

DIOCESE OF LITTLE ROCK

Auditor's Report and Financial Statements

June 30, 2011



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 statement of financial position of The Roman Catholic Diocese of Little Rock (the "Diocese") as of June 30, 2011, and the related statements of activities and changes in net assets and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2011, and the changes in its net assets and its cash flows for the year 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 financial statements do not include the net assets of the Deposit and Loan Fund.

Rasco Winter Abston Moore & Associates LLP

December 2, 2011

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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Dear Friends in Christ:

I am pleased to present to you the annual financial report of the Diocese of Little Rock that is published in *Arkansas Catholic*.

Those who manage the finances of the diocese are always aware for the need to exhibit great stewardship and responsibility. These men and women work quietly behind the scenes and rarely get recognition for their work watching over the financial resources of the Catholic Church in Arkansas. The finance office has been led by Greg Wolfe for more than 10 years. He is assisted by Kelley Renard, Allan Berry, Roseanne Sampson, Jim Driedric, Mimi Bibb, Laura Lock, Sue Mullins and Cheryl Smith. They recognize that the material and financial gifts entrusted to the diocese come from God. They exhibit high levels of faith, skill and ethics every day.

I also want to thank you, the Catholic families and individuals in the state who have been so generous to the diocese and your parishes and schools. You have made it possible to maintain and grow our diocesan programs and ministries. You are in my daily prayers.

Sincerely in Christ,

+Anthony B. Taylor
Bishop of Little Rock



Bishop Anthony B. Taylor

THE ROMAN CATHOLIC DIOCESE OF LITTLE ROCK Statement of Financial Position June 30, 2011

Assets

Assets:	
Cash and cash equivalents	\$ 954,986
Due from parishes, affiliated organizations and others	1,059,202
CASA pledges receivable	310,374
Other receivables	215,865
Prepaid expenses and other assets	103,786
Investments	23,100,274
Property, plant and equipment, net	11,655,312
Total assets	\$ 37,399,799

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 238,560
Accrued expenses	454,518
Due to parishes, affiliated organizations and others	1,347,045
Total liabilities	2,040,123
Net assets:	
Unrestricted	33,370,759
Temporarily restricted	1,988,917
Total net assets	35,359,676
Total liabilities and net assets	\$ 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 Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions and bequests	\$ 2,547,248	1,083,282	3,630,530
Assessments	2,455,944	—	2,455,944
Net investment income	3,076,721	—	3,076,721
Fees, advertising and other	1,644,916	—	1,644,916
Rents	557,160	—	557,160
Net assets released from temporary restrictions	1,087,784	(1,087,784)	—
Total revenues, gains and other support	11,369,773	(4,502)	11,365,271
Expenses:			
Program services	5,688,249	—	5,688,249
Administrative and other	3,254,468	—	3,254,468
Total expenses	8,942,717	—	8,942,717
Change in net assets	2,427,056	(4,502)	2,422,554
Net assets, beginning of year	30,943,703	1,993,419	32,937,122
Net assets, end of year	\$ 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 Year Ended June 30, 2011

Cash flows from operating activities:	
Change in net assets	\$ 2,422,554
Non-cash operating activities:	
Losses of joint ventures	5,903
Gain on sale of land and equipment	(37,277)
Net realized and unrealized gains on investments	(2,654,067)
Depreciation	300,780
Changes in operating assets and liabilities:	
CASA pledges receivable	14,034
Other receivables	9,976
Prepaid expenses and other assets	(16,450)
Due to parishes, affiliated organizations and others, net	416,965
Accounts payable	(69,801)
Accrued expenses	52,544
Net cash provided by operating activities	445,161
Cash flows from investing activities:	
Purchase of property and equipment	(182,882)
Proceeds from sale of land and equipment	39,181
Purchase of investments	(3,801,973)
Proceeds from sale of investments	3,375,903
Net change in joint ventures	(95,463)
Net cash used in investing activities	(665,234)
Net change in cash and cash equivalents	(220,073)
Cash and cash equivalents:	
Beginning of year	1,175,059
End of year	\$ 954,986

See accompanying notes to financial statements

Notes to Financial Statements
June 30, 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 financial statement 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., etc, for the year ended June 30, 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.

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 information 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 June 30, 2011. Receivable amounts are considered past due when one or more payments have been missed.

Investments and Investment Return: 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. Investment return 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in investment return of unrestricted net assets. Other investment return 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.

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 statement 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, 2011.

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.

