	<u>313</u>			<u>313</u>
Restricted cash and investments (see Note 2)	<u>\$ 12,499</u>	<u>\$ 12,186</u>	<u>\$ -</u>	<u>\$ 313</u>

Certain issues may be transferred between Level 1 and Level 2 if the observability of inputs changes relative to a security's pricing during the period. There were no significant transfers between Level 1 and Level 2 during the years ended June 30, 2011 and 2010.

Additional information pertaining to the changes in the fair value of the Archdiocese's investments classified as Level 3 for the years ended June 30, 2011 and 2010 is presented below:

	Year ended June 30, 2011			Year ended June 30, 2010		
	Mortgage-backed Securities	Corporate Securities	Total	Mortgage-backed Securities	Corporate Securities	Total
Investments:						
Balance — July 1	\$ 6,896	\$ 3,367	\$ 10,263	\$ -	\$ 9,377	\$ 9,377
Net gains (losses)	(31)	242	211		583	583
Purchases			-	6,896	360	7,256
Sales and settlements	(6,865)	(435)	(7,300)		(7,470)	(7,470)
Transfers in			-		1,141	1,141
Transfers out			-		(624)	(624)
Balance — June 30	<u>\$ -</u>	<u>\$ 3,174</u>	<u>\$ 3,174</u>	<u>\$ 6,896</u>	<u>\$ 3,367</u>	<u>\$ 10,263</u>
Restricted investments:						
Balance — July 1			\$ 313			\$ -
Net gains (losses)			11			
Transfers in						313
Balance — June 30			<u>\$ 324</u>			<u>\$ 313</u>

Transfers into Level 3 represent existing assets for which previously observable significant inputs in the valuation became unobservable during the current year due to inactive markets. Transfers out of Level 3 represent existing assets for which previously unobservable significant inputs in the valuation became observable during the current year due to active markets.

## 5. GRANTS, PLEDGES AND BEQUESTS RECEIVABLE

Grants, pledges and bequests receivable at June 30, 2011 and 2010, consist of the following:

	2011	2010
Due in less than one year	\$22,649	\$21,016
Due in one to five years	13,131	26,760
Due in more than five years	2,743	1,571
Less discounts	<u>(746)</u>	<u>(1,074)</u>
Grants, pledges and bequests receivable before allowance for doubtful accounts	37,777	48,273
Allowance for doubtful accounts	<u>(4,876)</u>	<u>(2,684)</u>
Grants, pledges and bequests receivable	<u>\$32,901</u>	<u>\$45,589</u>

## 6. LOANS TO ARCHDIOCESAN PARISHES

Loans represent amounts receivable from parishes with various payment terms bearing interest at variable rates that approximate market for loans of similar terms. The average variable rates for 2011 and 2010 were 4.4% and 5.0%, respectively. Remaining loan terms range from 1 to 17 years. At

June 30, 2011, the Fund has committed to extend an additional \$9,275 under line of credit arrangements with certain parishes.

Changes in the allowance for uncollectible loans for the years ended June 30, 2011 and 2010 consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Allowance for uncollectible loans — beginning of year	\$ 1,537	\$ 1,537
Provision for uncollectible loans	<u>4,545</u>	<u>          </u>
Allowance for uncollectible loans — end of year	<u>\$ 6,082</u>	<u>\$ 1,537</u>

If, in the judgment of management, it appears that timely repayment of a loan is not likely, the loan may be placed on a non-accrual status, assigned a higher risk rating and placed on a loan watch list. Impaired loans for the years ended June 30, 2011 and 2010, consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Outstanding balance of impaired loans	\$ 5,597	\$ -
Allowance for loan loss on impaired loans	<u>4,545</u>	<u>          </u>
Balance of impaired loans with no specific loan allowance	<u>\$ 1,052</u>	<u>\$ -</u>

Upon placing a loan on non-accrual status, interest earned is no longer recognized on the Fund's statement of activities. Payments received are applied to principal reduction. Interest earned is deferred until the borrower's financial condition warrants removal from a non-accrual status, or the principal balance is fully paid.

## 7. SELF-INSURANCE

The Archdiocese administers a Self-Funded Employee Benefit Plan (the "Plan"). The Plan purchases health insurance coverage for claims in excess of certain amounts. Such coverage also is effective if aggregate cash payments exceed defined limits. The dollar limit above which coverage is provided, and the related cash basis claim payments made during 2011 and 2010, are as follows:

	<b>2011</b>	<b>2010</b>
Aggregate claims limitation	\$ 29,794	\$ 19,501
Cash basis claims paid	27,811	18,067

The Archdiocese has an Office of Risk Management (the "Office"). The Office provides self-insurance for property, general liability, and workers' compensation coverage up to \$1,500, \$500, and \$500 per occurrence, respectively. The Office procures additional property, general liability, and workers' compensation insurance coverage in amounts considered appropriate by the management of the Archdiocese. Medical malpractice is included within general liability insurance. The coverages resulted in total receivables of \$613 and \$991 at June 30, 2011 and 2010, respectively, which are included in accounts receivable. In accordance with the MDOL requirements, the Office maintains escrowed

securities, which are included in restricted cash and investments, and a letter of credit of \$900, to be used in the event claim obligations are not met.

