

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

**ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL
SERVICES**

**ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES**

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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 financial position of the **Roman Catholic Diocese of Joliet Administration and Ministerial Services** (the "Diocese"), a division of the Roman Catholic Diocese 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 management of the Diocese. 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 Diocese'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 **Roman Catholic Diocese of Joliet Administration and Ministerial Services** 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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ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 18,239,717	\$ 21,230,413
Investments – Note 3	30,697,453	25,744,838
Pooled investment funds – Note 3	485,971	1,113,286
Beneficial interest in a trust – Note 4	437,813	557,023
Loans to Parishes and others, net of allowance of \$4,000,000 for 2009 and \$3,273,0000 for 2008	55,219,988	63,260,219
Accrued interest and dividends receivable	371,391	889,468
Receivables, net of allowance of \$4,184,000 for 2009 and \$3,619,000 for 2008 – Note 2	5,725,774	5,316,378
Prepaid expenses	134,338	383,569
Other receivable - Note 6	855,423	436,239
Land, buildings, and equipment, net – Note 5	19,978,454	20,332,795
Due from other Diocesan agencies	137,221	80,144
	<u>132,283,543</u>	<u>139,344,372</u>
 Total assets	 <u>\$ 132,283,543</u>	 <u>\$ 139,344,372</u>

See notes to financial statements.

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,028,101	\$ 2,858,736
Interest payable	62,753	58,275
Due to other Diocesan agencies	204,237	618,310
Contributions payable	1,295,997	387,311
Estimated unpaid insurance claims – Note 7	5,780,000	5,323,000
Deferred revenue – Note 1	3,614,774	3,604,422
Deposits from Parishes and others	52,292,828	52,651,158
Long-term debt – Note 6	18,252,857	20,866,388
Fair value of interest rate swap agreement - Note 6	855,423	436,239
Future cemetery care liability – Note 1	18,879,203	18,732,369
	<u>104,266,173</u>	<u>105,536,208</u>
NET ASSETS		
Unrestricted		
Designated for future insurance claims	8,645,435	4,772,052
Designated for future land and building funds	10,122,758	10,849,244
Designated for special purposes	2,768,304	3,389,450
Designated for cemetery operations	(18,200,332)	(15,589,935)
Undesignated	17,556,615	22,315,685
	<u>20,892,780</u>	<u>25,736,496</u>
Temporarily restricted – Note 15	5,383,511	6,330,589
Permanently restricted – Note 15	1,741,079	1,741,079
	<u>28,017,370</u>	<u>33,808,164</u>
Total net assets	<u>28,017,370</u>	<u>33,808,164</u>
Total liabilities and net assets	<u>\$ 132,283,543</u>	<u>\$ 139,344,372</u>

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions				
Appeal fund drive	5,116,781	-	-	5,116,781
Parish assessments	3,570,613	-	-	3,570,613
Education fund assessment	594,561	-	-	594,561
Other contributions	423,508	242,139	-	665,647
Program fees				
Insurance premiums and recoveries	29,356,730	-	-	29,356,730
Fees, sales, and services	4,868,548	-	-	4,868,548
Interest on loans	2,941,102	-	-	2,941,102
Rental income	343,561	-	-	343,561
Net investment earnings (loss) – Note 3	(1,811,492)	(869,625)	-	(2,681,117)
Gain on sale of fixed assets	10,000	-	-	10,000
Other revenue	84,726	-	-	84,726
Total revenue	<u>45,498,638</u>	<u>(627,486)</u>	-	<u>44,871,152</u>
Net assets released from restrictions	<u>319,592</u>	<u>(319,592)</u>	-	<u>-</u>
	<u>45,818,230</u>	<u>(947,078)</u>	-	<u>44,871,152</u>
EXPENSES				
Administrative				
Salaries and benefits	1,952,112	-	-	1,952,112
Supplies and expenses	2,015,751	-	-	2,015,751
Programs and operations				
Salaries and benefits	4,448,931	-	-	4,448,931
Insurance claims and reinsurance	24,407,864	-	-	24,407,864
Interest on deposits/loans	3,565,928	-	-	3,565,928
Other supplies and expenses	5,842,128	-	-	5,842,128
Building, equipment, and grounds	504,988	-	-	504,988
Donations	2,613,840	-	-	2,613,840
Depreciation	519,553	-	-	519,553
Bad debt expense	4,102,300	-	-	4,102,300
Total expenses	<u>49,973,395</u>	-	-	<u>49,973,395</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES	(4,155,165)	(947,078)	-	(5,102,243)
OTHER CHANGES				
Transfers to Education Foundation	(329,205)	-	-	(329,205)
Transfer to Priests' Pension and Disability Plan	(359,346)	-	-	(359,346)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(4,843,716)	(947,078)	-	(5,790,794)
NET ASSETS, BEGINNING OF YEAR	<u>25,736,496</u>	<u>6,330,589</u>	<u>1,741,079</u>	<u>33,808,164</u>
NET ASSETS, END OF YEAR	<u>\$ 20,892,780</u>	<u>\$ 5,383,511</u>	<u>\$ 1,741,079</u>	<u>\$ 28,017,370</u>

