

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

**PRIESTS' PENSION AND DISABILITY
PLAN OF THE ROMAN CATHOLIC
DIOCESE OF JOLIET**

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET**

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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 net assets available for benefits of the Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet as of June 30, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 Plan'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 status of the Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet as of June 30, 2009 and 2008, and the changes in its financial status 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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**PRIESTS' PENSION AND DISABILITY PLAN OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ <u>380,520</u>	\$ <u>93,050</u>
Investments, at fair value - Note 5	<u>21,750,561</u>	<u>26,672,300</u>
Investment in Priests' Long-Term Care Fund - Note 6	<u>325,475</u>	<u>-</u>
Receivables		
Employers' contributions	10,142	15,674
Accrued interest and dividends	<u>120,000</u>	<u>152,874</u>
Total receivables	<u>130,142</u>	<u>168,548</u>
Total assets	<u>22,586,698</u>	<u>26,933,898</u>
LIABILITIES		
Accrued expenses	14,000	17,236
Benefits payable	88,000	75,066
Due to Insurance Fund	10,779	5,567
Due to Diocese of Joliet	<u>41,727</u>	<u>22,553</u>
Total liabilities	<u>154,506</u>	<u>120,422</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 22,432,192</u>	<u>\$ 26,813,476</u>

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
INVESTMENT INCOME (LOSS)		
Interest and dividends	\$ 819,709	\$ 861,424
Net realized gains (losses) on investments	(2,547,598)	196,861
Change in unrealized gains and losses on investments - Note 5	<u>(1,661,467)</u>	<u>(2,170,671)</u>
Total investment income (loss)	<u>(3,389,356)</u>	<u>(1,112,386)</u>
EMPLOYERS' CONTRIBUTIONS	<u>192,075</u>	<u>180,183</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Pension and insurance benefits paid	1,445,449	1,087,269
Investment management and bank fees	65,449	81,102
Administrative expenses	<u>32,451</u>	<u>31,171</u>
Total deductions	<u>1,543,349</u>	<u>1,199,542</u>
NET DECREASE BEFORE OTHER CHANGES	(4,740,630)	(2,131,745)
Transfer from Diocese for long-term care benefits	<u>359,346</u>	<u>-</u>
TOTAL NET DECREASE	(4,381,284)	(2,131,745)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>26,813,476</u>	<u>28,945,221</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ 22,432,192</u>	<u>\$ 26,813,476</u>

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 – PLAN DESCRIPTION

The following description of the Priests' Pension and Disability Plan (Plan) of the Roman Catholic Diocese of Joliet (Diocese) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit plan that covers the priests of the Diocese who became participants of such Plan by ordination or incardination.

Contributions

The participating employers' present intention is to make contributions in amounts sufficient to fund the Plan. During the years ended June 30, 2009 and 2008, the amount contributed was \$1,500 per priest.

Pension Benefits

A priest is entitled to the maximum benefit that is in effect at the time of his retirement, provided that he has at least 30 years of service coupled with 30 years of contributions. In the event that a priest has less than 30 years of service and contributions due to incardination into the Diocese late in life, he may receive a full benefit if all of the following conditions are met: (1) he was incardinated into the Diocese before age 50, (2) he deferred retirement until age 70, and (3) he is still a member of the Diocese at the time of retirement. In the event that a priest has less than 30 years of service and contributions because he was ordained late in life, he may receive a full benefit if all of the following conditions are met: (1) he was ordained into the Diocese after age 40, (2) he deferred retirement until age 70, and (3) he is still a member of the Diocese at the time of retirement. Noncompliance with any of the above conditions will result in qualification for a partial benefit as follows: if the priest is a member of the Diocese at the time of retirement, he shall receive for each year of service with annual contributions $1/30^{\text{th}}$ of the maximum benefit in effect at the time of his retirement. Benefits are paid only upon actual retirement and only during the life of the member. Benefits will not be paid to a member's estate, beneficiaries, or heirs.

Disability Benefits

All Diocesan priests are covered by a Diocesan Disability Plan which provides benefits for priests who are totally disabled. The Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet provides benefits for temporary and partial disability. A priest temporarily disabled will receive a monthly benefit equivalent to the maximum disability benefit. In the event of partial disability, coupled with a permanent nature, the Retirement Board of the Diocese determines the extent of the benefit, not to exceed the maximum benefit.

Long-Term Care and Assisted Living Benefits

The Plan also provides long-term care and assisted-living benefits for all priests. Effective January 1, 2009, the insurance provides \$150 per day for priests living in a licensed nursing facility and \$75 per day for assisted living expenses. Prior to January 1, 2009, the benefit was \$100 per day and \$50 per day, respectively.