## 8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010, consist of the following:

	2011	2010
Land and land improvements	\$ 44,891	\$ 37,970
Buildings and building improvements	239,995	229,693
Furniture, fixtures and equipment	29,645	30,200
Construction in progress	<u>14,068</u>	<u>14,021</u>
Property and equipment — at cost	328,599	311,884
Less accumulated depreciation	<u>(143,195)</u>	<u>(135,119)</u>
Property and equipment — net	<u>\$ 185,404</u>	<u>\$ 176,765</u>

At June 30, 2011, the Archdiocese had outstanding construction commitments of \$32,736.

## 9. DEPOSIT LIABILITIES

Deposit liabilities represent funds on deposit primarily from parishes and at June 30, 2011 and 2010, are as follows:

	2011	2010
DEPOSITORS' FUND:		
Demand accounts	\$ 11,904	\$ 11,339
Money market accounts	35,233	30,832
Three month deposits	648	844
Six month deposits	4,525	7,841
Nine month deposits	168	161
One year deposits	18,456	18,483
Two year deposits	5,893	5,301
Three year deposits	7,509	8,425
Four year deposits	2,886	3,546
Five year deposits	112	109
Priests' deferred compensation	<u>433</u>	<u>447</u>
Total Depositors' Fund	<u>87,767</u>	<u>87,328</u>
RESTRICTED FUND:		
Non-endowed unrestricted funds	4,471	3,908
Donor restricted and internally designated funds	34,694	30,863
Annuities	<u>4,064</u>	<u>3,341</u>
Total Restricted Fund	<u>43,229</u>	<u>38,112</u>
Total Deposit Liabilities	<u>\$ 130,996</u>	<u>\$ 125,440</u>

The average annual interest rates offered on term deposits for the years ended June 30, 2011 and 2010, respectively, were .31% to 8.00% and .60% to 8.00%. The annual average rates of return paid on the

Restricted Fund pooled investment assets for the years ended June 30, 2011 and 2010, respectively, were 23.00% and 15.03%.

Deposits to and withdrawals from the Depositors' Fund are allowed at any time subject to early withdrawal penalties on time deposits and excess monthly withdrawal penalties on money market deposits. The Restricted Fund is used by the depositors to invest amounts which are either unrestricted and undesignated, unrestricted and designated, temporarily restricted or permanently restricted by the donor. The principal of temporarily restricted and internally designated amounts placed in the Restricted Fund may be withdrawn only when the donor-imposed restriction or internal designation is satisfied. Earnings and principal generally may be withdrawn from the Restricted Fund twice a year.

Accounts in the Restricted Fund are assigned to one of several plans based upon restrictions or designations placed upon the funds. Each plan has many accounts, each of which consists of three components: equity securities, fixed income securities, and cash accounts. Performance returns are calculated separately for each of the three components within the portfolio and allocated to each account based upon the percentage of equity securities, fixed income securities, and cash within the account during each month. The entire return from funds invested in the Restricted Fund is allocated each month to the accounts held in the Restricted Fund.

#### 10. NOTES PAYABLE

At June 30, 2011 and 2010, notes payable consist of the following:

	2011	2010
Bonds payable to Gershman Investment Corporation ("Gershman"); require monthly payments of principal and interest at 5.7%; matures 2041; secured by deeds of trust on property at Mary Queen and Mother Association; insured by HUD	\$ 10,620	\$ 10,755
Various mortgages maturing from 2021 to 2032; payable in monthly installments of principal and interest ranging from 6.875% to 9.25% by Cardinal Ritter Senior Services Apartments to HUD or financial institutions with HUD guarantees; secured by deeds of trusts	10,114	10,427
HUD mortgages eligible for forgiveness (see below)	35,593	31,584
Notes payable to NFF New Markets Fund VIII, LLC; requires quarterly payments of interest at 1.394% through July, 2017, principal and interest payments at 5.57% thereafter; matures 2045	10,726	
Other loans at St. Patrick Center, Rosati Apartments LP or Queen of Peace Center eligible for forgiveness; secured by deed of trust	2,891	2,516
Other notes payable at various maturities; noninterest bearing	<u>13</u>	<u>157</u>
Total	<u>\$ 69,957</u>	<u>\$ 55,439</u>

Estimated maturities of the notes over the next five years are as follows:

2012	\$ 506
2013	522
2014	562
2015	604
2016	650
Thereafter	<u>28,629</u>
 Total	 31,473
HUD mortgages eligible for forgiveness	35,593
Other loans eligible for forgiveness	<u>2,891</u>
	 <u>\$ 69,957</u>

Interest expense related to the notes was \$1,569 and \$1,454 for the years ended June 30, 2011 and 2010, respectively.

