

DIOCESE OF LITTLE ROCK

Auditor's Report and Financial Statements

June 30, 2012



Bishop Anthony B. Taylor

Dear Friends in Christ:

The financial report of the Diocese of Little Rock for 2011-2012 is published in *Arkansas Catholic* to give readers access to information and insight into the financial state of the diocese.

The money managed by the diocese comes from a variety of sources, but most of it comes from generous donors who trust us to use these resources wisely. We are only able to operate diocesan properties and programs through donations, grants, bequests, program fees and earnings from investments. Over the next four pages, you will be able to get an overview of our finances, which have been professionally audited.

I would like to thank our diocesan finance staff, particularly its director Greg Wolfe, for their superb work on my behalf. They work tirelessly to be good stewards of the limited resources we have.

I pray daily for the Catholics of Arkansas and thank you for your generous support of the many diocesan ministries we have.

Sincerely in Christ,

+Anthony B. Taylor
Bishop of Little Rock

RASCO WINTER
ABSTON MOORE
& ASSOCIATES LLP

A Limited Liability Partnership of Professional Corporations

Independent Auditors' Report

Bishop Anthony B. Taylor
The Roman Catholic Diocese of Little Rock

We have audited the accompanying statements of financial position of The Roman Catholic Diocese of Little Rock (the "Diocese") as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Diocesan management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the financial statements of the Diocese for the year ended June 30, 2010 contained the assets, liabilities and net assets of the Deposit and Loan Fund, which was separately incorporated on July 1, 2010. Accordingly, the beginning net assets in the accompanying June 30, 2011 financial statements do not include the net assets of the Deposit and Loan Fund.

Rasco Winter Abston Moore & Associates LLP

December 6, 2012

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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THE ROMAN CATHOLIC DIOCESE OF LITTLE ROCK Statement of Financial Position June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Assets:		
Cash and cash equivalents	\$ 1,172,956	954,986
Due from parishes, affiliated organizations and others	765,095	1,059,202
CASA pledges receivable	323,634	310,374
Other receivables	315,165	215,865
Prepaid expenses and other assets	102,009	103,786
Investments	22,824,629	23,100,274
Property, plant and equipment, net	11,980,069	11,655,312
Total assets	\$ 37,483,557	37,399,799
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 300,801	238,560
Accrued expenses	437,867	454,518
Due to parishes, affiliated organizations and others	1,131,373	1,347,045
Total liabilities	1,870,041	2,040,123
Net assets:		
Unrestricted	33,519,119	33,370,759
Temporarily restricted	2,094,397	1,988,917
Total net assets	35,613,516	35,359,676
Total liabilities and net assets	\$ 37,483,557	37,399,799

See accompanying notes to financial statements

THE ROMAN CATHOLIC DIOCESE OF LITTLE ROCK
Statement of Activities and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Contributions and bequests	\$ 2,807,060	1,036,643	3,843,703	2,547,248	1,083,282	3,630,530
Assessments	2,500,418	-	2,500,418	2,455,944	-	2,455,944
Net investment income	240,326	-	240,326	3,076,721	-	3,076,721
Fees, advertising and other	1,555,091	-	1,555,091	1,644,916	-	1,644,916
Rents	651,899	-	651,899	557,160	-	557,160
Net assets released from temporary restrictions	931,163	(931,163)	-	1,087,784	(1,087,784)	-
Total revenues, gains and other support	8,685,957	105,480	8,791,437	11,369,773	(4,502)	11,365,271
Expenses:						
Program services	5,614,266	-	5,614,266	5,688,249	-	5,688,249
Administrative and other	2,923,331	-	2,923,331	3,254,468	-	3,254,468
Total expenses	8,537,597	-	8,537,597	8,942,717	-	8,942,717
Change in net assets	148,360	105,480	253,840	2,427,056	(4,502)	2,422,554
Net assets, beginning of year	33,370,759	1,988,917	35,359,676	30,943,703	1,993,419	32,937,122
Net assets, end of year	\$ 33,519,119	2,094,397	35,613,516	33,370,759	1,988,917	35,359,676