See notes to financial statements.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 5,897,713	\$ -	\$ -	\$ 5,897,713
3,452,524	-	-	3,452,524
575,843			575,843
389,831	223,015	-	612,846
28,459,277	-	-	28,459,277
4,144,795	-	-	4,144,795
3,142,294	-	-	3,142,294
363,561	-	-	363,561
198,560	(249,868)	-	(51,308)
6,875	-	-	6,875
52,895	-	-	52,895
46,684,168	(26,853)	-	46,657,315
332,960	(332,960)	-	-
<u>47,017,128</u>	<u>(359,813)</u>	<u>-</u>	<u>46,657,315</u>
1,475,219	-	-	1,475,219
1,654,177	-	-	1,654,177
4,804,614	-	-	4,804,614
23,840,989	-	-	23,840,989
3,577,991	-	-	3,577,991
5,540,435	-	-	5,540,435
549,462	-	-	549,462
2,764,616	-	-	2,764,616
528,672	-	-	528,672
1,606,317	-	-	1,606,317
46,342,492	-	-	46,342,492
674,636	(359,813)	-	314,823
(311,650)	-	-	(311,650)
-	-	-	-
362,986	(359,813)	-	3,173
<u>25,373,510</u>	<u>6,690,402</u>	<u>1,741,079</u>	<u>33,804,991</u>
<u>\$ 25,736,496</u>	<u>\$ 6,330,589</u>	<u>\$ 1,741,079</u>	<u>\$ 33,808,164</u>

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Increase (decrease) in net assets before other changes	\$ (5,102,243)	\$ 314,823
Adjustments to reconcile increase (decrease) in net assets before other changes to net cash from operating activities		
Depreciation	519,553	528,672
Change in unrealized gains and losses on investments	1,642,190	1,901,553
Gain on sale of fixed assets	(10,000)	(6,875)
Changes in assets and liabilities		
Loans to Parishes and others	8,040,231	3,998,932
Receivables	108,681	69,622
Prepaid expenses	249,231	(300,927)
Due to/from other Diocesan agencies	(471,150)	343,501
Accounts payable and accrued expenses	1,082,529	2,586
Deposits from Parishes and others	(358,330)	406,124
Estimated unpaid insurance claims	457,000	1,323,000
Future cemetery care liability	146,834	740,438
Deferred revenue	10,352	509,554
Transfers	(688,551)	(311,650)
NET CASH FROM OPERATING ACTIVITIES	<u>5,626,327</u>	<u>9,519,353</u>
INVESTING ACTIVITIES		
(Increase) decrease in investments	(5,848,280)	1,076,364
Purchases of land, buildings, and equipment	(165,212)	(238,555)
Proceeds from sale of fixed assets	10,000	168,892
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	<u>(6,003,492)</u>	<u>1,006,701</u>
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	5,258,000	-
Repayment of long-term debt	(7,871,531)	(2,412,614)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(2,613,531)</u>	<u>(2,412,614)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,990,696)	8,113,440
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,230,413</u>	<u>13,116,973</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,239,717</u>	<u>\$ 21,230,413</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 3,561,450</u>	<u>\$ 3,638,438</u>

See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 –ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Roman Catholic Diocese of Joliet Administration and Ministerial Services (the “Diocese”) is the support center for Diocesan Parishes. The Diocese provides support and services to 120 Parishes, 10 missions, and other agencies in seven counties in northeastern Illinois. It operates as a central bank and provides loans, holds deposits of excess funds, holds title to all property, administers the employee benefit programs, and administers a self-insurance program. Operating support is mainly derived from fees for various programs, the appeal drive, parish assessments, and donations.

The information contained in the financial statements relates only to the operations of the Roman Catholic Diocese of Joliet Administration and Ministerial Services, a division of the Roman Catholic Diocese of Joliet, a trust exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. However, the Diocese would be subject to federal income tax on any unrelated business taxable income. Various other organizations, such as Parishes, Catholic High Schools, Catholic Charities, and the Catholic Education Foundation of the Diocese, operate within the Diocese, but they are considered separate juridical entities; therefore, those entities are not included in the accompanying financial statements. Financial reporting for the Diocese Employees’ Retirement Plan and the Priests’ Pension and Disability Plan are also excluded from the accompanying financial statements.

