



Financial Statements
June 30, 2011 and 2010

Diocesan Educational Endowment
Fund for Parish Elementary Schools
and Diocesan High Schools of the
Roman Catholic Diocese of Joliet,
Illinois (Educational Endowment
Fund)

Diocesan Educational Endowment Fund for Parish Elementary Schools and
Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois
(Educational Endowment Fund)

Table of Contents
June 30, 2011 and 2010

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements.....	5



Independent Auditor's Report

To His Excellency
The Most Reverend R. Daniel Conlon
Bishop of the Roman Catholic Diocese of Joliet
and the Board of Directors
Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan
High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment Fund)
Joliet, Illinois

We have audited the accompanying statements of financial position of the Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment Fund), as of June 30, 2011 and 2010, 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 Educational Endowment Fund'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 Educational Endowment Fund'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 Educational Endowment Fund as of June 30, 2011 and 2010, 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.

Eide Bailly LLP

Dubuque, Iowa
October 28, 2011

Educational Endowment Fund
 Statements of Financial Position
 June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 1,229,995	\$ 259,745
Accrued interest receivable	12,000	11,000
Due from Education Foundation	379	-
Investments at fair value - Note 2	28,200,265	23,279,080
Total assets	\$ 29,442,639	\$ 23,549,825
 Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 10,400	\$ 7,700
Distributions payable	704,700	564,500
Total liabilities	715,100	572,200
 Net Assets		
Temporarily restricted	5,339,074	673,472
Permanently restricted	23,388,465	22,304,153
Total net assets	28,727,539	22,977,625
Total liabilities and net assets	\$ 29,442,639	\$ 23,549,825

	2011			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Change in Net Assets				
Revenue				
Interest and dividends	\$ -	\$ 935,228	\$ -	\$ 935,228
Realized gain (loss) on investments, net	-	411,625	-	411,625
Change in unrealized gains and losses on investments	-	4,189,375	-	4,189,375
Contributions	-	-	1,597,432	1,597,432
Total revenue	-	5,536,228	1,597,432	7,133,660
Net Assets Released from Restrictions	857,104	(857,104)	-	-
Expenses				
Distribution of endowment earnings	704,735	-	-	704,735
Administrative expenses	152,369	-	-	152,369
Total expenses	857,104	-	-	857,104
Revenue in Excess of Expenses	-	4,679,124	1,597,432	6,276,556
Net Assets Released from Donor Restrictions	-	(13,522)	(513,120)	(526,642)
Reclassification of Net Assets	-	-	-	-
Increase in Net Assets	-	4,665,602	1,084,312	5,749,914
Net Assets (Deficit), Beginning of Year	-	673,472	22,304,153	22,977,625
Net Assets, End of Year	\$ -	\$ 5,339,074	\$ 23,388,465	\$ 28,727,539

See Notes to Financial Statements

Educational Endowment Fund
 Statements of Activities and Changes in Net Assets
 Years Ended June 30, 2011 and 2010

2010			
Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
\$ -	\$ 633,562	\$ -	\$ 633,562
-	(141,403)	-	(141,403)
480,365	1,271,897	-	1,752,262
-	-	1,065,795	1,065,795
480,365	1,764,056	1,065,795	3,310,216
1,090,584	(1,090,584)	-	-
1,086,145	-	-	1,086,145
54,439	-	-	54,439
1,140,584	-	-	1,140,584
430,365	673,472	1,065,795	2,169,632
-	-	-	-
50,000	-	(50,000)	-
480,365	673,472	1,015,795	2,169,632
(480,365)	-	21,288,358	20,807,993
\$ -	\$ 673,472	\$ 22,304,153	\$ 22,977,625