**HUD Insured Mortgage with Gershman Investment Corp** — Mary Queen and Mother Association has a 5.7% HUD insured mortgage with Gershman in the original amount of \$11,500. The proceeds were used to renovate Mary Queen and Mother Association and retire debt. The Mortgage is secured by a Deed of Trust on all land of Mary Queen and Mother Association. On March 29, 2001, the Industrial Development Authority of the County of St. Louis, Missouri authorized the issuance of \$11,500 of Federal Housing Authority insured Health Care Facilities Revenue Bonds (GNMA Collateralized - Mary Queen and Mother Association Project) Series 2001, bearing interest between 3.8% and 5.5% and maturing on semi-annual dates through March 2041. By terms of the issue, St. Louis County has no direct obligation for payment of the bonds. The Series 2001 Bonds are secured by GNMA Securities in the amount of \$10,590 as of June 30, 2011 and \$10,723 as of June 30, 2010. The GNMA Securities are secured by the HUD insured mortgage. Gershman utilizes the mortgage proceeds to redeem the bonds as the bonds mature.

**HUD Mortgages Eligible for Forgiveness** — Good Shepherd Children and Family Services has a 15-year mortgage through St. Louis County. The remaining agencies with certified HUD projects have mortgages with 40-year terms through HUD. These mortgages bear no interest and repayment is not required as long as the housing remains available for the purpose stipulated in each HUD agreement. However, if these facilities are used for other purposes, the mortgages would be considered to be in default and the entire principal would become immediately payable. Assuming no event of default by the end of the mortgage term, HUD releases the borrower from any repayment obligation. These mortgages have been recorded at their full, undiscounted face value. The amounts related to each mortgage are as follows:

<b>Year of Maturity</b>		
2011	Good Shepherd Children and Family Services	\$ 127
2035	St. Agnes Apartments, Inc.	4,803
2037	Rosati Group Home	400
2038	Pope John Paul II Apartments, Inc.	4,970
2041	St. Patrick Apartments II, Inc.	4,327
2045	Holy Angels Apartments, Inc.	5,510
2045	St. Clare of Assisi Apartments, Inc.	1,536
2047	Holy Angels Apartments II, Inc.	5,265
2049	St. William Apartments, Inc.	4,646
2051	St. William Apartments II, Inc.	4,009
		<u>\$ 35,593</u>

## **11. EMPLOYEE AND PRIESTS' BENEFITS**

The Archdiocese participates in various defined contribution plans covering full-time employees of the Archdiocese who have completed one year of service and are not covered by other plans. Contributions under the plans are a percentage of participants' wages. Expense under these plans was \$2,252 and \$2,378 for the years ended June 30, 2011 and 2010, respectively.

The Archdiocese sponsors two defined benefit plans covering certain employees of Catholic Charities of St. Louis and the Catholic Cemeteries of St. Louis. These plans generally cover all eligible employees of these entities who have completed one year of service. Retirement benefits for the plans are based on compensation and years of service. Assets for these plans are largely invested with insurance companies and funding is determined by actuarial valuations or a percentage of compensation. The accumulated benefit obligation is recognized in the consolidated statements of financial position in other liabilities. Effective July 1, 2011, Catholic Charities of St. Louis amended its plan, which results in the following changes to the major plan provisions: 1) Benefit accruals shall cease for participants as of June 30, 2011; 2) Compensation after July 1, 2011 will not be included in the benefit calculation; and 3) No employee shall be eligible to become a plan participant in the Plan on or after the effective date.

The Archdiocese has a contractual obligation to a limited number of education personnel for early retirement incentive. The obligation is based on compensation at retirement.

In addition to the above employee benefit plans, the Archdiocese sponsors an unfunded defined benefit retirement plan for priests. All priests are eligible for the benefits upon retirement. The benefits include medical, disability, death, infirm and housing, and, in certain limited circumstances, salary continuation for early retirees. Effective June 30, 2011, the Archdiocese amended its retirement plan for priests which results in the following changes to the major program provisions: 1) Life insurance under this program has been eliminated; and 2) Retirement and housing benefits will only increase to the later of June 30, 2016 or the actual retirement date.

The Archdiocese uses a June 30 measurement date for its two defined benefit plans, the teacher's early retirement contractual obligation and for the priests' retirement plan.

Summary information for the plans at June 30 is as follows:

	Defined Benefit Plans		Priests' Retirement Benefits	
	2011	2010	2011	2010
Projected benefit obligation	\$ (29,967)	\$ (31,237)	\$ (104,415)	\$ (88,772)
Fair value of plan assets	<u>12,914</u>	<u>11,223</u>	<u>                    </u>	<u>                    </u>
Funded status	<u>(17,053)</u>	<u>(20,014)</u>	<u>(104,415)</u>	<u>(88,772)</u>
Accrued benefit cost	<u>\$ (17,053)</u>	<u>\$ (20,014)</u>	<u>\$ (104,415)</u>	<u>\$ (88,772)</u>
Accumulated benefit obligation	<u>\$ (29,030)</u>	<u>\$ (28,403)</u>		
Benefit costs	\$ 1,324	\$ 4,456	\$ 5,930	\$ 5,481
Employer contributions	1,678	1,655	4,672	5,007
Benefits paid	(2,258)	(1,631)	(4,672)	(5,007)
Net gain not recognized in current year expense	2,216	217	19,094	14,001

