

**FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

**CATHOLIC EDUCATION FOUNDATION
OF THE ROMAN CATHOLIC
DIOCESE OF JOLIET**

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET**

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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 **Catholic Education Foundation of the Roman Catholic Diocese of Joliet** (Foundation), a division of the Roman Catholic Church of Joliet, as of June 30, 2008 and 2007, 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 Foundation'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 Foundation'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 **Catholic Education Foundation of the Roman Catholic Diocese of Joliet** as of June 30, 2008 and 2007, 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 17, 2008

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**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 712,799 | \$ 888,837 |
| Accounts receivable | - | 23,000 |
| Due from Diocese of Joliet | 587,309 | 267,736 |
| Accrued interest receivable | 62,529 | 73,377 |
| Investments at market value - Note 2 | <u>28,178,519</u> | <u>29,284,055</u> |
| Total assets | <u>\$ 29,541,156</u> | <u>\$ 30,537,005</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Other liabilities | <u>\$ 541,903</u> | <u>\$ 377,787</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 5,292,112 | 4,939,525 |
| Temporarily restricted | 2,838,247 | 5,012,402 |
| Permanently restricted | <u>20,868,894</u> | <u>20,207,291</u> |
| Total net assets | <u>28,999,253</u> | <u>30,159,218</u> |
| Total liabilities and net assets | <u>\$ 29,541,156</u> | <u>\$ 30,537,005</u> |

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007**

| | 2008 | | | Total Net Assets |
|---|----------------------------|---|---|----------------------|
| | Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | |
| CHANGE IN NET ASSETS | | | | |
| REVENUE | | | | |
| Interest and dividends | \$ 135,093 | \$ 723,836 | \$ - | \$ 858,929 |
| Realized gains on investments, net | 23,231 | 239,706 | - | 262,937 |
| Change in unrealized gains and losses on investments | (305,602) | (2,318,677) | - | (2,624,279) |
| Contributions | 911,427 | - | 661,603 | 1,573,030 |
| Kazma grant | 80,500 | - | - | 80,500 |
| Kaminski grant | 55,000 | - | - | 55,000 |
| Lazzara grant | 12,500 | - | - | 12,500 |
| Total revenue | 912,149 | (1,355,135) | 661,603 | 218,617 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | |
| | 819,020 | (819,020) | - | - |
| | 1,731,169 | (2,174,155) | 661,603 | 218,617 |
| EXPENSES | | | | |
| Distribution of endowment earnings | 771,492 | - | - | 771,492 |
| Administrative expenses | 108,777 | - | - | 108,777 |
| High school tuition assistance | 287,000 | - | - | 287,000 |
| Parish tuition assistance | 282,900 | - | - | 282,900 |
| Diocesan tuition assistance | 24,025 | - | - | 24,025 |
| Bishop's grants | 17,350 | - | - | 17,350 |
| Kazma grant | 80,500 | - | - | 80,500 |
| Kaminski grant | 55,000 | - | - | 55,000 |
| Lazzara grant | 12,500 | - | - | 12,500 |
| Leaders for the future grants | 19,438 | - | - | 19,438 |
| Religious education grants | 24,000 | - | - | 24,000 |
| Other grants | 7,250 | - | - | 7,250 |
| Total expenses | 1,690,232 | - | - | 1,690,232 |
| INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS | | | | |
| | 40,937 | (2,174,155) | 661,603 | (1,471,615) |
| TRANSFERS | | | | |
| Transfers from Diocese of Joliet | 311,650 | - | - | 311,650 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | | | | |
| | 352,587 | (2,174,155) | 661,603 | (1,159,965) |
| NET ASSETS, BEGINNING OF YEAR | | | | |
| | 4,939,525 | 5,012,402 | 20,207,291 | 30,159,218 |
| NET ASSETS, END OF YEAR | | | | |
| | \$ 5,292,112 | \$ 2,838,247 | \$ 20,868,894 | \$ 28,999,253 |

See notes to financial statements.