Method of Accounting

The financial statements have been prepared on the accrual basis under accounting principles generally accepted in the United States of America.

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

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased.

Loans and Operating Receivables and Deposits Payable

Loans and operating receivables are presented net of an allowance. The majority of the loans receivable and deposits payable represent loans to and deposits made by Parishes and other related Diocesan organizations resulting from a cooperative investment and lending program established for the mutual benefit of the participants. The loans are receivable and deposits are payable on demand. The loans and deposits bear interest at the rate of 5% per annum. The rate paid on deposits changed to 3% beginning July 1, 2009.

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
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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.

Investment – Pooled Insurance

The Diocese accounts for its participation interest in the Catholic Umbrella Pool and 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 funds.

Derivative Financial Instruments

The Diocese makes limited use of derivative instruments for the purpose of managing interest rate risk. An interest rate swap agreement was used to convert floating rate long-term debt to a fixed rate (Note 6).

Receivables and Credit Policies

Receivables are uncollateralized parish obligations due under normal terms requiring payment within 30 days from the invoice date. Parish account balances with invoices dated over 30 days old are considered delinquent. Delinquent accounts are not assessed interest. The carrying amount of receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected. Management reviews all receivable balances; and based on the history of the parish, estimates the portion, if any, of the balance that will not be collected.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Depreciation is provided over the estimated useful life of each depreciable asset, 5 years for equipment and 50 years for buildings, and is computed using the straight-line method. Renewals and betterments in excess of \$10,000 are capitalized and maintenance and repairs are charged to expense.

Property/Liability/Medical Insurance Claims

Property of the Parishes and participating religious organizations of the Diocese are covered by self-insurance programs administered through the Diocese. Losses in excess of self-insured retention levels are insured under commercial excess policies. Medical and dental risks are covered by self-insurance programs. Losses in excess of self-insured retention levels are insured under commercial excess policies. Long-term disability, life, and vision insurance are covered under commercial policies. In each of the above plans, Parishes and participating organizations are assessed to defray costs of the programs.

Insurance claims reserves are the estimated amounts necessary to settle outstanding claims, including claims that are incurred but not reported, based on the facts in each case and the Diocese's experience with similar cases.

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Temporarily and Permanently Restricted Net Assets

- *Temporarily Restricted* – Net assets whose use by the Diocese is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by the fulfillment of the stipulated purpose for which the donation was restricted.
- *Permanently Restricted* – Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by the fulfillment of a stipulated purpose.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Diocese are reported as fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

Support arising from contributed services of certain personnel has not been recognized in the accompanying financial statements. While the services contributed are important to the operation of the Diocese, the financial value of the services is deemed immaterial.

Cemetery Revenue Recognition

Diocesan cemeteries sell burial spaces, as well as mausoleum crypts, on a pre-need basis. The Diocese defers revenue recognition to the extent sales are refundable and relate to future costs to be incurred by the Diocese under existing sales contracts.

Cemeteries Future Income Care

The amounts recorded as “future cemetery care liability” in the statements of financial position represent the estimated future costs to maintain the cemeteries’ existing graves and crypts, discounted to present value at the rate of 8 %. For these estimates, current maintenance costs are assumed to escalate 3% per year for the next 150 years. The change in the estimate from the beginning of the year to the end of the year is recorded as operations expense in the statements of activities and changes in net assets. The policy characterizes the obligation to provide future cemetery care as a liability and is stated at the estimated cost (discounted to present value) of providing such care in the future. During 2009, the Diocese changed its assumption relating to the discount rate used to calculate present value from 8.75% to 8%.

ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Fair Value Measurements

The Diocese 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 2008 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.

NOTE 2 – PROMISES TO GIVE

Included in receivables are amounts pledged to the Diocese. The total of these pledges was \$860,219 and, \$846,139 at June 30, 2009 and 2008, respectively. Amounts included in receivables were recorded net of an allowance for uncollectible pledges of \$212,000 and \$331,746 at June 30, 2009 and 2008, respectively. All pledges are due within one year and are included in unrestricted net assets.