See Notes page 15

Notes

Continued from page 14

(2) Investments

Investments consisted of the following on June 30, 2011:

	Cost	Fair Value
U.S. Government securities	\$ 3,201,637	\$ 3,350,956
Common stock	61,884	61,884
Corporate bonds	5,807,393	5,938,060
Mutual funds	8,768,051	10,740,163
Commercial property*	2,606,693	2,606,693
Joint ventures*	402,518	402,518
	\$ 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.

Net investment income is comprised of the following:

Interest and dividend income	\$ 419,562
Net realized and unrealized gains on investments reported at fair value	2,657,159
	\$ 3,076,721

Investment management fees related to fixed income investments charged to investment income in the statement of activities for the year ended June 30, 2011 were \$28,393.

(3) Property, Plant and Equipment

Property, plant and equipment consisted of the following on June 30, 2011:

Land	\$ 2,441,344
Furniture and equipment	2,891,755
Buildings	15,704,711
	21,037,810
Less accumulated depreciation	9,382,498
	\$ 11,655,312

Depreciation expense for the year ended June 30, 2011 was \$300,780.

(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 on June 30, 2011:

Unrestricted	
Undesignated	\$ 1,727,530
Designated for Catholic charities	435,907
Designated for missions/ministries	867,715
Total unrestricted for current operations	3,031,152
Endowment fund	17,564,210
Insurance fund	1,503,922
Plant fund	11,271,475
Total unrestricted	33,370,759
Temporarily restricted	1,988,917
Total net assets	\$ 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 \$246,802 for the year ended June 30, 2011.

(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) Commitments and Contingencies

As of June 30, 2011, the Diocese was contingently liable as guarantor with respect to \$2,243,895 of indebtedness for one of its member parishes. Should the parish be delinquent on its payments at any time prior to the expiration date of the guarantee, November 1, 2023, the Diocese will be obligated to perform under the guarantee primarily by making the required payments, including late fees and penalties. The terms of the guarantee do not provide for any limitation on the potential future payments by the Diocese. As of June 30, 2011, the parish primarily responsible for this indebtedness was current on all payments.

(8) 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, 2011:

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

Future minimum rental payments to be received on non-cancelable operating leases contractually due for fiscal years subsequent to June 30, 2011 are as follows:

2012	\$ 543,768
2013	493,337
2014	439,624
2015	343,572
2016	298,572
Thereafter	4,279,532
	\$ 6,398,405

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 year ended June 30, 2011.

(9) 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 the periods under audit, 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, 2011:

	Fair Value Measurements at Reporting Date			
	Fair Value	Level 1	Level 2	Level 3
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	\$ -	\$ -

(10) Subsequent Events

The Diocese has evaluated subsequent events through December 2, 2011, the date the financial statements were available to be issued.

ADDITIONAL FINANCIAL INFORMATION Deposit and Loan Fund, Inc.

On July 1, 2010, the Diocese formed a new corporation, Deposit and Loan Fund, Inc. (the "Corporation"). The Corporation was formed to provide services to the Diocese's parishes, schools and missions by paying interest on deposits received at a rate normally exceeding that available at local financial institutions and providing loans for construction and acquisition costs to parishes and schools from the deposits at interest rates lower than those available at other lending institutions.

In connection with the creation of the Corporation, the Diocese transferred all of the assets, liabilities, and net assets of the existing Diocesan Deposit and Loan Fund to the Corporation on July 1, 2010.

Deposit and Loan Fund, Inc.

Statement of Financial Position

June 30, 2011

(Condensed from audited financial statements)

Assets	
Assets:	
Cash and cash equivalents	\$ 1,012,925
Accrued interest receivable	345,130
Notes receivable - parishes	12,274,253
Investments	21,443,300
Total assets	\$ 35,075,608

Liabilities and Net Assets	
Liabilities:	
Parish deposits payable	\$ 27,811,949
Due to affiliates	190,678
Total liabilities	28,002,627
Unrestricted net assets	7,072,981
Total liabilities and net assets	\$ 35,075,608

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

Revenues and gains:	\$ 1,568,880
Expenses:	
Interest expense	441,328
Administrative and other	147,482
Total expenses	588,810
Change in net assets	980,070
Net assets, beginning of year	6,092,911
Net assets, end of year	\$ 7,072,981

Clergy Welfare Fund, Inc.