| 2007 | | | |
|----------------------------|---|---|----------------------|
| Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | Total Net Assets |
| \$ 125,054 | \$ 724,887 | \$ - | \$ 849,941 |
| 252,756 | 149,780 | - | 402,536 |
| 69,050 | 2,519,241 | - | 2,588,291 |
| 760,565 | - | 798,208 | 1,558,773 |
| 186,000 | - | - | 186,000 |
| - | - | - | - |
| - | - | - | - |
| 1,393,425 | 3,393,908 | 798,208 | 5,585,541 |
| 741,436 | (741,436) | - | - |
| <u>2,134,861</u> | <u>2,652,472</u> | <u>798,208</u> | <u>5,585,541</u> |
| 703,031 | - | - | 703,031 |
| 85,929 | - | - | 85,929 |
| 299,500 | - | - | 299,500 |
| 273,225 | - | - | 273,225 |
| 28,898 | - | - | 28,898 |
| 62,100 | - | - | 62,100 |
| 185,250 | - | - | 185,250 |
| 14,785 | - | - | 14,785 |
| 24,150 | - | - | 24,150 |
| <u>60,008</u> | <u>-</u> | <u>-</u> | <u>60,008</u> |
| <u>1,736,876</u> | <u>-</u> | <u>-</u> | <u>1,736,876</u> |
| 397,985 | 2,652,472 | 798,208 | 3,848,665 |
| <u>328,397</u> | <u>-</u> | <u>-</u> | <u>328,397</u> |
| 726,382 | 2,652,472 | 798,208 | 4,177,062 |
| <u>4,213,143</u> | <u>2,359,930</u> | <u>19,409,083</u> | <u>25,982,156</u> |
| <u>\$ 4,939,525</u> | <u>\$ 5,012,402</u> | <u>\$ 20,207,291</u> | <u>\$ 30,159,218</u> |

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (1,159,965) | \$ 4,177,062 |
| Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities | | |
| Realized gains on investments, net | (262,937) | (402,536) |
| Change in unrealized gains and losses on investments | 2,624,279 | (2,588,291) |
| Changes in assets and liabilities | | |
| Accounts receivable | 23,000 | 29,500 |
| Accrued interest receivable | 10,848 | (13,210) |
| Due from Diocese of Joliet | (319,573) | (134,981) |
| Other liabilities | 164,116 | 102,187 |
| NET CASH FROM OPERATING ACTIVITIES | 1,079,768 | 1,169,731 |
| INVESTING ACTIVITIES | | |
| Increase in investments | <u>(1,255,806)</u> | <u>(1,134,484)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (176,038) | 35,247 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>888,837</u> | <u>853,590</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 712,799</u> | <u>\$ 888,837</u> |

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Catholic Education Foundation of the Roman Catholic Diocese of Joliet (Foundation) is a not-for-profit organization established July 1, 1996, to provide financial assistance and to support Catholic education within the Roman Catholic Diocese of Joliet (Diocese).

The Foundation oversees the investments and distribution of earnings for endowments restricted for parish schools and high schools. The endowments were transferred into the Foundation from the Diocese, along with funded investments, as of July 1, 1996.

The Foundation was incorporated in 1996 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation would be subject to Federal income tax on any unrelated business taxable income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Valuation of Investments

Marketable securities are stated at fair value. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Investments traded in the over-the-counter market and listed securities, for which no sale was reported on that date, are valued at the average of the last reported bid and asked prices.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation 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 Foundation in perpetuity.

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Contributions

The Foundation reports contributions of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions of cash and other assets that are received without donor stipulations that limit the use of the donated assets are reported as unrestricted support. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions are recorded by the Foundation when the contributions are received at the administrative offices.

Reclassifications

Certain items from the 2007 financial statements have been reclassified to conform to the current year presentation.

NOTE 2 – INVESTMENTS

As of June 30, 2008 and 2007, the investment portfolio consisted of:

| | 2008 | | 2007 | |
|-------------------|---------------|---------------|---------------|---------------|
| | Cost | Market | Cost | Market |
| Corporate bonds | \$ 667,344 | \$ 655,084 | \$ 1,972,335 | \$ 2,497,673 |
| Equities | 25,670,890 | 26,308,195 | 23,536,326 | 26,294,570 |
| Government bonds | 1,189,737 | 1,215,240 | 500,569 | 491,812 |
| Total investments | \$ 27,527,971 | \$ 28,178,519 | \$ 26,009,230 | \$ 29,284,055 |

NOTE 3 – RELATED PARTY

The Foundation and the Diocese of Joliet are organizations affiliated through common members of their respective Boards of Directors and Boards of Trustees. The Foundation receives administrative services and operating support from the Diocese and reimburses the Diocese for direct expenses incurred.

NOTE 4 – FUND RAISING EXPENSES

Included in administrative expenses are fund raising expenses totaling \$45,477 and \$35,644 for the years ended June 30, 2008 and 2007, respectively.

**CATHOLIC EDUCATION FOUNDATION OF THE
ROMAN CATHOLIC DIOCESE OF JOLIET
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Foundation's cash balances are maintained in various bank deposit accounts. At times these deposits may be in excess of federally insured limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

NOTE 6 – SUBSEQUENT EVENT

Subsequent to June 30, 2008 the financial markets experienced a significant decline in market value of securities. The Foundation's investment experience has been consistent with the losses experienced in the overall financial market.