NOTE 3 – INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2009 and 2008:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Government obligations	\$ 14,004,295	\$ 14,065,582	\$ 9,107,518	\$ 9,318,788
Common stock	12,203,591	11,585,230	11,945,602	13,015,076
Corporate bonds and notes	<u>4,928,786</u>	<u>5,046,641</u>	<u>3,488,748</u>	<u>3,410,974</u>
Total investments	<u>\$ 31,136,672</u>	<u>\$ 30,697,453</u>	<u>\$ 24,541,868</u>	<u>\$ 25,744,838</u>

(continued on next page)

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Pooled investment funds consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equity in Catholic Umbrella Pool – Note 9	\$ 485,971	\$ 753,940
Equity in Priests' Long Term Care Fund – Note 8	<u>-</u>	<u>359,346</u>
Total	<u>\$ 485,971</u>	<u>\$ 1,113,286</u>

The composition of net investment earnings (loss) is as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends for the year	\$ 925,906	\$ 1,623,153
Net realized gains (losses) for the year	(1,964,833)	227,092
Change in unrealized gains and losses on investments	<u>(1,642,190)</u>	<u>(1,901,553)</u>
Total	<u>\$ (2,681,117)</u>	<u>\$ (51,308)</u>

NOTE 4 – BENEFICIAL INTEREST IN A TRUST (NONCASH INVESTING ACTIVITY)

The Diocese is the beneficiary of a charitable remainder uni-trust valued at \$437,813 at June 30, 2009. According to the terms of the trust agreement, a Catholic high school within the Diocese of Joliet is the beneficiary of \$800,000 of trust value. Any remainder in excess of that amount is held for the benefit of the Diocese. The liability to the school has been included in loans to Parishes and others as a reduction on a construction loan.

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

A summary of net land, buildings and equipment at June 30, 2009 and 2008 follows:

	<u>June 30, 2009</u>			<u>June 30, 2008</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land						
Vacant	\$ 8,087,511	\$ -	\$ 8,087,511	\$ 8,088,527	\$ -	\$ 8,088,527
Cemeteries	2,277,255	-	2,277,255	2,277,255	-	2,277,255
Shrines	213,492	213,492	-	213,492	-	213,492
Buildings and equipment						
Cemeteries	10,239,764	4,003,950	6,235,814	10,230,466	3,968,173	6,262,293
Operating	<u>7,890,920</u>	<u>4,513,046</u>	<u>3,377,874</u>	<u>7,733,986</u>	<u>4,242,758</u>	<u>3,491,228</u>
Total	<u>\$ 28,708,942</u>	<u>\$ 8,730,488</u>	<u>\$ 19,978,454</u>	<u>\$ 28,543,726</u>	<u>\$ 8,210,931</u>	<u>\$ 20,332,795</u>

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ROMAN CATHOLIC DIOCESE OF JOLIET
ADMINISTRATION AND MINISTERIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 – LONG-TERM DEBT

A summary of the Diocese's debt is as follows:

	<u>2009</u>	<u>2008</u>
Asbestos loan 1	\$ 2,666	\$ 48,065
Asbestos loan 2	71,713	101,237
Construction loan	-	1,110
All Saints Catholic Academy bonds	10,600,000	11,200,000
Church of the Holy Ghost loan	640,506	687,780
Notre Dame Parish loan	798,899	89,409
St. Mary Church loan	320,000	1,445,030
St. Scholastica Parish loan	1,772,481	1,865,691
Holy Spirit Catholic Community loan	-	3,179,960
St. Michael Parish loan	-	215,797
St. Francis of Assisi Parish loan	-	2,032,309
Our Lady of Mercy Parish loan	1,879,208	-
St. Alexander Parish loan	816,354	-
Christ the King Parish loan	<u>1,351,030</u>	-
Total	<u>\$ 18,252,857</u>	<u>\$ 20,866,388</u>

Asbestos Loans

In 1992 and 1995, the Diocese obtained two interest-free mortgages on behalf of certain Parishes from the U.S. Environmental Protection Agency (EPA) in the amounts of \$670,030 and \$855,360 for the removal of asbestos. The Diocese has pledged ten acres of vacant farmland in Will County, Illinois, as collateral. These notes are payable in 36 semi-annual installments, with final installments due November 30, 2010, and May 30, 2013, respectively.

Construction Loan

In 1995, the Diocese negotiated an unsecured note from First Chicago for construction work at St. Isidore Parish. The note was fully payable to the Diocese by St. Isidore. The original note was refinanced and became due on July 31, 1997, at which time the entire principal balance remaining plus any interest was due. The interest rate was equal to the sum of one and one-quarter percent per annum plus the Bank's then cost of funds. On September 10, 2003, the note was repriced with an interest rate of 5.84% per annum and was paid off in September 2008.

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All Saints Catholic Academy Bonds

On December 21, 2005, the Diocese issued \$12,560,000 adjustable rate demand revenue bonds – Series 2005A. The bonds are fully payable to the Diocese by All Saints Catholic Academy and St. Thomas the Apostle, St. Margaret Mary, and St. Elizabeth Seton Parishes (collectively referred to as All Saints) and mature June 1, 2027. Interest rate is 3.57% until June 1, 2015, at which time the rate will be based on an adjustable rate. The loan is secured by a letter of credit.