See accompanying notes to financial statements

THE ROMAN CATHOLIC DIOCESE OF LITTLE ROCK
Statement of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 253,840	2,422,554
Non-cash operating activities:		
(Earnings) losses of joint ventures	(13,443)	5,903
Gain on sale of land and equipment	(750)	(37,277)
Net realized and unrealized losses (gains) on investments	238,257	(2,654,067)
Depreciation	291,582	300,780
Changes in operating assets and liabilities:		
CASA pledges receivable	(13,260)	14,034
Other receivables	(99,300)	9,976
Prepaid expenses and other assets	1,777	(16,450)
Due to/from parishes, affiliated organizations and others, net	78,435	416,965
Accounts payable	62,241	(69,801)
Accrued expenses	(16,651)	52,544
Net cash provided by operating activities	782,728	445,161
Cash flows from investing activities:		
Purchase of property and equipment	(616,339)	(182,882)
Proceeds from sale of land and equipment	750	39,181
Purchase of investments	(2,745,518)	(3,801,973)
Proceeds from sale of investments	2,798,544	3,375,903
Net change in joint ventures	(2,195)	(95,463)
Net cash used in investing activities	(564,758)	(665,234)
Net change in cash and cash equivalents	217,970	(220,073)
Cash and cash equivalents:		
Beginning of year	954,986	1,175,059
End of year	\$ 1,172,956	954,986

See accompanying notes to financial statements

Notes to Financial Statements
June 30, 2012 and 2011

(1) Organization and Summary of Significant Accounting Policies

The Roman Catholic Diocese of Little Rock (the "Diocese") is the administrative office for the Catholic Church in the State of Arkansas.

On July 1, 2010, the Diocese formed a new corporation, Deposit and Loan Fund, Inc. (the "Corporation"). In connection with the creation of the Corporation, the Diocese transferred all of the assets, liabilities, and net assets (\$32,669,675; \$26,576,764; and \$6,092,911, respectively) of the existing Diocesan Deposit and Loan Fund to the Corporation on July 1, 2010. Thus, effective on that date, the assets, liabilities and net assets of the former Diocesan Deposit and Loan Fund, and the related notes receivable from and payable to the parishes, were no longer reflected in the financial statements of the Diocese. Accordingly, the beginning net assets in the accompanying June 30, 2011 financial statements do not include the net assets of the Corporation.

The accompanying financial statements do not include the accounts of other activities in the Diocese, such as parishes, schools, parish cemeteries, Clergy Welfare Fund, Inc., et cetera, for the years ended June 30, 2012 and 2011. These activities may or may not be separately incorporated under civil law; however, each is an autonomous operating entity which maintains separate accounts and carries on its own services and programs separate and distinct from the Diocesan administrative offices.

The following is a summary of the significant accounting policies used in the preparation of the accompanying financial statements:

Basis of Presentation: Financial statement presentation follows the recommendations of FASB ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Diocese is required to report infor-

mation regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Diocese has been limited by donors to a specific time period or purpose. The Diocese does not have any permanently restricted net assets.

Cash Equivalents: The Diocese considers all liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable: The Diocese uses the allowance method to provide for estimated uncollectible accounts receivable. Management believes no allowance is necessary at either statement of financial position date. Receivable amounts are considered past due when one or more payments have been missed.

Investments and Net Investment Income: Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at cost (or fair value at time of donation, if acquired by contribution) unless events indicate a permanent decline in value at which time the investment is written down to recognize such a decline. Net investment income includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Net investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net investment income of unrestricted net assets. Other net investment income is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

See **Notes** page 11

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The Diocese maintains pooled investment accounts for its investable assets. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual funds and endowments based on the relationship of the fair value of the interest of each fund and endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property, Plant & Equipment: The Diocese capitalizes property and equipment additions having a unit cost of \$4,000 or more. Property and equipment are reported at cost less a provision for depreciation on a straight-line basis over the estimated useful life of each asset ranging from five to fifty years.