The pension plans recognized as a component of benefit cost for the years ended June 30, 2011 and 2010, the following:

	Plans	
	2011	2010
Transition cost	\$ 131	\$ 131
Net actuarial loss	(526)	(624)

Items not yet recognized as a component of net periodic pension cost at June 30, 2011 and 2010:

	2011	2010
Transition obligation	\$ (131)	\$ (261)
Net loss	<u>3,853</u>	<u>6,595</u>
	<u>\$ 3,722</u>	<u>\$ 6,334</u>

Estimated effect in the next fiscal year of amortizing items not yet recognized as a component of net periodic pension cost:

Transition obligation	\$ 131
Net loss	<u>(197)</u>
	<u>\$ (66)</u>

No plan assets are expected to be returned to the Archdiocese during the year ending June 30, 2012.

	Defined Benefit Plans		Priests' Retirement Benefits	
	2011	2010	2011	2010
Weighted-average assumptions:				
Discount rate	5.50%	5.50%	5.50%	5.50%
Expected return on plan assets	7.75%–8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.50%–4.00%	4.75%	N/A	N/A

The Archdiocese's long-term, annual rate-of-return-on-assets assumption is determined based upon a combination of review of historical returns on pension plan assets, and advice from the plan actuaries and investment managers as to general expectations of long-term prospective returns on plan assets.

Asset allocations for the defined benefit plans are as follows:

	2011	2010
Equity	63 %	58 %
Fixed income	26	27
Annuity	<u>11</u>	<u>15</u>
Total	<u>100 %</u>	<u>100 %</u>

For the two funded defined benefit plans, the Archdiocese makes investment decisions to seek to increase the value of plan assets while recognizing the need to preserve asset value in order to enhance the ability of the plans to meet their obligations to plan participants and their beneficiaries when due. The preservation of capital is of prime importance to achieve the stated objectives over a long-term time horizon. To achieve this obligation, the Catholic Charities of St. Louis plan maintains an investment composition of approximately 60% equity securities and 40% fixed income securities, including cash and cash equivalents. The Catholic Cemeteries of St. Louis plan maintains an investment composition of approximately 70% equity securities and 27% fixed income securities, including 3% cash.

In accordance with ASC 820-10, the Plans classify the pension plan investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. As required by ASC 820-10 assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The valuation of plan assets measured at fair value at June 30, 2011 and 2010 is summarized below:

Fair Value Measurements at June 30, 2011				
	Fair Value June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	\$ 1,415	\$1,415	\$ -	\$ -
U.S. government and agency securities	224	169	55	
Corporate bonds	266		266	
Common stock	1,268	1,268		
Common stock separate accounts	6,915		6,915	
Bond separate accounts	<u>2,826</u>		<u>2,826</u>	
Total investments	<u>\$12,914</u>	<u>\$2,852</u>	<u>\$10,062</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2010				
	Fair Value June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	\$ 1,649	\$1,649	\$ -	\$ -
U.S. government and agency securities	275	219	56	
Corporate bonds	265		265	
Common stock	1,028	1,028		
Common stock separate accounts	5,541		5,541	
Bond separate accounts	<u>2,463</u>		<u>2,463</u>	
Total investments	<u>\$11,221</u>	<u>\$2,896</u>	<u>\$ 8,325</u>	<u>\$ -</u>

The Archdiocese plans to contribute \$1,037 to the defined benefit plans and \$5,264 to the priests' retirement plan in 2012.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Defined Benefit Plans	Priests' Retirement Benefits		
		Gross Payments	Less Medicare Part D Subsidy	Net Payments
2012	\$ 4,438	\$ 5,348	\$ (84)	\$ 5,264
2013	4,758	5,583	(91)	5,492
2014	3,593	5,912	(99)	5,813
2015	1,709	6,222	(107)	6,115
2016	1,101	6,553	(115)	6,438
Years 2017–2021	9,997	34,256	(621)	33,635

The assumed future healthcare cost trend rate is approximately 8.0%–9.0%, gradually declining to 5.0% over five years.

In December 2003 the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent (as that term is defined in the Act) to Medicare Part D. ASC 715-60 *Compensation-Retirement Benefits*, permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act.

The Archdiocese recognized the effects of the Act on the Archdiocese’s priests’ retirement benefit obligation in 2005. The Archdiocese has qualified for the subsidy under the Act since the prescription drug benefits provided under the Archdiocese’s postretirement healthcare plan generally requires lower premiums from covered retirees and has lower deductibles than the benefits provided in Medicare Part D and, therefore, are “actuarially equivalent” to or better than the benefits provided under the Act. In addition, the Archdiocese does not anticipate any material change in the participation rate or per capita claims costs as a result of the Act. The subsidy lowered the priests’ retirement benefit obligation cumulatively by approximately \$2,084 and \$2,585 in 2011 and 2010, respectively, and reduced the net periodic benefit cost for 2011 by approximately \$149, including a \$37 reduction in service cost and \$112 reduction in interest cost on the benefit obligation.