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
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Other Benefits

The Plan pays the automobile insurance for retired priests equal to that paid for active priests. The Plan also pays the supplemental health insurance premium for retirees. Other incidental expenses, such as continuing education, annual retreat costs and long-term assisted living care are also reimbursed by the Plan.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records of the Plan are maintained on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the plan 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.

Fair Value Measurements

The Plan has determined the fair value of certain assets 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.

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
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Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method. Interest is recorded on the accrual basis. Dividends are recorded at the ex-dividend date.

Investment in Priests' Long-Term Care Fund

The Diocese accounts for its participation interest in the Priests' Long Term Care Fund under the equity method. The Diocese shares in the operating and investment income and expenses of these investments based on their contributions into the fund.

Payment of Benefits

Benefit payments to participants are recorded when paid, however, benefits earned in June but paid in July are accrued at June 30.

Administrative Expenses

The Plan is responsible for paying a majority of the administrative expenses. All other administrative expenses are paid by the Roman Catholic Diocese of Joliet, the Plan sponsor.

Subsequent Events

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

Other Significant Accounting Policies

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

NOTE 3 – PLAN TERMINATION

The employers of the Diocese intend to continue this Plan indefinitely; however, the Diocese reserves the right to change, modify, or terminate the Plan at any time. If the Plan is terminated for any reason, the assets of the Plan will be distributed among the participants and pensioners.

NOTE 4 – INCOME TAX STATUS

The Plan is exempt from taxation pursuant to Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements. As a "church plan," it is generally not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

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NOTE 5 – INVESTMENTS

The Plan's investments are held by a bank-administered trust fund. The Retirement Allowance Committee has established a formal investment policy that includes selecting a professional investment advisor to manage investments, diversifying the investment portfolio between fixed income and equity securities, and making both short-term and long-term investments. As of June 30, 2009 and 2008, the Plan's investment portfolio consisted of:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ 13,074,775	\$ 12,238,630	\$ 14,119,636	\$ 15,078,880
Government obligations	3,959,474	4,077,207	7,551,655	7,739,889
Corporate bonds and notes	5,325,094	5,434,724	3,948,324	3,853,531
	<u>\$ 22,359,343</u>	<u>\$ 21,750,561</u>	<u>\$ 25,619,615</u>	<u>\$ 26,672,300</u>

No individual investment holdings of the Plan exceeded 5% of net assets available for benefits as of June 30, 2009 and 2008.

The Plan had a change in unrealized gains and losses on investments of \$(1,661,467) and \$(2,170,671) during the years ended June 30, 2009 and 2008, respectively, as follows:

	<u>2009</u>	<u>2008</u>
Common stock	\$ (1,795,389)	\$ (2,374,604)
Government obligations	(70,501)	217,361
Corporate bonds and notes	204,423	(13,428)
	<u>\$ (1,661,467)</u>	<u>\$ (2,170,671)</u>

The Plan invests in various investment securities which are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the combined statement of financial position.

NOTE 6 – PRIESTS' LONG TERM CARE FUND

The Plan, along with four other dioceses, participates in a long-term care program for priests. The Plan's equity in the Priests' Long Term Care Fund was \$325,475 and \$359,346 at June 30, 2009 and 2008, respectively. The Plan's contribution to the fund was \$109,575 and \$19,700 for the years ended June 30, 2009 and 2008, respectively.

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
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NOTE 7 – FAIR VALUE OF ASSETS AND LIABILITIES

In fiscal year 2009 the Plan 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 Plan 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 Plan are measured at fair value. Following is a description of the valuation methodologies used for these assets and liabilities. The methodologies used at June 30, 2009 and 2008 have been consistently applied.

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>
Common stock	\$ 12,238,630	\$ 15,078,880
Government obligations	4,077,207	7,739,889
Corporate bonds and notes	<u>5,434,724</u>	<u>3,853,531</u>
	<u>\$ 21,750,561</u>	<u>\$ 26,672,300</u>

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total
June 30, 2009			
Common stock	\$ 12,238,630	\$ -	\$ 12,238,630
Government obligations	4,077,207	-	4,077,207
Corporate bonds and notes	-	5,434,724	5,434,724
	<u>\$ 16,315,837</u>	<u>\$ 5,434,724</u>	<u>\$ 21,750,561</u>
 June 30, 2008			
Common stock	\$ 15,078,880	\$ -	\$ 15,078,880
Government obligations	7,739,889	-	7,739,889
Corporate bonds and notes	-	3,853,531	3,853,531
	<u>\$ 22,818,769</u>	<u>\$ 3,853,531</u>	<u>\$ 26,672,300</u>

NOTE 8 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to services rendered by the priests to the valuation date. Accumulated plan benefits include benefits expected to be paid to (1) retired or terminated priests and (2) present priests. Benefits for retired or terminated priests at June 30, 2009, are \$1,500 per month for life with 30 or more years of credited service at the age of 70, with prorated provisions for members retiring with less than 30 years, and certain provisions for early retirement. This benefit is reviewed annually by the Clergy Retirement Board to determine if there will be an increase.