Contributions: Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Income Taxes: The Diocese, a religious organization, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. Therefore the Diocese does not file an income tax return in the U.S. federal or any state jurisdiction.

The Diocese follows the provisions of FASB ASC 740, Income Taxes. Management of the Diocese believes that the Diocese has taken no uncertain tax positions as of June 30, 2012.

Accounting 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Investments

Investments consisted of the following as of June 30, 2012 and 2011:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
U.S. Government securities	\$ 2,537,490	2,656,512	3,201,637	3,350,956
Common stock	61,884	52,346	61,884	61,884
Corporate bonds	6,637,198	6,790,945	5,807,393	5,938,060
Mutual funds	8,592,561	10,304,367	8,768,051	10,740,163
	17,829,133	19,804,170	17,838,965	20,091,063
Commercial property*	2,606,693	2,606,693	2,606,693	2,606,693
Joint ventures*	413,766	413,766	402,518	402,518
	\$ 20,849,592	22,824,629	20,848,176	23,100,274

*These investments are valued at cost on the date of purchase or fair value at time of donation if contributed and adjusted for subsequent reinvested income since the date of acquisition.

Net investment income is comprised of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Interest and dividend income	\$ 478,583	422,654
Net realized and unrealized (losses) gains on investments reported at fair value	(238,257)	2,654,067
	\$ 240,326	3,076,721

Investment management fees related to fixed income investments charged to investment income in the statements of activities for the years ended June 30, 2012 and 2011 were \$28,425 and \$28,393, respectively.

(3) Property, Plant and Equipment

Property, plant and equipment consisted of the following

as of June 30, 2012 and 2011:

	2012	2011
Land	\$ 2,441,344	2,441,344
Furniture and equipment	2,877,763	2,891,755
Buildings	15,755,424	15,704,711
Construction in progress	560,126	-
	21,634,657	21,037,810
Less accumulated depreciation	(9,654,588)	(9,382,498)
	\$ 11,980,069	11,655,312

Depreciation expense for the years ended June 30, 2012 and 2011 was \$291,582 and \$300,780 respectively.

(4) Net Assets

The Diocese has designated substantially all of its unrestricted net assets for the following purposes, whereas temporarily restricted net assets are donor restricted. Net assets consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Unrestricted:		
Undesignated	\$ 2,164,299	1,727,530
Designated for Catholic charities	402,042	435,907
Designated for missions/ministries	855,682	867,715
Total unrestricted for current operations	3,422,023	3,031,152
Endowment fund	16,951,670	17,564,210
Insurance fund	1,549,194	1,503,922
Plant fund	11,596,232	11,271,475
Total unrestricted	33,519,119	33,370,759
Temporarily restricted	2,094,397	1,988,917
Total net assets	\$ 35,613,516	35,359,676

(5) Retirement Plan

The Diocese has a defined contribution retirement plan covering substantially all lay employees. The Diocese makes discretionary contributions to the plan which are allocated based on each individual employee's current earnings. Contributions to the plan were \$250,318 and \$246,802 for the years ended June 30, 2012 and 2011, respectively.

(6) Concentration of Credit Risk

The Diocese maintains bank deposit accounts which, at times, may exceed Federally insured limits. The Diocese has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk as a result thereof.

(7) Leases

Operating leases arise from the leasing of the Diocese's land and buildings to retail tenants. Initial lease terms range from 5 to 50 years. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Investment assets subject to operating leases were as follows on June 30, 2012 and 2011:

	2012	2011
Land	\$ 2,606,693	2,606,693
Building, at cost	51,977	51,977
Accumulated depreciation	(51,977)	(51,977)
	\$ 2,606,693	2,606,693

Future minimum rental payments to be received on non-cancelable operating leases contractually due for fiscal years subsequent to June 30, 2012 are as follows:

	2012	2011
2013	\$ 602,137	
2014	439,624	
2015	343,572	
2016	298,572	
2017	298,572	
Thereafter	3,980,960	
	\$ 5,963,437	

Future minimum rental payments to be received do not include contingent rentals that may be received under certain leases as a result of tenant revenues in excess of specified amounts. Contingent rentals were not significant for the years ended June 30, 2012 or 2011.

