

**FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**CATHOLIC EDUCATION  
FOUNDATION OF THE ROMAN  
CATHOLIC  
DIOCESE OF JOLIET**

**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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To His Excellency  
The Most Reverend J. Peter Sartain  
Bishop of the Roman Catholic Diocese of Joliet  
Joliet, Illinois

We have audited the accompanying statements of financial position of the **Catholic Education Foundation of the Roman Catholic Diocese of Joliet** (Foundation), a division of the Roman Catholic Church of Joliet, as of June 30, 2009 and 2008, 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 the Foundation's 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 audit to obtain reasonable assurance about whether the 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 Foundation'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 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 **Catholic Education Foundation of the Roman Catholic Diocese of Joliet** as of June 30, 2009 and 2008, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Dubuque, Iowa  
November 10, 2009

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**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,261,056	\$ 712,799
Accounts receivable	17,000	-
Due from Diocese of Joliet	181,236	587,309
Accrued interest receivable	22,000	62,529
Investments at market value - Note 2	<u>3,635,988</u>	<u>28,178,519</u>
 Total assets	 <u>\$ 5,117,280</u>	 <u>\$ 29,541,156</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Other liabilities	<u>\$ 26,500</u>	<u>\$ 541,903</u>
 <b>NET ASSETS</b>		
Unrestricted		
Undesignated	4,890,530	5,292,112
Temporarily restricted	-	2,838,247
Permanently restricted	<u>200,250</u>	<u>20,868,894</u>
 Total net assets	 <u>5,090,780</u>	 <u>28,999,253</u>
 Total liabilities and net assets	 <u>\$ 5,117,280</u>	 <u>\$ 29,541,156</u>

**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET**  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
CHANGE IN NET ASSETS				
REVENUE				
Interest and dividends	\$ 133,202	\$ 742,459	\$ -	\$ 875,661
Realized gains on investments, net	(376,778)	(34,678)	-	(411,456)
Change in unrealized gains and losses on investments	(249,954)	(3,925,923)	-	(4,175,877)
Contributions	768,247	-	241,925	1,010,172
Reimbursement from Catholic Charities	12,500	-	-	12,500
Bequests	-	-	200,250	200,250
Kazma grant	124,500	-	-	124,500
Kaminski grant	50,000	-	-	50,000
Lazzara grant	15,000	-	-	15,000
Total revenue	<u>476,717</u>	<u>(3,218,142)</u>	<u>442,175</u>	<u>(2,299,250)</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>136,772</u>	<u>(136,772)</u>	<u>-</u>	<u>-</u>
	<u>613,489</u>	<u>(3,354,914)</u>	<u>442,175</u>	<u>(2,299,250)</u>
EXPENSES				
Distribution of endowment earnings	97,744	-	-	97,744
Administrative expenses	100,280	-	-	100,280
High school tuition assistance	303,500	-	-	303,500
Tuition relief	399,186	-	-	399,186
Parish tuition assistance	145,360	-	-	145,360
Diocesan tuition assistance	38,205	-	-	38,205
Bishop's grants	5,000	-	-	5,000
Kazma grant	124,500	-	-	124,500
Kaminski grant	50,000	-	-	50,000
Lazzara grant	15,000	-	-	15,000
Leaders for the future grants	17,000	-	-	17,000
Religious education grants	25,000	-	-	25,000
Other grants	2,500	-	-	2,500
Total expenses	<u>1,323,275</u>	<u>-</u>	<u>-</u>	<u>1,323,275</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND OTHER CHANGES	(709,786)	(3,354,914)	442,175	(3,622,525)
TRANSFERS AND OTHER CHANGES				
Transfers from Diocese of Joliet	329,205	-	-	329,205
Transfers to Corpus	-	(156,538)	156,538	-
Reclass of net assets related to prior year activity Note 7	(21,001)	192,840	21,001	192,840
Transfer to School Endowment Fund - Note 6	-	480,365	(21,288,358)	(20,807,993)
	<u>308,204</u>	<u>516,667</u>	<u>(21,110,819)</u>	<u>(20,285,948)</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	(401,582)	(2,838,247)	(20,668,644)	(23,908,473)
NET ASSETS, BEGINNING OF YEAR	<u>5,292,112</u>	<u>2,838,247</u>	<u>20,868,894</u>	<u>28,999,253</u>
NET ASSETS, END OF YEAR	<u>\$ 4,890,530</u>	<u>\$ -</u>	<u>\$ 200,250</u>	<u>\$ 5,090,780</u>