Statements of Financial Position

June 30, 2011 and 2010

(Condensed from audited financial statements)

	2011	2010
Assets		
Assets:		
Cash and cash equivalents	\$ 820,115	562,178
Interest receivable	36,549	36,208
Investments	9,817,722	8,049,931
Total assets	\$ 10,674,386	8,648,317
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	\$ 7,795	6,551
Due to related party	10,268	6,873
Total liabilities	18,063	13,424
Unrestricted net assets	10,656,323	8,634,893
Total liabilities and net assets	\$ 10,674,386	8,648,317

Statements of Activities and Changes in Net Assets (Condensed)
For the Years Ended June 30, 2011 and 2010

	2011	2010
Revenues, gains and other support	\$ 2,989,006	1,904,990
Payments to or on behalf of beneficiaries	917,216	966,392
Administrative expenses	50,360	39,484
Total expenses	967,576	1,005,876
Change in unrestricted net assets	2,021,430	899,114
Unrestricted net assets, beginning of year	8,634,893	7,735,779
Unrestricted net assets, end of year	\$ 10,656,323	8,634,893

Diocese of Little Rock
Contributions for Special Collections
For Years Ended June 30, 2011 and 2010

Annual Collections:	2011	2010	Change	% Change
Black and Indian Missions	\$67,594	\$59,251	8,343	14%
Aid to the Church in Central and Eastern Europe	61,973	64,777	-2,804	-4%
Ash Wednesday Collection for Arkansas Missions	112,049	99,044	13,005	13%
Catholic Relief Services	113,605	75,926	37,679	50%
Holy Thursday Collection for Seminarians	295,540	292,216	3,324	1%
Holy Land	88,854	64,949	23,905	37%
Operation Rice Bowl (1)	23,523	28,964	-5,441	-19%
Catholic Communications Campaign (2)	59,279	50,370	8,909	18%
The Church in Latin America	59,251	59,944	-693	-1%
Peter's Pence (Collection for the Holy Father)	80,236	76,933	3,303	4%
Catholic Home Missions Appeal	62,313	62,813	-500	-1%
Catechetical Sunday (3)	43,104	39,595	3,509	9%
World Mission Sunday	68,101	70,543	-2,442	-3%
Catholic Campaign for Human Development (4)	85,611	67,815	17,796	26%
National Retirement Fund for Religious	152,273	144,117	8,156	6%
Christmas Collection for the Retired & Infirm Clergy (5)	465,320	442,711	22,609	5%
Totals	\$1,838,626	\$1,699,968	\$138,658	8%

One-Time Collections:

Disaster Relief (2011 - Japan, 2010 - Haiti)	\$195,945	\$414,540
Tornado Recovery	\$71,107	\$0

- 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, 2011 and 2010

(Condensed from audited financial statements)

	2011	2010
Assets		
Investments, at Market		
Stocks (Cost: 2011 - \$4,447,696; 2010 - \$4,011,790)	\$5,181,932	\$4,088,210
Bonds (Cost: 2011 - \$2,931,769; 2010 - \$2,643,919)	3,098,750	2,836,552
Mutual Funds (Cost: 2011 - \$1,057; 2010 - \$1,057)	5,506	4,308
	8,286,188	6,929,070
Cash and cash equivalents	1,493,107	1,608,479
Due from Diocese of Little Rock	1,137	-
Interest and dividends receivable	40,711	34,742
Unconditional promises to give - unrestricted	32,000	32,000
Unconditional promises to give - temporarily restricted	1,410	-
Unconditional promises to give - permanently restricted	64,784	74,588
Other assets: prepaid rent, rent deposit	-	2,850
Property and equipment at contributed value and/or cost less 2011 and 2010 accumulated depreciation of \$33,038 and \$25,653, respectively	64,756	72,141
Total Assets	\$9,984,093	\$8,753,870
Liabilities		
Accounts payable	\$112,345	\$41,507
Due to Diocese of Little Rock	100,000	-
Refundable advances	33,000	18,750
	245,345	60,257
Net Assets		
Unrestricted	4,892,438	4,102,943
Temporarily restricted	57,951	-
Permanently restricted	4,788,359	4,590,670
Total Net Assets	9,738,748	8,693,613
Total Liabilities and Net Assets	\$9,984,093	\$8,753,870

Statements of Activities
Years ended June 30, 2011 and 2010

(Condensed from audited financial statements)

	2011	2010
Revenues		
Interest and dividends	\$214,672	\$207,364
Miscellaneous income	5,997	6,646
Realized and unrealized net gain (loss) on investments	1,210,311	720,372
Burses and donations received	886,374	750,206
Total Revenues	2,317,354	1,684,588
Expenses		
Seminarians' aid, tuition, travel expenses	932,420	802,922
Administrative and office expense	284,002	245,696
Salaries and payroll expense	55,797	37,566
Total Expenses	1,272,219	1,086,184
Increase (Decrease) in Net Assets	1,045,135	598,404
Net Assets - Beginning of Year	8,693,613	8,095,209
Net Assets - End of Year	\$9,738,748	\$8,693,613