Educational Endowment Fund
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Increase in net assets	\$ 5,749,914	\$ 2,169,632
Adjustments to reconcile increase in net assets to net cash from operating activities		
Realized (gain) loss on investments, net	(411,625)	141,403
Change in unrealized gains and losses on investments	(4,189,375)	(1,752,262)
Changes in assets and liabilities		
Accrued interest receivable	(1,000)	24,000
Due from Education Foundation	(379)	-
Accrued expenses	2,700	4,500
Distributions payable	140,200	556,412
Net Cash from Operating Activities	1,290,435	1,143,685
Investing Activities		
Purchases of investments	(10,709,694)	(27,967,886)
Sales of investments	10,389,509	27,065,196
Net Cash used for Investing Activities	(320,185)	(902,690)
Net Increase in Cash and Cash Equivalents	970,250	240,995
Cash and Cash Equivalents at Beginning of Year	259,745	18,750
Cash and Cash Equivalents at End of Year	\$ 1,229,995	\$ 259,745

Note 1 - Organization and Significant Accounting Policies

Organization

The Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment 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.

Tax-Exempt Status

The Educational Endowment Fund is organized as an Illinois non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Educational Endowment Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS pursuant to Section 501(a) of the Code. However, the Educational Endowment Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if applicable.

The Educational Endowment Fund would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

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 Educational Endowment Fund considers all investments purchased with original maturities of three months or less to be cash and cash equivalents.

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 Educational Endowment 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 Educational Endowment Fund in perpetuity.

Contributions

The Educational Endowment 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 as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. However, if the restriction on the temporary support is met in the same reporting period as the contribution or income is received or earned, the activity is recorded as unrestricted on the statement of activities and changes in net assets. Contributions are recorded by the Educational Endowment Fund when the contributions are received at the administrative offices.

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 Educational Endowment Fund, the financial value of the services is deemed immaterial.

Fair Value Measurements

The Educational Endowment Fund has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined 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. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, 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 items from the 2010 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on increase in net assets.

Subsequent Events

The Educational Endowment Fund has evaluated subsequent events through October 28, 2011, the date which the financial statements were available to be issued.

Note 2 - Investments

As of June 30, 2011 and 2010, the investment portfolio consisted of:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds and notes	\$ 9,589,326	\$ 9,830,171	\$ 9,741,331	\$ 9,930,313
Common stock	16,149,032	18,370,094	15,265,217	13,348,767
Total investments	\$ 25,738,358	\$ 28,200,265	\$ 25,006,548	\$ 23,279,080

Note 3 - Risks and Uncertainties

The Educational Endowment Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least a reasonable possibility that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of activities and changes in net assets.

Note 4 - Related Party

The Educational Endowment Fund is affiliated with the Diocese of Joliet through common members of their respective Board of Directors and Diocesan Finance Council. Also, the Educational Endowment Fund receives administrative services and operating support from the Diocese.

Note 5 - Fair Value of Assets

Assets measured at fair value on a recurring basis at June 30, 2011 and 2010, are as follows:

	2011	2010
Common stock	\$ 18,370,094	\$ 13,348,767
Corporate bonds and notes	9,830,171	9,930,313
	\$ 28,200,265	\$ 23,279,080

Educational Endowment Fund
Notes to Financial Statements
June 30, 2011 and 2010

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011			
Common stock			
Basic industries	\$ 1,352,225	\$ -	\$ -
Materials	478,386	-	-
Capital goods	1,135,560	-	-
Industrial	825,190	-	-
Consumer staples	1,185,494	-	-
Consumer cyclical	387,412	-	-
Consumer discretionary	717,964	-	-
Energy	1,077,077	-	-
Financial	2,002,921	-	-
Foreign	5,407,189	-	-
Healthcare	1,111,345	-	-
Utilities	457,377	-	-
Technology	696,470	-	-
Information technology	1,098,926	-	-
Transportation	124,101	-	-
Telecommunication services	312,457	-	-
Total common stock	<u>18,370,094</u>	<u>-</u>	<u>-</u>
Corporate bonds and notes			
Maturing in 2-10 years	<u>9,830,171</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 28,200,265</u>	<u>\$ -</u>	<u>\$ -</u>