Church of the Holy Ghost

On June 4, 2004, the Diocese negotiated a secured note from Harris Bank for construction of Church of the Holy Ghost. The note is fully payable to the Diocese by Church of the Holy Ghost. Terms are 83 monthly installments of \$6,501 including interest, commencing July 1, 2004, with a final installment due on June 1, 2011. Interest rate is 6.57%. The loan is secured by real estate.

Notre Dame Parish

On August 2, 2004, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note is fully payable to the Diocese by Notre Dame Parish. Terms are 59 monthly installments of \$14,544 including interest, commencing September 1, 2004, with a final installment due on August 1, 2009. Interest rate is 6.5%. The loan is secured by real estate. In June 2009, the Diocese paid off the outstanding balance on this note with Harris Bank and brought the loan into the Diocesan lending program.

On June 3, 2009, the Diocese negotiated a secured note from Harris Bank for the purchase of a rectory and land. The note is fully payable to the Diocese by Notre Dame Parish. Terms are 119 monthly installments of \$5,465 including interest, commencing July 1, 2009, with a final installment due on June 1, 2019. Interest rate is 4.5%. The loan is secured by real estate.

St. Mary's Church

On August 2, 2004, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note is fully payable to the Diocese by St. Mary's Church. Terms are 119 monthly installments of \$14,175, including interest, commencing September 1, 2004 with a final installment due on August 1, 2014. Interest rate is 7.31%. The loan is secured by real estate. In June 2009, the Diocese paid off the outstanding balance on this note with Harris Bank and brought the loan into the Diocesan lending program.

On June 3, 2009, the Diocese negotiated a secured note from Harris Bank for construction on school facilities. The note is fully payable to the Diocese by St. Mary's Church. Terms are 119 monthly installments of \$2,183, including interest, commencing July 1, 2009, with a final installment due on June 1, 2019. Interest rate is 5.4%. The loan is secured by real estate.

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St. Scholastica Parish

On February 1, 2005, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note is fully payable to the Diocese by St. Scholastica Parish. Terms are 83 monthly installments of \$15,947, including interest, commencing March 1, 2005, with a final installment due on February 1, 2012. Interest rate is 6.44%. The loan is secured by real estate. In October 2009, the Diocese paid off the outstanding balance on this note with Harris Bank and brought the loan into the Diocesan lending program.

Holy Spirit Catholic Community

On December 10, 2004, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note is fully payable to the Diocese by Holy Spirit Catholic Community. Terms are 120 monthly installments of \$27,465, including interest, commencing January 1, 2005 with a final installment due on December 1, 2014. Interest rate is 6.75%. The loan is secured by real estate. In June 2009, the Diocese paid off the outstanding balance on this note with Harris Bank and brought the loan into the Diocesan lending program.

St. Michael Parish

On June 11, 2007, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note was fully payable to the Diocese by St. Michael Parish. Terms were 120 monthly installments of \$7,897, including interest, commencing July 11, 2007 with a final installment due on June 11, 2017. Interest rate is 7.12%. The loan is secured by real estate. The parish paid off the loan in March 2009.

St. Francis of Assisi Parish

On June 11, 2007, the Diocese negotiated a secured note from Harris Bank for construction of a Church. The note is fully payable to the Diocese by St. Francis of Assisi Parish. Terms are 120 monthly installments of \$16,694, including interest, commencing July 11, 2007 with a final installment due on June 11, 2017. Interest rate is 7.12%. The loan is secured by real estate. In June 2009, the Diocese paid off the outstanding balance on this note with Harris Bank and brought the loan into the Diocesan lending program.

Our Lady of Mercy Parish

On April 14, 2009, the Diocese negotiated a secured note from Harris Bank for parish construction. The note is fully payable to the Diocese by Our Lady of Mercy Parish. Terms are 119 monthly installments of \$13,304, including interest, commencing May 1, 2009, with a final installment due on April 1, 2019. Interest rate is 5.4%. The loan is secured by real estate.

St. Alexander Parish

On April 14, 2009, the Diocese negotiated a secured note from Harris Bank for parish construction. The note is fully payable to the Diocese by St. Alexander Parish. Terms are 119 monthly installments of \$6,713, including interest, commencing May 1, 2009, with a final installment due on April 1, 2019. Interest rate is 5.4%. The loan is secured by real estate.

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Christ the King Parish

On April 14, 2009, the Diocese negotiated a secured note from Harris Bank for parish construction. The note is fully payable to the Diocese by Christ the King Parish. Terms are 119 monthly installments of \$9,279, including interest, commencing May 1, 2009, with a final installment due on April 1, 2019. Interest rate is 5.4%. The loan is secured by real estate.