See notes to financial statements.

2008			
Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
\$ 135,093	\$ 723,836	\$ -	\$ 858,929
23,231	239,706	-	262,937
(305,602)	(2,318,677)	-	(2,624,279)
911,427	-	661,603	1,573,030
-	-	-	-
-	-	-	-
80,500	-	-	80,500
55,000	-	-	55,000
12,500	-	-	12,500
912,149	(1,355,135)	661,603	218,617
819,020	(819,020)	-	-
1,731,169	(2,174,155)	661,603	218,617
771,492	-	-	771,492
108,777	-	-	108,777
287,000	-	-	287,000
-	-	-	-
282,900	-	-	282,900
24,025	-	-	24,025
17,350	-	-	17,350
80,500	-	-	80,500
55,000	-	-	55,000
12,500	-	-	12,500
19,438	-	-	19,438
24,000	-	-	24,000
7,250	-	-	7,250
1,690,232	-	-	1,690,232
40,937	(2,174,155)	661,603	(1,471,615)
311,650	-	-	311,650
-	-	-	-
-	-	-	-
-	-	-	-
311,650	-	-	311,650
352,587	(2,174,155)	661,603	(1,159,965)
4,939,525	5,012,402	20,207,291	30,159,218
\$ 5,292,112	\$ 2,838,247	\$ 20,868,894	\$ 28,999,253

**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (23,908,473)	\$ (1,159,965)
Adjustments to reconcile decrease in net assets to net cash from operating activities		
Realized (gains) losses on investments, net	411,456	(262,937)
Change in unrealized gains and losses on investments	4,175,877	2,624,279
Transfer to School Endowment Fund	20,807,993	-
Changes in assets and liabilities		
Accounts receivable	(17,000)	23,000
Accrued interest receivable	40,529	10,848
Due from Diocese of Joliet	406,073	(319,573)
Other liabilities	(515,403)	164,116
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,401,052</b>	<b>1,079,768</b>
<b>INVESTING ACTIVITIES</b>		
Increase in investments	(852,795)	(1,255,806)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>548,257</b>	<b>(176,038)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>712,799</b>	<b>888,837</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,261,056</b>	<b>\$ 712,799</b>

**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

The Catholic Education Foundation of the Roman Catholic Diocese of Joliet (Foundation) is a not-for-profit organization established July 1, 1996, to provide financial assistance and to support Catholic education within the Roman Catholic Diocese of Joliet (Diocese).

From July 1, 1996 through June 30, 2009, the Foundation oversaw the investments and distribution of earnings for endowments restricted for parish schools and high schools. The endowments were transferred into the Foundation from the Diocese, along with funded investments, on July 1, 1996. At the close of business on June 30, 2009, the endowments were transferred out of the Foundation and into a new entity (the Educational Endowment Fund) whose sole responsibility is management of the endowments.

The Foundation was incorporated in 1996 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation would be subject to Federal income tax on any unrelated business taxable income.

*Use of Estimates*

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

*Cash and Cash Equivalents*

The Foundation considers all investments purchased with an original maturity of three months or less to be cash and cash equivalents.

*Valuation of Investments*

Marketable securities are stated at fair value. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Investments traded in the over-the-counter market and listed securities, for which no sale was reported on that date, are valued at the average of the last reported bid and asked prices.

*Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

**CATHOLIC EDUCATION FOUNDATION OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Contributions*

The Foundation reports contributions of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions of cash and other assets that are received without donor stipulations that limit the use of the donated assets are reported as unrestricted support. When a temporary donor restriction expires, that is, when a 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.

Contributions are recorded by the Foundation when the contributions are received at the administrative offices.

*Fair Value Measurements*

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

*Reclassifications*

Certain prior period amounts within the accompanying statements have been reclassified for comparability.

*Other Significant Accounting Policies*

Other significant accounting policies are set forth in the financial statements and the notes thereto.

*Subsequent Events*

The Foundation has evaluated subsequent events through November 10, 2009, the date which the financial statements were available to be issued.

**CATHOLIC EDUCATION FOUNDATION OF THE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**NOTE 2 – INVESTMENTS**

As of June 30, 2009 and 2008, the investment portfolio consisted of:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Government obligations	\$ 700,314	\$ 703,120	\$ 1,189,737	\$ 1,215,240
Corporate bonds and notes	852,494	872,760	667,344	655,084
Common stock	<u>2,128,780</u>	<u>2,060,108</u>	<u>25,670,890</u>	<u>26,308,195</u>
Total investments	<u>\$ 3,681,588</u>	<u>\$ 3,635,988</u>	<u>\$ 27,527,971</u>	<u>\$ 28,178,519</u>

**NOTE 3 – RELATED PARTY**

The Foundation and the Diocese of Joliet are organizations affiliated through common members of their respective Boards of Directors and Boards of Trustees. The Foundation receives administrative services and operating support from the Diocese and reimburses the Diocese for direct expenses incurred.

**NOTE 4 – FUND RAISING EXPENSES**

Included in administrative expenses are fund raising expenses totaling \$45,938 and \$45,477 for the years ended June 30, 2009 and 2008, respectively.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Foundation's cash balances are maintained in various bank deposit accounts. At times these deposits may be in excess of federally insured limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

**NOTE 6 – TRANSFER OF ENDOWMENT FUNDS TO ANOTHER ENTITY**

At the close of business on June 30, 2009, the school endowment investments held by the Foundation were transferred to a new entity, The Educational Endowment Fund (Endowment Fund). The Endowment Fund has a separate board of directors and separately issued financial statements as of June 30, 2009. The activity for the year ended June 30, 2009 is part of the Foundation's Statement of Activities.

**CATHOLIC EDUCATION FOUNDATION OF THE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**NOTE 7 – TRANSFER AND OTHER CHANGES**

During fiscal year 2007 there was an over-accrual of endowment earnings payable. The net result of this was temporarily restricted net assets were understated and liabilities were overstated. This change will restore the temporarily restricted net asset balance to the proper amount.

During fiscal year 2008 contributions of \$21,001 to the school endowments were included in the unrestricted net assets of the Foundation. The net result of this was that permanently restricted net assets were understated and unrestricted net assets were overstated. This change will restore both net asset categories to their proper amounts.

**NOTE 8 – FAIR VALUE MEASUREMENTS**

In fiscal year 2009 the Foundation adopted FASB Statement No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Certain assets within the Foundation are measured at fair value. Following is a description of the valuation methodologies used for these assets. The methodologies used at June 30, 2009 and 2008 have been consistently applied.

**CATHOLIC EDUCATION FOUNDATION OF THE  
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The fair value for government obligations and common stock are determined by reference to quoted market prices. Corporate bonds and notes are measured at fair value determined by reference to yields currently available on comparable securities issues with similar credit ratings.