(8) Fair Value Measurement

Under FASB ASC 820-10, three prioritized valuation inputs may be used to determine fair value at the measurement date: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - observable inputs other than the quoted prices included in Level 1; Level 3 - unobservable inputs. There have been no changes in valuation methodologies during either of the periods presented, therefore no recognition of gain or loss is required for these financial statements.

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets held for investment purposes at fair value as of June 30, 2012 and 2011:

June 30, 2012	Fair Value Measurements at Reporting Date			
	Fair Value	Level 1	Level 2	Level 3
Investments				
U.S. government securities	\$ 2,656,512	2,656,512	-	-
Common stock	52,346	52,346	-	-
Corporate bond securities	6,790,945	6,790,945	-	-
Mutual funds	10,304,367	10,304,367	-	-
	\$ 19,804,170	19,804,170	-	-
June 30, 2011				
Investments				
U.S. government securities	\$ 3,350,956	3,350,956	-	-
Common stock	61,884	61,884	-	-
Corporate bond securities	5,938,060	5,938,060	-	-
Mutual funds	10,740,163	10,740,163	-	-
	\$ 20,091,063	20,091,063	-	-

(9) Subsequent Events

The Diocese has evaluated subsequent events through December 6, 2012, the date the financial statements were available to be issued.

ADDITIONAL FINANCIAL INFORMATION**Deposit and Loan Fund, Inc.****Statement of Financial Position****June 30, 2012 and 2011**

(Condensed from audited financial statements)

	2012	2011
Assets		
Assets:		
Cash and cash equivalents	\$ 2,853,585	1,012,925
Accrued interest receivable	255,075	345,130
Notes receivable - parishes	14,577,673	12,274,253
Investments	20,641,049	21,443,300
Total assets	\$ 38,327,382	35,075,608

Liabilities and Net Assets

Liabilities:		
Parish deposits payable	\$ 30,418,800	27,811,949
Due to affiliates	95,123	190,678
Total liabilities	30,513,923	28,002,627
Unrestricted net assets	7,813,459	7,072,981
Total liabilities and net assets	\$ 38,327,382	35,075,608

Statement of Activities and Changes in Net Assets (Condensed)**For the Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues and gains:	\$ 1,365,138	1,568,880
Expenses:		
Interest expense	465,856	441,328
Administrative and other	158,804	147,482
Total expenses	624,660	588,810
Change in net assets	740,478	980,070
Net assets, beginning of year	7,072,981	6,092,911
Net assets, end of year	\$ 7,813,459	7,072,981

Clergy Welfare Fund, Inc.

Statements of Financial Position

June 30, 2012 and 2011

(Condensed from audited financial statements)

	2012	2011
Assets		
Assets:		
Cash and cash equivalents	\$ 942,770	820,115
Interest receivable	47,201	36,549
Investments	10,079,146	9,817,722
Due from related party	583	-
Total assets	\$ 11,069,700	10,674,386
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	\$ 7,399	7,795
Due to related party	-	10,268
Total liabilities	7,399	18,063
Unrestricted net assets	11,062,301	10,656,323
Total liabilities and net assets	\$ 11,069,700	10,674,386

Statements of Activities and Changes in Net Assets (Condensed)

For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues, gains and other support	\$ 1,446,760	2,989,006
Payments to or on behalf of beneficiaries	993,285	917,216
Administrative expenses	47,497	50,360
Total expenses	1,040,782	967,576
Change in unrestricted net assets	405,978	2,021,430
Unrestricted net assets, beginning of year	10,656,323	8,634,893
Unrestricted net assets, end of year	\$ 11,062,301	10,656,323

