

Financial Statement
June 30, 2009

**Educational Endowment Fund
of the Roman Catholic Diocese
of Joliet**

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET**

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Educational Endowment Fund of the Roman Catholic Diocese of Joliet
Joliet, Illinois

We have compiled the accompanying statements of financial position of the **Educational Endowment Fund of the Roman Catholic Diocese of Joliet** as of June 30, 2009, and the related statement of activities and changes in net assets and cash flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements. We have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 30, 2009

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009**

ASSETS

Cash and cash equivalents	\$ 18,750
Accrued interest receivable	35,000
Investments at market value - Note 2	<u>20,765,531</u>
Total assets	<u>\$ 20,819,281</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Other liabilities	<u>\$ 11,288</u>
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NET ASSETS

Unrestricted	
Undesignated	(480,365)
Permanently restricted	<u>21,288,358</u>
Total net assets	<u>20,807,993</u>
Total liabilities and net assets	<u>\$ 20,819,281</u>

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
CHANGE IN NET ASSETS			
REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS			
Transfers from the Catholic Education Foundation of the Diocese of Joliet	<u>(480,365)</u>	<u>21,288,358</u>	<u>20,807,993</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	<u>(480,365)</u>	<u>21,288,358</u>	<u>20,807,993</u>
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (480,365)</u>	<u>\$ 21,288,358</u>	<u>\$ 20,807,993</u>

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009**

OPERATING ACTIVITIES	
Increase in net assets before transfers	\$ -
Adjustment to reconcile increase in net assets before transfers to net cash from operating activities	
Transfer of cash from Catholic Education Foundation	<u>18,750</u>
NET CASH FROM OPERATING ACTIVITIES	18,750
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 18,750</u>

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Educational Endowment Fund of the Roman Catholic Diocese of Joliet (Fund) is a not-for-profit organization established June 30, 2009. It oversees the investments and distributions of earnings for endowments restricted for parish schools and high schools. From July 1, 1996 through June 30, 2009 these funds were the responsibility of the Catholic Education Foundation of the Roman Catholic Diocese of Joliet (Foundation). Prior to July 1, 1996, the Roman Catholic Diocese of Joliet was responsible for administration of the endowments.

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Fund 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 Fund 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 Fund 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 Fund in perpetuity.

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Contributions

The Fund 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 Endowment when the contributions are received at the administrative offices.

Fair Value Measurements

The Fund 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.

Other Significant Accounting Policies

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

Subsequent Events

The Fund has evaluated subsequent events through December 30, 2009, the date which the financial statements were available to be issued.

**EDUCATIONAL ENDOWMENT FUND OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – INVESTMENTS

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

	Cost	Market
Corporate bonds and notes	\$ 9,698,592	\$ 9,676,565
Common stock	14,546,668	11,088,966
Total investments	\$ 24,245,260	\$ 20,765,531

NOTE 3 – TRANSFER OF ENDOWMENT FUNDS FROM ANOTHER ENTITY

At the close of business on June 30, 2009, the school endowment investments held by the Catholic Education Foundation were transferred to this Fund. The Fund has a separate board of directors. The activity for the year ended June 30, 2009 is part of the Catholic Education Foundation's Statement of Activities.

NOTE 4 – FAIR VALUE MEASUREMENTS

In fiscal year 2009 the Fund 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 Fund 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.

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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 with the Fund are measured at fair value. Following is a description of the valuation methodologies used for these assets. The fair value for common stock and corporate bonds and notes is determined by reference to quoted market prices, as mutual funds hold all these securities.

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

Common stock	\$ 11,088,966
Corporate bonds and notes	<u>9,676,565</u>
	<u>\$ 20,765,531</u>

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

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u> </u>	<u> </u>	<u> </u>
Common stock	\$ 11,088,966	\$ -	\$ -
Corporate bonds and notes	<u>-</u>	<u>9,676,565</u>	<u>-</u>
	<u>\$ 11,088,966</u>	<u>\$ 9,676,565</u>	<u>\$ -</u>

NOTE 5 – ENDOWMENT

The Fund's endowments at June 30, 2009 consist of eighty-six 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.

Interpretation of Relevant Law

The Fund 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 Fund 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 Fund in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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NOTES TO FINANCIAL STATEMENTS
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- (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 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (480,365)	\$ -	\$ 21,288,358	\$ 20,807,993

Changes in Endowment Net Assets for the year ending June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return:				
Investment income	-	-	-	-
Net realized and unrealized appreciation (depreciation)	-	-	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Other changes:				
Transfer from Catholic Education Foundation	<u>(480,365)</u>	<u>-</u>	<u>21,288,358</u>	<u>20,807,993</u>
Endowment net assets, End of year	<u>\$ (480,365)</u>	<u>\$ -</u>	<u>\$ 21,288,358</u>	<u>\$ 20,807,993</u>

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The components of endowment funds classified as permanently restricted net assets as of June 30, 2009 are as follows:

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>\$ 21,288,358</u>
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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 Fund to retain as a fund of perpetual duration. Deficiencies of this type in the amount of \$480,365 exist at June 30, 2009.

Return Objectives and Risk Parameters

The Fund 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

At June 30, 2009, the Fund consists of investments in five mutual funds. They consist of a money market fund, an intermediate bond fund, an international equity fund, a small cap fund, and an equity index fund. The allocation among these funds is dictated by each of the eighty-six endowment funds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Fund has a policy of allowing withdrawals from the interest and realized gains earned by the individual endowments. No withdrawals can be made if the fair value of the investments falls below the value of the corpus.