Assets measured at fair value on a recurring basis at June 30, 2009 and 2008, respectively, are as follows:

	<u>2009</u>	<u>2008</u>
Government obligations	\$ 703,120	\$ 1,215,240
Corporate bonds and notes	872,760	655,084
Common stock	<u>2,060,108</u>	<u>26,308,195</u>
	<u>\$ 3,635,988</u>	<u>\$ 28,178,519</u>

The related fair values of these assets are determined as follows:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2009			
Government obligations	\$ 703,120	\$ -	\$ -
Corporate bonds and notes	-	872,760	-
Common stock	<u>2,060,108</u>	-	-
	<u>\$ 2,763,228</u>	<u>\$ 872,760</u>	<u>\$ -</u>
June 30, 2008			
Government obligations	\$ 1,215,240	\$ -	\$ -
Corporate bonds and notes	-	655,084	-
Common stock	<u>26,308,195</u>	-	-
	<u>\$ 27,523,435</u>	<u>\$ 655,084</u>	<u>\$ -</u>

**NOTE 9 – ENDOWMENT**

The Foundation's endowment at June 30, 2009 consists of one donor-restricted endowment fund. At June 30, 2008, the endowment consisted of eighty-five donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**CATHOLIC EDUCATION FOUNDATION OF THE  
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**Interpretation of Relevant Law**

The Foundation has interpreted the State of Illinois Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

The composition of Endowment Net Assets by fund type as of June 30, 2009 and 2008, respectively, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2009</b>				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,250</u>	<u>\$ 200,250</u>
 June 30, 2008				
Donor-restricted endowment funds	<u>\$ 21,001</u>	<u>\$ 2,838,247</u>	<u>\$ 20,868,894</u>	<u>\$ 23,728,142</u>

**CATHOLIC EDUCATION FOUNDATION OF THE  
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Changes in Endowment Net Assets for the years ending June 30, 2009 and 2008, respectively, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2009</b>				
Endowment net assets, Beginning of year	\$ 21,001	\$ 2,838,247	\$ 20,868,894	\$ 23,728,142
Investment return:				
Investment income	-	742,459	-	742,459
Net realized and unrealized appreciation (depreciation)	-	(3,960,601)	-	(3,960,601)
Contributions	-	-	442,175	442,175
Appropriation of endowment assets for expenditure	-	(136,772)	-	(136,772)
Other changes:				
Net asset reclassification	(21,001)	192,840	21,001	192,840
Transfer to corpus	-	(156,538)	156,538	-
Transfer to School Endowment	-	480,365	(21,288,358)	(20,807,993)
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,250</u>	<u>\$ 200,250</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2008</b>				
Endowment net assets, Beginning of year	\$ -	\$ 5,012,402	\$ 20,207,291	\$ 25,219,693
Investment return:				
Investment income	-	723,836	-	723,836
Net realized and unrealized appreciation (depreciation)	-	(2,078,971)	-	(2,078,971)
Contributions	21,001	-	661,603	682,604
Appropriation of endowment assets for expenditure	-	(819,020)	-	(819,020)
Endowment net assets, End of year	<u>\$ 21,001</u>	<u>\$ 2,838,247</u>	<u>\$ 20,868,894</u>	<u>\$ 23,728,142</u>

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**CATHOLIC EDUCATION FOUNDATION OF THE  
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The components of endowment funds classified as temporarily restricted net assets and permanently restricted net assets as of June 30, 2009 and 2008, respectively, are as follows:

	<u>2009</u>	<u>2008</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a purpose restriction under SPMIFA	\$ <u>          -</u>	\$ <u>2,838,247</u>
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ <u>200,250</u>	\$ <u>20,868,894</u>

*Funds with Deficiencies (Disclosure required by paragraph 15(d) of Statement 124)*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2009 and 2008.

*Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to ensure the health and long-term life of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner to accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of making available for appropriation each year the net investment earnings plus accumulated earnings from prior periods. The amount to be appropriated each year from this temporarily restricted income related to the endowment funds is determined by the trustee as directed by donor-imposed restrictions. In periods when there are no investment earnings and no accumulated earnings from prior years, appropriations of these endowment funds are not allowed.