Diocese of Little Rock

Contributions for Special Collections

For Years Ended June 30, 2012 and 2011

Annual Collections:	2012	2011	Change	% Change
Black and Indian Missions	\$72,810	\$67,594	5,216	8%
Aid to the Church in Central and Eastern Europe	66,845	61,973	4,872	8%
Ash Wednesday Collection for Arkansas Missions	107,692	112,049	-4,357	-4%
Catholic Relief Services	103,300	113,605	-10,305	-9%
Holy Thursday Collection for Seminarians	315,069	295,540	19,529	7%
Holy Land	78,291	88,854	-10,563	-12%
Operation Rice Bowl (1)	25,875	23,523	2,352	10%
Catholic Communications Campaign (2)	49,257	59,279	-10,022	-17%
The Church in Latin America	59,332	59,251	81	0%
Peter's Pence (Collection for the Holy Father)	81,318	80,236	1,082	1%
Catholic Home Missions Appeal	79,888	62,313	17,575	28%
Catechetical Sunday (3)	42,762	43,104	-342	-1%
World Mission Sunday	78,554	68,101	10,453	15%
Catholic Campaign for Human Development (4)	81,120	85,611	-4,491	-5%
National Retirement Fund for Religious	171,240	152,273	18,967	12%
Christmas Collection for the Retired & Infirm Clergy (5)	506,377	465,320	41,057	9%
Totals	\$1,919,730	\$1,838,626	\$81,104	4%

One-Time Collections:

Disaster Relief Fund (Japan)	\$12,393
Tornado Recovery	\$16,631
Africa Drought	\$144,180

1) Diocese retains 25% for emergency assistance to the poor in Arkansas

2) Diocese retains 50% for diocesan communications

3) Diocese retains 50%, parishes retain 50%

4) Diocese retains 25% for CCHD projects in Arkansas

5) Clergy Welfare Fund, Inc. receives 100%

Monsignor James E. O'Connell

Diocesan Seminarian Fund, Inc.

Statements of Financial Position

June 30, 2012 and 2011

(Condensed from audited financial statements)

	2012	2011
Assets		
Investments, at Market		
Stocks (Cost: 2012 - \$4,448,362; 2011 - \$4,447,696)	\$4,771,107	\$5,181,932
Bonds (Cost: 2012 - \$3,083,662; 2011 - \$2,931,769)	3,277,079	3,098,750
Mutual Funds (Cost: 2012 - \$1,057; 2011 - \$1,057)	5,585	5,506
	8,053,771	8,286,188
Cash and cash equivalents	917,290	1,493,107
Due from Diocese of Little Rock	24,720	1,137
Interest and dividends receivable	35,675	40,711
Unconditional promises to give - unrestricted	32,000	32,000
Unconditional promises to give - temporarily restricted	6,030	1,410
Unconditional promises to give - permanently restricted	55,359	64,784
Property and equipment at contributed value and/or cost less 2012 and 2011 accumulated depreciation of \$40,840 and \$33,038, respectively	61,954	64,756
Total Assets	\$9,186,799	\$9,984,093
Liabilities		
Accounts payable	\$68,328	\$112,345
Due to Diocese of Little Rock	-	100,000
Refundable advances	600	33,000
	68,928	245,345
Net Assets		
Unrestricted	4,182,649	4,892,438
Temporarily restricted	69,779	57,951
Permanently restricted	4,865,443	4,788,359
Total Net Assets	9,117,871	9,738,748
Total Liabilities and Net Assets	\$9,186,799	\$9,984,093

Statements of Activities

Years ended June 30, 2012 and 2011

(Condensed from audited financial statements)

	2012	2011
Revenues		
Interest and dividends	\$223,643	\$214,672
Miscellaneous income	5,081	5,997
Realized and unrealized net gain (loss) on investments	(78,512)	1,210,311
Burses and donations received	822,343	886,374
Total Revenues	972,555	2,317,354
Expenses		
Seminarians' aid, tuition, travel expenses	1,153,378	932,420
Administrative and office expense	332,219	284,002
Salaries and payroll expense	107,835	55,797
Total Expenses	1,593,432	1,272,219
Increase (Decrease) in Net Assets	(620,877)	1,045,135
Net Assets - Beginning of Year	9,738,748	8,095,209
Net Assets - End of Year	\$9,117,871	\$9,140,344