## 12. LEASES

The Archdiocese leases office and warehouse facilities and various office equipment under operating leases expiring through 2028. At June 30, 2011, future minimum rental payments related to the noncancelable operating leases are as follows:

2012	\$ 1,175
2013	816
2014	562
2015	410
2016	122
Thereafter	<u>2,574</u>
Total	<u>\$ 5,659</u>

Rent expense was \$1,755 (\$87 of contributed rent) and \$1,828 (\$91 of contributed rent) in 2011 and 2010, respectively.

### 13. CONTINGENCIES

The Archdiocese is involved in various claims, proceedings, and legal actions. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. Among the pending or potential legal claims against the Archdiocese are some related to allegations of past sexual misconduct by clergy and others. While the ultimate resolution of claims, proceedings, or legal action cannot be predicted with certainty, management, based upon consultation with outside counsel, does not believe that any such claim, proceeding, or legal action, either alone or in the aggregate, will have a material adverse effect on the consolidated financial position and consolidated statements of cash flows of the Archdiocese but could be material to its changes in net assets in one or more future years.

### 14. NET ASSETS

Net assets at June 30, 2011 and 2010, are as follows:

	2011	2010
Unrestricted net assets:		
Undesignated:		
Administration	\$ (52,972)	\$ (47,816)
Education	(19,905)	(13,290)
Catholic Charities	(3,200)	(1,613)
Cumulative unrecognized pension loss	(3,722)	(6,334)
Aggregate deficiencies on board-designated endowments	(534)	(1,655)
Aggregate deficiencies on donor-restricted endowments	<u>(10)</u>	<u>(2,342)</u>
Total undesignated	<u>(80,343)</u>	<u>(73,050)</u>
Designated:		
Specific purposes designated by the Archdiocese	12,166	17,010
Property and equipment, net of notes payable	115,447	100,179
Endowments	17,282	15,517
Operations of consolidated organizations	<u>193,048</u>	<u>157,697</u>
Total designated	<u>337,943</u>	<u>290,403</u>
Noncontrolling interest in subsidiaries	<u>2,448</u>	<u>2,612</u>
Total unrestricted net assets	<u>260,048</u>	<u>219,965</u>
Temporarily restricted net assets:		
Time restricted	4,031	10,678
Purpose restricted:		
Capital expansion or replacement	30,509	35,050
Accumulated earnings on endowments	13,423	1,747
Other purposes	<u>3,603</u>	<u>3,294</u>
Total purposes restrictions	<u>47,535</u>	<u>40,091</u>
Total temporarily restricted net assets	<u>51,566</u>	<u>50,769</u>
Permanently restricted net assets:		
Endowments	74,883	74,575
Gift Annuities	<u>344</u>	<u>294</u>
Total permanently restricted net assets	<u>75,227</u>	<u>74,869</u>
Total net assets	<u>\$ 386,841</u>	<u>\$ 345,603</u>

## 15. ENDOWMENTS

The Archdiocese of St. Louis' endowments consist of approximately 90 individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Boards of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

All endowments within the consolidated financial statements of the Archdiocese are governed by an endowment fund operating policy which is considered to be the gift instrument. The policies follow a standard format with a few optional changes. The definition of "Contribution Base" is standard among all policies.

For purposes of the operating policies, the "Contribution Base" is the total amount of all contributions and other transfers that have been made to the Endowment Fund by (i) donors, (ii) the Parish, and (iii) the Endowment Committee out of Endowment Fund Income.

This policy was established at the time that Missouri law favored "historical dollar value". Missouri enacted the Uniform Prudent Management of Institutional Funds Act in August 2009.

All endowments within the consolidated financial statements have adopted the Total Return Spending Policy (TRSP) (formerly called the Prudent Person Guideline). The TRSP suggests an amount to be distributed which is designed to allow for a reasonable stream of distributions, while preserving the value of the Endowment against inflation and a volatile market. The calculation applies an applicable distribution percentage (based on investment allocation of the endowment) to the average value of the Endowment over a period of twelve calendar quarters. A distribution is allowed out of undistributed income only if undistributed income is positive. Appropriations from permanently restricted endowments may only be made upon receipt of further clarification from the donor or written approval from a donor to release principal from the endowment.

All endowments are invested in the Fund. The Endowment Committees of each account selects from a variety of plans, each of which consist of three components: equity securities, fixed income securities, and cash accounts. Performance returns are calculated separately for each of these three components within the portfolio and allocated to each account based upon the percentage of equity securities, fixed income securities, and cash within the account during each month. In the absence of donor stipulations or laws to the contrary, losses on the investments shall reduce temporarily restricted net assets and any remaining loss reduces unrestricted net assets.

### Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (10)	\$ -	\$ 13,423	\$ 74,883	\$ 88,296
Board-designated endowment funds	<u>(534)</u>	<u>17,282</u>	<u>_____</u>	<u>_____</u>	<u>16,748</u>
	<u>\$ (544)</u>	<u>\$ 17,282</u>	<u>\$ 13,423</u>	<u>\$ 74,883</u>	<u>\$ 105,044</u>

**Endowment Net Asset Composition by Type of Fund as of June 30, 2010**

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (2,342)	\$ -	\$ 1,747	\$ 74,575	\$ 73,980
Board-designated endowment funds	<u>(1,655)</u>	<u>15,517</u>	<u>          </u>	<u>          </u>	<u>13,862</u>
	<u>\$ (3,997)</u>	<u>\$ 15,517</u>	<u>\$ 1,747</u>	<u>\$ 74,575</u>	<u>\$ 87,842</u>

**Changes in Endowment Net Assets for the years ended June 30, 2011 and 2010**

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — June 30, 2009	\$ (11,746)	\$ 14,771	\$ 707	\$ 65,476	\$ 69,208
Investment return:					
Investment income		335	1,567	22	1,924
Net gain (realized and unrealized)		<u>1,470</u>	<u>6,583</u>	<u>55</u>	<u>8,108</u>
Total investment return	-	1,805	8,150	77	10,032
Contributions		636		9,446	10,082
Appropriation of endowment assets for expenditure		(247)	(1,231)	(2)	(1,480)
Other changes:					
Transfers for recovery of past deficiencies of endowment investments	7,749	(1,448)	(6,279)	(22)	-
Change in donor intent			<u>400</u>	<u>(400)</u>	<u>-</u>
Endowment net assets — June 30, 2010	(3,997)	15,517	1,747	74,575	87,842
Investment return:					
Investment income		337	1,646	33	2,016
Net gain (realized and unrealized)		<u>2,836</u>	<u>13,830</u>	<u>39</u>	<u>16,705</u>
Total investment return	-	3,173	15,476	72	18,721
Contributions		80		260	340
Appropriation of endowment assets for expenditure		(367)	(1,479)	(13)	(1,859)
Other changes — transfers for recovery of past deficiencies of endowment investments	<u>3,453</u>	<u>(1,121)</u>	<u>(2,321)</u>	<u>(11)</u>	<u>-</u>
Endowment net assets — June 30, 2011	<u>\$ (544)</u>	<u>\$ 17,282</u>	<u>\$ 13,423</u>	<u>\$ 74,883</u>	<u>\$ 105,044</u>

## 16. NONCONTROLLING INTEREST IN SUBSIDIARIES

	Total	Controlling Interest	Noncontrolling Interest
Balance — June 30, 2009	\$ 189,033	\$ 186,240	\$ 2,793
Excess of revenues over expenses from operations	23,920	24,101	(181)
Nonoperating activity	<u>7,012</u>	<u>7,012</u>	<u>          </u>
Change in unrestricted net assets	<u>30,932</u>	<u>31,113</u>	<u>(181)</u>
Balance — June 30, 2010	219,965	217,353	2,612
Excess of revenues over expenses from operations	35,141	35,305	(164)
Nonoperating activity	<u>4,942</u>	<u>4,942</u>	<u>          </u>
Change in unrestricted net assets	<u>40,083</u>	<u>40,247</u>	<u>(164)</u>
Balance — June 30, 2011	<u>\$ 260,048</u>	<u>\$ 257,600</u>	<u>\$ 2,448</u>

## 17. SUBSEQUENT EVENT

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the consideration of events or transactions that occur after the financial statement date but before the financial statements are issued or available to be issued. Depending on the nature of the subsequent event, financial statement recognition or disclosure of the subsequent event is required. In preparing its financial statements, the Archdiocese has evaluated subsequent events through October 27, 2011, the date the financial statements were available to be issued.

Effective July 1, 2011 the Archdiocese changed its investment recordkeeping and custodial relationship. The majority of assets was transferred to the new custodian by July 31, 2011, with no material impact on the Archdiocese's financial statements.

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## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

The Most Reverend Robert J. Carlson  
Archbishop of St. Louis  
Archdiocese of St. Louis

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional information on the Schedule of Financial Position, Schedule of Activities, and Schedule of Cash Flows for the Agencies Receiving United Way Funding (consolidated agencies of the Archdiocese of St. Louis ("Archdiocese")) is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such additional information is not intended to present the financial position, changes in net assets, and cash flows of that agency. This additional information is the responsibility of the Archdiocese's management. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