The Plan also contains benefits for an annual retreat, health insurance, long-term care/assisted living insurance and auto insurance. Benefits payable are included to the extent they are deemed attributable to priest service rendered to the valuation date. Vesting occurs after twenty years of credited service.

An actuary from AON Consulting determined the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect both the time value of money and the probability of payment (by means of decrements for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
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The accumulated plan benefit information as of July 1, 2009 and 2008, is as follows:

(In Thousands)	<u>2009</u>	<u>2008</u>
Actuarial present value of vested accumulated plan benefits		
Active and disabled		
Pension benefits	\$ 9,827	\$ 11,140
Health insurance premiums	4,827	5,779
Long-term care insurance premiums	1,092	-
Auto insurance premiums	630	847
Retreat	92	227
Subtotal	<u>16,468</u>	<u>17,993</u>
Retired		
Pension benefits	7,265	5,350
Health insurance premiums	2,141	2,041
Long-term care insurance premiums	1,373	-
Auto insurance premiums	378	348
Retreat	81	109
Subtotal	<u>11,238</u>	<u>7,848</u>
Total	<u>27,706</u>	<u>25,841</u>
(In Thousands)	<u>2009</u>	<u>2008</u>
Actuarial present value of non-vested accumulated plan benefits		
Pension benefits	910	1,137
Health insurance premiums	435	570
Long-term care insurance premiums	97	-
Auto insurance premiums	56	86
Retreat	8	23
Total	<u>1,506</u>	<u>1,816</u>
Actuarial present value of all accumulated plan benefits	<u>\$ 29,212</u>	<u>\$ 27,657</u>
Net assets available for benefits (market value basis)	<u>\$ 22,432</u>	<u>\$ 26,813</u>
Net assets available for benefits in excess of (less than) accumulated plan benefits		
For vested benefits	<u>\$ (5,274)</u>	<u>\$ 972</u>
For all benefits	<u>\$ (6,780)</u>	<u>\$ (843)</u>
Funded ratio	<u>77%</u>	<u>97%</u>

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The figures shown on the previous page are based on the significant actuarial assumptions shown below, which are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of plan benefits.

- Mortality of nondisabled members: According to the RP 2000 Mortality Table projected to 2009 for males.
- Loading for disability: The normal cost for active priests was loaded by 3% to cover disability allowances expected to be paid from the trust.
- Net investment return: 8% per annum, compounded annually, net of investment expenses.
- Loading for expenses: None.
- Valuation of assets: Market value.
- Retirement age: All active members were assumed to retire at age 70 or immediately if over age 70 as of the valuation date.
- Entry age: Age at date of ordination.
- Health insurance premium is \$4,800 and \$4,994 per retired priest in 2009 and 2008, respectively.
- Auto insurance premium is \$1,000 and \$1,051 per retired priest in 2009 and 2008, respectively.

The following table reconciles the actuarial present value of accumulated plan benefits between July 1, 2009 and 2008 (in \$000's):

	<u>2009</u>	<u>2008</u>
Actuarial present value of accumulated plan benefits, beginning of period	<u>\$ 27,657</u>	<u>\$ 25,751</u>
Changes between valuation dates due to		
Increase for interest due to the decrease in the discount period	2,160	2,016
Benefit payments	(1,303)	(1,087)
Net benefits accumulated	(3,052)	381
Plan amendments *	3,680	596
Change in actuarial assumptions	<u>70</u>	<u>-</u>
Total increase	<u>1,555</u>	<u>1,906</u>
Actuarial present value of accumulated plan benefits, end of period	<u><u>\$ 29,212</u></u>	<u><u>\$ 27,657</u></u>

**PRIESTS' PENSION AND DISABILITY PLAN OF THE
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NOTES TO FINANCIAL STATEMENTS
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* The plan amendments for the year ended June 30, 2009, are as follows:

- The monthly pension amount for retired priests increased from \$1,364 to \$1,500.
- The monthly medical premium decreased from \$416 to \$400.
- The annual retreat benefit decreased from \$375 to \$275.
- The annual auto benefit decreased from \$1,051 to \$1,000.
- A long term care benefit and an assisted living benefit have been added, of \$150 per day and \$75 per day, respectively.

The plan amendments for the year ended June 30, 2008, are as follows:

- The monthly pension amount for retired priests increased from \$1,334 to \$1,364.
- The monthly medical premium increased from \$389 to \$416.