Future principal payments on the above loans are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 916,521
2011	1,494,891
2012	2,410,022
2013	798,087
2014	809,051
Thereafter	<u>11,824,285</u>
Total	<u>\$ 18,252,857</u>

On December 8, 2005, the Diocese entered into an interest rate swap agreement (a derivative financial instrument) with an effective date of December 21, 2005 and a termination date of June 1, 2015 on a notional amount of \$12,560,000 (currently \$10,600,000) of the outstanding principal of their 2005 Letter of Credit Agreement. The Company's interest rate strategy is to hedge its variable LIBOR-based interest rate for a fixed rate of 3.0% per annum through and including July, 2007, and 3.57% per annum thereafter, to protect the Diocese from potential future interest rate increases. The differential to be paid or received each month as the interest rate changes is recognized as an expense related to the debt. The differential increased interest expense by \$285,105 and \$83,433 for the years ended June 30, 2009 and 2008, respectively. Under SFAS No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," the Diocese is required to recognize the agreement on the balance sheet at its estimated fair market value using the present value of the expected future cash flows. The Diocese has recorded a liability of \$855,423 and \$436,239 at June 30, 2009 and 2008, respectively. There is a corresponding asset (other receivable) recorded for these same amounts since any liability associated with the swap is the responsibility of All Saints. The change in the fair market value of the agreement has not been recorded in the statement of operations and changes in net assets. The change would be a decrease in fair value of interest rate swap agreement of \$419,184 and \$379,722 at June 30, 2009 and 2008, respectively. Since the change in the fair value is considered to be the responsibility of All Saints, there would also be an offsetting increase for the same values, resulting in no change to net assets.

NOTE 7 – INSURANCE CLAIMS

The Diocese self-insures for losses related to health benefits and property and liability coverage in addition to workers' compensation and automobile coverage. Insurance coverage is maintained for per incident and aggregate liability losses over specified amounts. A provision for estimated claims payable is provided for in the financial statements in the amount of \$5,780,000 and \$5,323,000 for the years ended June 30, 2009 and 2008, respectively.

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NOTE 8 – PRIESTS’ LONG TERM CARE FUND

The Diocese, along with four other dioceses, participates in a long-term care program for priests. The Diocese’s equity in the Priests’ Long Term Care Fund, which is administered by Catholic Mutual Insurance, was \$359,346 at June 30, 2008. The Diocese’s contribution to the fund was \$109,575 and \$19,700 for the years ended June 30, 2009 and 2008, respectively. At the end of business on June 30, 2009, all the assets and Diocesan equity in the Priests’ Long term Care Funds were transferred to the Priests’ Pension and Disability Plan of the Roman Catholic Diocese of Joliet.

NOTE 9 – PROPERTY/LIABILITY REINSURANCE

The Diocese, along with several other similar entities, participates in the Catholic Umbrella Pool (CUP). CUP was formed to insure participants for excess general liability and morality claims. The participating entities are liable for any losses beyond CUP’s ability to fund losses. However, the independent auditor’s report on CUP’s June 30, 2009, financial statement states, “We were unable to obtain sufficient evidential matter regarding the provision and reserve for unpaid claims and claim expenses due to lack of historical loss experience given the limited number of claims.” Therefore, the Diocese’s exposure to additional loss funding, if any, because of its participation in CUP is unknown.

The Diocese’s contribution to CUP was \$155,157 and \$241,992 for the years ended June 30, 2009 and 2008, respectively. The equity interest and participation percentage in CUP was \$485,971 (3.16%) and \$753,940 (3.42%) at June 30, 2009 and 2008, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Diocese, by its nature, engages in transactions with other separately incorporated and/or other divisions of the Roman Catholic Diocese of Joliet. The Diocese receives substantial support from these related organizations.

Included in loans to Parishes and others – net of allowance are related net loans of \$44,462,913 and \$51,926,810 as of June 30, 2009 and 2008, respectively.

Included in receivables – net of allowance are related net receivables of \$4,154,455 and \$3,680,968 as of June 30, 2009 and 2008, respectively.

Included in deposits from Parishes and others are related deposits of \$52,007,681 and \$52,400,869 as of June 30, 2009 and 2008, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2009 and 2008, commitments on construction pending or in process amounted to approximately \$3,700,000 and \$2,452,000 respectively. These commitments will be fully funded by Parishes and/or Diocesan loans to Parishes.

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Certain facilities of the Roman Catholic Diocese of Joliet contain asbestos. Current regulations require that the potential hazard created by the asbestos be remediated if the facilities undergo major renovations or are demolished. Under the provisions of FASB Interpretation (FIN) No. 47 *Accounting for Asset Retirement Obligations* this situation creates a future asset retirement obligation. In accordance with FIN 47, the Diocese has not recognized a liability for the asset retirement obligation at this time because the fair value of the liability cannot be reasonably estimated. This is because the settlement date, which would be the date of major renovation or demolition, is indeterminate since the Diocese has no current plans to perform either of these functions. The Diocese will recognize a liability in the period when sufficient information is available to reasonably estimate its fair value.