October 27, 2011

**ARCHDIOCESE OF ST. LOUIS  
AGENCIES RECEIVING UNITED WAY FUNDING**

**SCHEDULE OF FINANCIAL POSITION**

**AS OF JUNE 30, 2011**

**(in thousands)**

	Catholic Charities of St. Louis and Catholic Charities Foundation	Good Shepherd Children and Family Services	St. Patrick Center	Child Center ~ Marygrove	Catholic Family Services	Queen of Peace Center	St. Martha's Hall	St. Mary's Special School	Cardinal Ritter Senior Services
<b>ASSETS</b>									
Cash	\$ 58	\$ 8	\$ 952	\$ 53	\$ 79	\$ 14	\$ -	\$ 3	\$ 693
Restricted cash and investments	50		304	11					5,576
St. Louis Archdiocesan Fund deposits:									
Depositors' Fund	1,603	2,527	3,165	3,130	79	1,792	458	32	7,210
Restricted Fund	6,510	497	2,048		22	1,919	592	714	21
Total St. Louis Archdiocesan Fund deposits	8,113	3,024	5,213	3,130	101	3,711	1,050	746	7,231
Accounts receivable — net of allowance for doubtful accounts	637	156	91	875	734	666	27	29	1,227
Grants, pledges, and bequests receivable — net of allowance for doubtful accounts	531	371	608	1,229	314	29	66	171	248
Loans to Archdiocesan affiliated entities	51		8,017						
Other notes receivable	956				1	2	1		27
Due from Archdiocesan affiliated entities	74	100	100	100	34	220	1		1,597
Other assets	1,780	4,129	19,165	2,578	19	1,879	19	885	52,549
Property and equipment — net of accumulated depreciation									
<b>TOTAL</b>	<b>\$ 12,250</b>	<b>\$ 7,788</b>	<b>\$ 34,450</b>	<b>\$ 7,965</b>	<b>\$ 1,282</b>	<b>\$ 6,532</b>	<b>\$ 1,164</b>	<b>\$ 1,834</b>	<b>\$ 69,148</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>LIABILITIES:</b>									
Accounts payable and accrued expenses	\$ 979	\$ 196	\$ 536	\$ 466	\$ 232	\$ 357	\$ 25	\$ 74	\$ 2,566
Deferred revenues	413	14	450	47	14	417	72		4,979
Due to Archdiocesan affiliated entities	740		1	2	864	19	6	127	2,284
Notes payable to Archdiocesan affiliated entities		1,154						192	3,334
Notes payable	13	128	13,642			375			55,800
Other liabilities	3,440		4,383						613
Total liabilities	5,585	1,492	19,012	515	1,110	1,168	103	393	69,576
<b>NET ASSETS:</b>									
Unrestricted — designated	4,820	5,416	10,190	6,058	(151)	5,336	673	1,095	(668)
Noncontrolling interest in subsidiary			2,445						
Temporarily restricted	1,833	380	1,007	1,392	318	28	98	126	240
Permanently restricted	12	500	1,796		5		290	220	
Total net assets	6,665	6,296	15,438	7,450	172	5,364	1,061	1,441	(428)
<b>TOTAL</b>	<b>\$ 12,250</b>	<b>\$ 7,788</b>	<b>\$ 34,450</b>	<b>\$ 7,965</b>	<b>\$ 1,282</b>	<b>\$ 6,532</b>	<b>\$ 1,164</b>	<b>\$ 1,834</b>	<b>\$ 69,148</b>

**ARCHDIOCESE OF ST. LOUIS  
AGENCIES RECEIVING UNITED WAY FUNDING  
SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011  
(In thousands)**

