

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

**ROMAN CATHOLIC DIOCESE
OF JOLIET EMPLOYEES'
RETIREMENT PLAN**

**ROMAN CATHOLIC DIOCESE OF JOLIET
EMPLOYEES' RETIREMENT PLAN**

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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 Roman Catholic Diocese of Joliet Employees' Retirement Plan 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 Roman Catholic Diocese of Joliet Employees' Retirement Plan 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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**ROMAN CATHOLIC DIOCESE OF JOLIET
EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	<u>\$ 528,831</u>	<u>\$ 930,633</u>
Investments, at fair value - Note 5	<u>64,102,566</u>	<u>71,399,925</u>
Receivables		
Employers' contributions - Note 6	1,850,000	1,293,945
Accrued interest and dividends	<u>383,000</u>	<u>426,621</u>
Total receivables	<u>2,233,000</u>	<u>1,720,566</u>
Total assets	<u>66,864,397</u>	<u>74,051,124</u>
LIABILITIES		
Accrued expenses	39,000	46,631
Benefits payable	355,000	296,765
Due to Diocese of Joliet	<u>69,215</u>	<u>34,293</u>
Total liabilities	<u>463,215</u>	<u>377,689</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 66,401,182</u>	<u>\$ 73,673,435</u>

ROMAN CATHOLIC DIOCESE OF JOLIET
EMPLOYEES' RETIREMENT PLAN
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	\$ 2,283,779	\$ 2,316,583
Net realized gains (losses) on investments	(6,574,677)	72,968
Change in unrealized gains and losses on investments - Note 5	<u>(4,339,400)</u>	<u>(5,133,858)</u>
Total investment income (loss)	<u>(8,630,298)</u>	<u>(2,744,307)</u>
EMPLOYERS' CONTRIBUTIONS	<u>5,709,250</u>	<u>4,264,170</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid	4,119,260	3,515,303
Investment management and bank fees	183,253	215,087
Administrative expenses	<u>48,692</u>	<u>35,462</u>
Total deductions	<u>4,351,205</u>	<u>3,765,852</u>
NET DECREASE	(7,272,253)	(2,245,989)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>73,673,435</u>	<u>75,919,424</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ 66,401,182</u>	<u>\$ 73,673,435</u>

**ROMAN CATHOLIC DIOCESE OF JOLIET
EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – PLAN DESCRIPTION

General

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

The Plan is a defined benefit plan that covers all regular full-time lay employees of the Diocese, who are employed by the Cathedral of St. Raymond Nonnatus, the participating Parishes and Missions, and the participating agencies and offices of the Diocese. The Retirement Allowance Committee controls and manages the operation and administration of the Plan.

Contributions

The participating employers' present intention is to make contributions in amounts sufficient to fund the Plan. As a "church plan," the Plan generally is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Section 7.2(b) of the Plan, however, calls for contributions sufficient to satisfy the minimum funding requirements of ERISA, determined as if the Plan was subject to those requirements. An actuary from AON Consulting determined the minimum contributions for 2009 and 2008 should have been \$8,010,914 and \$8,971,553, respectively. Actual contributions for 2009 and 2008 were \$5,709,245 and \$4,264,170, respectively.

Pension Benefits

An employee with at least five years of continuous service is entitled to annual pension benefits beginning at normal retirement age based on year of birth in conjunction with the normal retirement age as outlined for social security benefits, in an amount equal to the number of years of creditable past service multiplied by 2% (1.75% for earnings prior to 1974; 3% for earnings from 1974-2008) of one's annual rate of past service compensation plus 2% of one's total future service compensation. The Plan permits early retirement up to 10 years prior to the normal retirement date if five years of continuous service have been completed. The normal benefit is joint and survivor for married participants; however, if married, one may elect a single life annuity by informing the Retirement Allowance Committee. Employees become vested after five years of continuous service or upon reaching age 70, whichever is earlier. A participant whose service is terminated (other than by death or retirement) after completion of the vesting requirement is entitled to the full amount of their accrued benefit. A participant who terminates employment before fulfilling the vesting requirement shall have no further interest in the Plan.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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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 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.

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.

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.

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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).