Various legal actions and proceedings are pending against the Diocese of Joliet. These actions involve claims for compensatory and punitive damages, as well as other types of relief. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability in excess of established reserves and insurance coverage will not have a material effect on the net assets of the Diocese.

NOTE 12 – FUNCTIONAL EXPENSES

The following is a summary of operating expenses by functional classification:

	<u>2009</u>	<u>2008</u>
Program activities		
Insurance program	\$ 24,698,808	\$ 22,502,569
Publications	903,212	798,390
Donations	2,613,840	2,764,616
Cemeteries operations	4,381,275	4,959,968
Parish services	3,565,928	3,514,134
Ministry services	<u>7,989,415</u>	<u>7,726,059</u>
Total program activities	<u>44,152,478</u>	<u>42,265,736</u>
Supporting activities		
Fund-raising and development	975,974	816,791
Management and general	<u>4,844,943</u>	<u>3,259,965</u>
Total supporting activities	<u>5,820,917</u>	<u>4,076,756</u>
Total expenses	<u>\$ 49,973,395</u>	<u>\$ 46,342,492</u>

Management and general expenses includes bad debts approximating \$4,100,000 and \$1,600,000 for the years ending June 30, 2009 and 2008, respectively.

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NOTE 13 – DEFINED BENEFIT PLANS

Employees' Retirement Plan

The Diocese of Joliet Employees' Retirement Plan is a defined benefit pension plan which covers all regular full-time lay employees of the Diocese, who are employed by one of the 130 participating Parishes and missions, or the 19 participating agencies and offices of the Diocese.

Retirement benefits for the Employees' Retirement Plan are determined based on a percentage of the total amount of the employees' earnings while they are eligible to participate in the Plan. Employees become completely vested after 5 years of service or when they reach 70 years of age, whichever is earlier. All costs of the Employees' Retirement Plan are paid by the Diocese's participating units as determined by the Lay Retirement Allowance Committee.

Priests' Pension and Disability Plan

The Diocese of Joliet Priests' Pension and Disability Plan is a defined benefit pension plan which covers the Diocesan priests who become participants of such plan by ordination, incardination, or petition.

At July 1, 2009 and 2008, the maximum pension benefit was \$ 1,500 and \$1,364 per month, respectively. Priests entitled to the maximum benefit will have provided at least 30 years of service and have 30 years of annual contributions (whether or not paid by the priests, or on behalf of the priests by a Parish or agency of this Diocese, or by a Religious Community).

Annual contributions to the Priests' Pension and Disability Plan are set by the Clergy Retirement Board to adequately fund the plan. During the years ended June 30, 2009 and 2008, the employers contributed \$1,500 per year per priest, for each priest assigned in the Diocese. The annual contribution is due on January 1 of each year, beginning with the first January after the priest is assigned to the Parish, agency, or institution in the Diocese.

Both plans invest in equity and fixed income securities. There were no significant non-benefit liabilities within either plan at June 30, 2009 and 2008.

For the purposes of these financial statements, these pension plans are considered to be multi-employer plans as defined under FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," since the financial activity of Parishes and other units of the Diocese which contribute to these plans is not included in these financial statements.

For the year ended June 30, 2009, pension costs recognized by the Diocese for the Employees' Retirement Plan and the Priests' Pension and Disability Plan were \$309,819 and \$32,521 respectively, and \$252,170 and \$40,490, respectively, for the year ended June 30, 2008.

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NOTE 14 – CONCENTRATION OF CREDIT RISK

The Diocese maintains cash balances in various bank deposit accounts. At June 30, 2009 and 2008, the balance of these deposits was in excess of federally insured limits. The Organization has not experienced any losses in accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

At June 30, 2009, the Diocese had \$12,422,000 of unused line of credit with Harris Bank to be drawn upon as needed, with interest at 2.5% above the Treasury bill rate.

NOTE 15 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Restricted funds by net asset class are as follows:

Purpose	2009			2008
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Restricted Net Assets	Total Restricted Net Assets
Diocesan funds restricted for the following purposes:				
Cemetery maintenance	\$ 191,637	\$ 471,032	\$ 662,669	\$ 769,268
Parish operations	951,044	1,105,899	2,056,943	2,218,783
Masses	37,135	25,000	62,135	59,272
Seminarians/Needy Deacons	1,339,536	-	1,339,536	1,472,353
CHD grants	89,425	-	89,425	103,795
Senior housing	670,802	87,179	757,981	883,985
Orphanage	378,874	-	378,874	454,908
Priest's medical costs	636,292	-	636,292	742,183
Priest's continued education	817,269	-	817,269	974,007
Undistributed special collections	44,024	-	44,024	44,024
Other purposes	227,473	51,969	279,442	349,090
Totals	<u>\$ 5,383,511</u>	<u>\$ 1,741,079</u>	<u>\$ 7,124,590</u>	<u>\$ 8,071,668</u>

NOTE 16 – ENDOWMENT

The Diocese's endowment consists of seven 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.