Educational Endowment Fund
Notes to Financial Statements
June 30, 2011 and 2010

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2010			
Common stock			
Basic industries	\$ 874,488	\$ -	\$ -
Materials	260,450	-	-
Capital goods	684,676	-	-
Industrial	432,138	-	-
Consumer staples	779,650	-	-
Consumer cyclical	204,063	-	-
Consumer discretionary	725,885	-	-
Energy	755,675	-	-
Financial	1,709,606	-	-
Foreign	4,015,465	-	-
Healthcare	854,623	-	-
Utilities	342,561	-	-
Technology	540,262	-	-
Information technology	876,979	-	-
Transportation	74,373	-	-
Telecommunication services	217,873	-	-
Total common stock	<u>13,348,767</u>	<u>-</u>	<u>-</u>
Corporate bonds and notes			
Maturing in 2-10 years	<u>9,930,313</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,279,080</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value for common stock is 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.

Note 6 - Endowment

The Educational Endowment Fund's endowments at June 30, 2011 and 2010, consist of 85 and 88 donor restricted endowment funds, respectively. 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 Educational Endowment 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 Educational Endowment 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization 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, 2011 and 2010, respectively, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2011				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 5,339,074</u>	<u>\$ 23,388,465</u>	<u>\$ 28,727,539</u>
June 30, 2010				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 673,472</u>	<u>\$ 22,304,153</u>	<u>\$ 22,977,625</u>

Educational Endowment Fund
Notes to Financial Statements
June 30, 2011 and 2010

Changes in Endowment Net Assets for the years ended June 30, 2011 and 2010, respectively, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2011				
Endowment Net Assets				
Beginning of Year	\$ -	\$ 673,472	\$ 22,304,153	\$ 22,977,625
Investment Return:				
Investment income	-	935,228	-	935,228
Net realized and unrealized appreciation	-	4,601,000	-	4,601,000
Contributions	-	-	1,597,432	1,597,432
Appropriation of Endowment Assets for Expenditure	-	(857,104)	-	(857,104)
Other Change:				
Net assets released from donor restrictions*	-	(13,522)	(513,120)	(526,642)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 5,339,074</u>	<u>\$ 23,388,465</u>	<u>\$ 28,727,539</u>

* June 30, 2011, net assets released from donor restrictions represent endowed accounts requested to be withdrawn from the Endowment Fund by St. Francis High School.

Educational Endowment Fund
Notes to Financial Statements
June 30, 2011 and 2010

June 30, 2010	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets				
(Deficit), Beginning of Year	\$ (480,365)	\$ -	\$ 21,288,358	\$ 20,807,993
Investment Return:				
Investment income	-	633,562	-	633,562
Net realized and unrealized appreciation	480,365	1,130,494	-	1,610,859
Contributions	-	-	1,065,795	1,065,795
Appropriation of Endowment Assets for Expenditure	(50,000)	(1,090,584)	-	(1,140,584)
Other Change:				
Reclassification of net assets	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 673,472</u>	<u>\$ 22,304,153</u>	<u>\$ 22,977,625</u>

The components of endowment funds classified as temporarily restricted net assets and permanently restricted net assets as of June 30, 2011 and 2010, respectively, are as follows:

	<u>2011</u>	<u>2010</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a purpose restriction under SPMIFA	<u>\$ 5,339,074</u>	<u>\$ 673,472</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>\$ 23,388,465</u>	<u>\$ 22,304,153</u>

Funds with Deficiencies

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 Educational Endowment Fund to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011 and 2010.

Return Objectives and Risk Parameters

The Educational Endowment 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

To satisfy its long-term rate-of-return objectives, the Educational Endowment Fund 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 fund 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. Beginning June 30, 2010, the Educational Endowment Fund began utilizing money managers to achieve this for the overall portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Effective June 30, 2010, the Educational Endowment Fund instituted a policy of allowing base distribution withdrawals of 4% of the three-year average of the value of an endowment each year, with an additional 1% of the three-year average allowed for capital campaigns or emergency purposes. At June 30, 2011 and 2010, there was \$1,091,663 and \$605,923, respectively, of allowed distributions that were not taken. The amount is carried over into the next fiscal year as available for withdrawal.