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 including recommending professional money managers, 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:

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 38,330,078	\$ 35,938,568	\$ 37,303,114	\$ 39,549,438
Government obligations	12,608,377	12,798,891	20,857,965	21,327,715
Corporate bonds and notes	15,045,434	15,365,107	10,780,769	10,522,772
	\$ 65,983,889	\$ 64,102,566	\$ 68,941,848	\$ 71,399,925

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

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The Plan had a change in unrealized gains and losses on investments of \$(4,339,400) and \$(5,133,858) during the years ended June 30, 2009 and 2008, respectively, as follows:

	<u>2009</u>	<u>2008</u>
Common stock	\$ (4,637,834)	\$ (5,625,963)
Government obligations	(279,236)	553,946
Corporate bonds and notes	<u>577,670</u>	<u>(61,841)</u>
	<u>\$ (4,339,400)</u>	<u>\$ (5,133,858)</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 – CONTRIBUTIONS RECEIVABLE

Contributions due from participating units of the Diocese as of June 30, 2009 and 2008 were \$1,850,000 and \$1,293,945, respectively. No provision for uncollectible amounts has been provided. All amounts are deemed to be collectible.

NOTE 7 – FAIR VALUE MEASUREMENTS

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.

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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	\$ 35,938,568	\$ 39,549,438
Government obligations	12,798,891	21,327,715
Corporate bonds and notes	<u>15,365,107</u>	<u>10,522,772</u>
	<u>\$ 64,102,566</u>	<u>\$ 71,399,925</u>

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	\$ 35,938,568	\$ -	\$ 35,938,568
Government obligations	12,798,891	-	12,798,891
Corporate bonds and notes	-	<u>15,365,107</u>	<u>15,365,107</u>
	<u>\$ 48,737,459</u>	<u>\$ 15,365,107</u>	<u>\$ 64,102,566</u>
June 30, 2008			
Common stock	\$ 39,549,439	\$ -	\$ 39,549,439
Government obligations	21,327,715	-	21,327,715
Corporate bonds and notes	-	<u>10,522,771</u>	<u>10,522,771</u>
	<u>\$ 60,877,154</u>	<u>\$ 10,522,771</u>	<u>\$ 71,399,925</u>

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NOTE 8 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, which are attributable under the Plan's provisions to services rendered by the employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to (1) retired or terminated employees or their beneficiaries and (2) present employees or their beneficiaries. Benefits for retired or terminated employees or their beneficiaries are based on employees' compensation during their service. The accumulated plan benefits for active employees are based on their average compensation. Benefits payable are included to the extent they are deemed attributable to employee service rendered to the valuation date.

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.

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	\$ 52,084	\$ 50,932
Terminated with vested rights	12,174	11,582
Pensioners	39,125	33,882
Total	<u>\$ 103,383</u>	<u>\$ 96,396</u>
Actuarial present value of nonvested accumulated plan benefits (active participants)	<u>\$ 2,988</u>	<u>\$ 3,058</u>
Actuarial present value of all accumulated plan benefits	<u>\$ 106,371</u>	<u>\$ 99,454</u>
Net assets available for benefits (market value basis)	<u>\$ 66,401</u>	<u>\$ 73,673</u>
Net assets available for benefits less than accumulated plan benefits		
For vested benefits	<u>\$ (36,982)</u>	<u>\$ (22,722)</u>
For all benefits	<u>\$ (39,970)</u>	<u>\$ (25,781)</u>
Funded ratio	<u>62%</u>	<u>74%</u>

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The following reconciles the actuarial present value of accumulated plan benefits between the periods ending July 1:

(In Thousands)	<u>2009</u>	<u>2008</u>
Value, beginning of the period	\$ 99,454	\$ 87,618
Increase for interest due to the decrease in the discount period	7,792	6,869
Benefit payments	(4,119)	(3,515)
Net benefits accumulated	11,467	8,344
Plan amendment	(8,380)	-
Change in actuarial assumptions	<u>157</u>	<u>138</u>
Value, end of the period	<u>\$ 106,371</u>	<u>\$ 99,454</u>

Significant assumptions underlying the actuarial computations are:

- Investment return: 8% per annum, compounded annually, was used at July 1, 2009 and 2008.
- Future salary increases: 3.5% per annum, compounded annually, was used at July 1, 2009 and 2008.
- Mortality: According to the RP 2000 Combined Mortality Table projected to 2009 for males and females; previously the mortality assumption used the 2000 Combined Mortality Table projected to 2008 for males and females. The change was made to better reflect future plan experience and is accounted for in the above calculation.
- Termination from all causes prior to retirement: For 2009 and 2008, according to the T-6 Table of The Actuary's Pension Handbook, less GAM-51 mortality rates.
- Provision for expenses: The normal cost includes an estimated amount based on prior years to cover administrative expenses which are paid from the trust fund, rounded to the nearest \$1,000.
- Retirement: Each participant was assumed to retire at normal retirement date or, for those already past normal retirement date, at the valuation date.
- Ages of spouses: All wives are assumed to be four years younger than their husbands.
- Incidence of marriage: It is assumed that 85% of the active employees who have met the eligibility requirement for surviving spouse benefit coverage are married.

The foregoing actuarial assumptions 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.