	Catholic Charities of St. Louis and Catholic Charities Foundation	Good Shepherd Children and Family Services	St. Patrick Center	Child Center ~ Marygrove	Catholic Family Services	Queen of Peace Center	St. Martha's Hall	St. Mary's Special School	Cardinal Ritter Senior Services
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>									
Revenues and gains:									
Contributions, pledges, bequests and grants	\$ 3,694	\$ 762	\$ 5,217	\$ 1,409	\$ 555	\$ 1,107	\$ 477	\$ 455	\$ 1,211
Government fees and grants	3,402	1,249	8,011	5,081	1,545	6,248	448	353	6,084
Investment income	1,007	33	27	21	3	360	37	95	81
Fees and services	652	598	658	1,632	2,971	242		287	24,080
Net gain (loss) sale of property	11		5	6					
Other revenues	<u>11</u>	<u>61</u>	<u>61</u>	<u>50</u>	<u>5</u>	<u>8</u>			<u>55</u>
Total unrestricted revenues and gains	8,766	2,642	13,979	8,199	5,079	7,965	962	1,190	31,511
Net assets released from restrictions:									
Restrictions satisfied by time	374	738	7,189	464	627	64	109	215	450
Restrictions satisfied by purpose	376	5	202		3		75	37	9
Total net assets released from restrictions	<u>750</u>	<u>743</u>	<u>7,391</u>	<u>464</u>	<u>630</u>	<u>64</u>	<u>184</u>	<u>252</u>	<u>459</u>
Total unrestricted revenues, gains and other support	9,516	3,385	21,370	8,663	5,709	8,029	1,146	1,442	31,970
Expenses:									
Program	8,691	2,844	12,990	7,525	4,976	6,927	798	1,187	29,303
Management and general	844	445	468	1,182	523	614	135	267	2,930
Fund-raising	1,194	163	1,129	199	58	436	57		294
Total expenses	<u>10,729</u>	<u>3,452</u>	<u>14,587</u>	<u>8,906</u>	<u>5,557</u>	<u>7,977</u>	<u>990</u>	<u>1,454</u>	<u>32,527</u>
Change in unrestricted net assets from operating activities	(1,213)	(67)	6,783	(243)	152	52	156	(12)	(557)
Nonoperating:									
Pension-related change other than net periodic pension cost	2,450	90	282				9	40	
Transfers for recovery of past deficiencies of endowment investments	<u>2,450</u>	<u>90</u>	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>40</u>	<u>-</u>
Total nonoperating	1,237	23	7,065	(243)	152	52	165	28	(557)
Change in unrestricted net assets									
Contributions and other — net	1,161	743	515	667	627	58	116	238	452
Net investment gain	208	95	418		2		40	42	2
Net assets released from restrictions	(750)	(743)	(7,391)	(464)	(630)	(64)	(184)	(252)	(459)
Transfers for recovery of past deficiencies of endowment investments		(90)	(282)				(9)	(40)	
Change in temporarily restricted net assets	<u>619</u>	<u>5</u>	<u>(6,740)</u>	<u>203</u>	<u>(1)</u>	<u>(6)</u>	<u>(37)</u>	<u>(12)</u>	<u>(5)</u>
<b>CHANGE IN NET ASSETS</b>	1,856	28	325	(40)	151	46	128	16	(562)
NET ASSETS — Beginning of year	4,809	6,268	15,113	7,490	21	5,318	933	1,425	134
NET ASSETS — End of year	<u>\$ 6,665</u>	<u>\$ 6,296</u>	<u>\$ 15,438</u>	<u>\$ 7,450</u>	<u>\$ 172</u>	<u>\$ 5,364</u>	<u>\$ 1,061</u>	<u>\$ 1,441</u>	<u>\$ (428)</u>

**ARCHDIOCESE OF ST. LOUIS  
AGENCIES RECEIVING UNITED WAY FUNDING**

**SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011  
(In thousands)**

	Catholic Charities of St. Louis and Catholic Charities Foundation	Good Shepherd Children and Family Services	St. Patrick Center	Child Center ~ Marygrove	Catholic Family Services	Queen of Peace Center	St. Martha's Hall	St. Mary's Special School	Cardinal Ritter Senior Services
CASH FLOWS FROM OPERATING ACTIVITIES:									
Change in net assets	\$ 1,856	\$ 28	\$ 325	\$ (40)	\$ 151	\$ 46	\$ 128	\$ 16	\$ (562)
Adjustments to reconcile change in net assets to net cash from operating activities:									
Depreciation	227	180	778	324	8	145	3	56	2,890
Net investment gains	(1,074)	(84)	(383)	(6)	(4)	(306)	(58)	(122)	(2)
Net (gain) losses on dispositions of property									
Contributions received ~ property and equipment									
Changes in assets and liabilities:									
Accounts receivable	262	(37)	(75)	(203)	(224)	(222)	10	(4)	149
Grants, pledges, and bequests receivable	205	(5)	592	(33)		6	9	76	
Due from Archdiocesan affiliated entities	97	6			1	7	2		2
Other assets	(23)		(10)	(14)	(8)	26	(1)		(183)
Accounts payable and accrued expenses	555	(8)	198	31	34	16	4	1	(177)
Deferred revenues	(136)	(5)	(237)	35	(9)	26	(20)		(209)
Due to Archdiocesan affiliated entities	(189)	(1)	1	2	(14)	14	4		314
Other liabilities	(2,082)		(5)		(3)				(58)
Net cash from operating activities	(302)	74	1,179	96	(68)	(281)	81	23	2,164
CASH FLOWS FROM INVESTING ACTIVITIES:									
Decrease (increase) in St. Louis Archdiocesan Fund deposits	365	113	(1,868)	52	135	493	(81)	11	(565)
Decrease (increase) in restricted cash	34		(244)			(11)			(247)
Disbursement of other notes receivable			(8,017)						
Repayment of other notes receivable	10								
Payments for additions to property and equipment	(81)	(30)	(2,021)	(144)		(577)			(4,620)
Proceeds from disposal of property and equipment		10	5	6					
Net cash from investing activities	328	93	(12,145)	(86)	135	(95)	(81)	11	(5,432)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Principal payments on loans or notes payable	(5)	(162)						(34)	(957)
Proceeds from mortgages, loans or notes payable	(5)	(162)	10,726			375			4,010
Net cash from financing activities			10,726			375		(34)	3,053
CHANGE IN CASH									
CASH — Beginning of year	21	5	(240)	10	67	(1)			(215)
CASH — End of year	37	3	1,192	43	12	15		3	908
	\$ 58	\$ 8	\$ 952	\$ 53	\$ 79	\$ 14	\$ -	\$ 3	\$ 693