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Interpretation of Relevant Law

The Diocese 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 Diocese 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 Diocese in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Diocese 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>
June 30, 2009				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 351,264</u>	<u>\$ 1,741,079</u>	<u>\$ 2,092,343</u>
June 30, 2008				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 489,549</u>	<u>\$ 1,741,079</u>	<u>\$ 2,230,628</u>

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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>
June 30, 2009				
Endowment net assets, Beginning of year	\$ -	\$ 489,549	\$ 1,741,079	\$ 2,230,628
Investment return:				
Investment income	-	86,679	-	86,679
Net realized and unrealized appreciation (depreciation)	-	(181,719)	-	(181,719)
Contributions	-	39,228	-	39,228
Appropriation of endowment assets for expenditure	-	(82,473)	-	(82,473)
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ 351,264</u>	<u>\$ 1,741,079</u>	<u>\$ 2,092,343</u>
June 30, 2008				
Endowment net assets, Beginning of year	\$ -	\$ 519,350	\$ 1,741,079	\$ 2,260,429
Investment return:				
Investment income	-	81,793	-	81,793
Net realized and unrealized appreciation (depreciation)	-	(78,840)	-	(78,840)
Contributions	-	37,996	-	37,996
Appropriation of endowment assets for expenditure	-	(70,750)	-	(70,750)
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ 489,549</u>	<u>\$ 1,741,079</u>	<u>\$ 2,230,628</u>

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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 time restriction under SPMIFA:		
With purpose restrictions	<u>\$ 351,264</u>	<u>\$ 489,549</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>\$ 1,741,079</u>	<u>\$ 1,741,079</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 Diocese 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 Diocese 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 Diocese 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 Diocese 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 Diocese 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.

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NOTE 17 – FAIR VALUE MEASUREMENTS

In fiscal year 2009 the Diocese 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 Diocese 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 and liabilities within the Diocese 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. Fair value for the beneficial interest in the charitable remainder trust is determined by reference to the underlying investments held in the trust. The fair value of the interest rate swap agreement is calculated using the present value of the expected future cash flows.

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Assets and liabilities 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	\$ 14,065,582	\$ 9,318,788
Common stock	11,585,230	13,015,076
Corporate bonds and notes	5,046,641	3,410,974
Beneficial interest in charitable remainder trust	437,813	557,023
	<u> </u>	<u> </u>
Total assets	<u>\$ 31,135,266</u>	<u>\$ 26,301,861</u>
	<u> </u>	<u> </u>
Interest rate swap agreement	<u>\$ 371,391</u>	<u>\$ 889,468</u>

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

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>
December 31, 2009		
Government obligations	\$ 14,065,582	\$ -
Common stock	11,585,230	-
Corporate bonds and notes	-	5,046,641
Beneficial interest in charitable remainder trust	-	437,813
	<u> </u>	<u> </u>
Total assets	<u>\$ 25,650,812</u>	<u>\$ 5,484,454</u>
	<u> </u>	<u> </u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 371,391</u>
	<u> </u>	<u> </u>
December 31, 2008		
Government obligations	\$ 9,318,788	\$ -
Common stock	13,015,076	-
Corporate bonds and notes	-	3,410,974
Beneficial interest in charitable remainder trust	-	557,023
	<u> </u>	<u> </u>
Total assets	<u>\$ 22,333,864</u>	<u>\$ 3,967,997</u>
	<u> </u>	<u> </u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 889,468</u>

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NOTE 18 – SUBSEQUENT EVENTS

The Brothers of Christian School through the Christian Brothers of the Midwest, Inc, who operated a Catholic high school in the Diocese of Joliet the past 43 years, closed the high school effective June 30, 2009. In accordance with the terms of the agreement between the Diocese and the Brothers of Christian School, the Diocese will assume ownership of the high school property on November 1, 2009. Along with the property, the Diocese is assuming a portion of the remaining debts related to the operations of the school. Although, the financial impact of this event cannot be accurately measured at the date which these financial statements became available, the assumed fair market value of the property exceeds the debts being assumed.

In July 2009, the Diocese sold a piece of vacant property for \$3,500,000. This property is included on the Statement of Financial Position of the Diocese in the amount of \$700,000 at June 30, 2009.

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