

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

**PRIESTS' PENSION AND DISABILITY  
PLAN OF THE ROMAN CATHOLIC  
DIOCESE OF JOLIET**

**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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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 Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet as of June 30, 2008 and 2007, 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 Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet as of June 30, 2008 and 2007, 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 17, 2008

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**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ <u>93,050</u>	\$ 173,907
Investments, at fair value - Note 5	<u>26,672,300</u>	<u>28,744,183</u>
Receivables		
Employers' contributions	15,674	11,421
Accrued interest and dividends	<u>152,874</u>	<u>137,226</u>
Total receivables	<u>168,548</u>	<u>148,647</u>
Total assets	<u>26,933,898</u>	<u>29,066,737</u>
<b>LIABILITIES</b>		
Accrued expenses	17,236	18,604
Benefits payable	75,066	63,602
Due to Insurance Fund	5,567	5,416
Due to Diocese of Joliet	<u>22,553</u>	<u>33,894</u>
Total liabilities	<u>120,422</u>	<u>121,516</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 26,813,476</u>	<u>\$ 28,945,221</u>

**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income (loss)		
Interest and dividends	\$ 861,424	\$ 843,532
Net realized gains on investments	196,861	1,562,583
Change in unrealized gains and losses on investments - Note 5	<u>(2,170,671)</u>	<u>722,062</u>
 Total investment income (loss)	 <u>(1,112,386)</u>	 3,128,177
 Employers' contributions	 <u>180,183</u>	 <u>149,175</u>
 Total additions	 <u>(932,203)</u>	 <u>3,277,352</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Pension and insurance benefits paid	1,087,269	966,621
Investment management and bank fees	81,102	80,931
Administrative expenses	<u>31,171</u>	<u>35,420</u>
 Total deductions	 <u>1,199,542</u>	 <u>1,082,972</u>
 NET INCREASE (DECREASE)	 <u>(2,131,745)</u>	 2,194,380
 NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	 <u>28,945,221</u>	 <u>26,750,841</u>
 NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	 <u>\$ 26,813,476</u>	 <u>\$ 28,945,221</u>

**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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**NOTE 1 – PLAN DESCRIPTION**

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

*General*

The Plan is a defined benefit plan that covers the priests of the Diocese who became participants of such Plan by ordination or incardination.

*Contributions*

The participating employers' present intention is to make contributions in amounts sufficient to fund the Plan. During the years ended June 30, 2008 and 2007, the amount contributed was \$1,500 per priest.

*Pension Benefits*

A priest is entitled to the maximum benefit that is in effect at the time of his retirement, provided that he has at least 30 years of service coupled with 30 years of contributions. In the event that a priest has less than 30 years of service and contributions due to incardination into the Diocese late in life, he may receive a full benefit if all of the following conditions are met: (1) he was incardinated into the Diocese before age 50, (2) he deferred retirement until age 70, and (3) he is still a member of the Diocese at the time of retirement. In the event that a priest has less than 30 years of service and contributions because he was ordained late in life, he may receive a full benefit if all of the following conditions are met: (1) he was ordained into the Diocese after age 40, (2) he deferred retirement until age 70, and (3) he is still a member of the Diocese at the time of retirement. Noncompliance with any of the above conditions will result in qualification for a partial benefit as follows: if the priest is a member of the Diocese at the time of retirement, he shall receive for each year of service with annual contributions  $1/30^{\text{th}}$  of the maximum benefit in effect at the time of his retirement. Benefits are paid only upon actual retirement and only during the life of the member. Benefits will not be paid to a member's estate, beneficiaries, or heirs.

*Disability Benefits*

All Diocesan priests are covered by a Diocesan Disability Plan which provides benefits for priests who are totally disabled. The Priests' Pension and Disability Plan of the Roman Catholic Diocese of Joliet provides benefits for temporary and partial disability. A priest temporarily disabled will receive a monthly benefit equivalent to the maximum disability benefit. In the event of partial disability, coupled with a permanent nature, the Retirement Board of the Diocese determines the extent of the benefit, not to exceed the maximum benefit.

*Other Benefits*

The Plan pays the automobile insurance for retired priests equal to that paid for active priests. The Plan also pays the supplemental health insurance premium for retirees. Other incidental expenses, such as continuing education, annual retreat costs and long-term assisted living care are also reimbursed by the Plan.

**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
ROMAN CATHOLIC DIOCESE OF JOLIET  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

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

*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 aggregate 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.

*Payment of Benefits*

Benefit payments to participants are recorded when paid.

**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, diversifying the investment portfolio between fixed income and equity securities, and making both short-term and long-term investments. As of June 30, 2008 and 2007, the Plan’s investment portfolio consisted of:

**PRIESTS' PENSION AND DISABILITY PLAN OF THE  
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	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government obligations	\$ 7,551,655	\$ 7,739,889	\$ 7,834,378	\$ 7,805,251
Corporate bonds and notes	3,948,324	3,853,531	2,909,478	2,828,113
Equities	<u>14,119,636</u>	<u>15,078,880</u>	14,776,971	18,110,819
Total investments	<u>\$ 25,619,615</u>	<u>\$ 26,672,300</u>	<u>\$ 25,520,827</u>	<u>\$ 28,744,183</u>

No individual investment holdings of the Plan exceeded 5% of net assets available for benefits as of June 30, 2008 and 2007.

The Plan had a change in unrealized gains and losses on investments of \$(2,170,671) and \$722,062 during the years ended June 30, 2008 and 2007, respectively, as follows:

	<u>2008</u>	<u>2007</u>
U.S. Government obligations	\$ 217,361	\$ 145,377
Corporate bonds and notes	(13,428)	15,111
Equities	<u>(2,374,604)</u>	<u>561,574</u>
	<u>\$ (2,170,671)</u>	<u>\$ 722,062</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 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS**

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to services rendered by the priests to the valuation date. Accumulated plan benefits include benefits expected to be paid to (1) retired or terminated priests and (2) present priests. Benefits for retired or terminated priests at June 30, 2008, are \$1,364 per month for life with 30 or more years of credited service at the age of 70, with prorated provisions for members retiring with less than 30 years, and certain provisions for early retirement. This benefit is scheduled to increase annually by a per month amount, based on the percentage change in cost of living for the Social Security Program, for all active and retired priests. The Plan also contains benefits for an annual retreat, health insurance, and auto insurance. Benefits payable are included to the extent they are deemed attributable to priest service rendered to the valuation date. Vesting occurs after twenty years of credited service.

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.

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The accumulated plan benefit information as of July 1, 2008 and 2007, is as follows:

<b>(In Thousands)</b>	<u>2008</u>	<u>2007</u>
Actuarial present value of vested accumulated plan benefits		
Active and disabled		
Pension benefits	\$ 11,140	\$ 10,222
Health insurance premiums	5,779	5,236
Auto insurance premiums	847	786
Retreat	<u>227</u>	<u>212</u>
Subtotal	<u>17,993</u>	<u>16,456</u>
Retired		
Pension benefits	5,350	5,329
Health insurance premiums	2,041	1,865
Auto insurance premiums	348	348
Retreat	<u>109</u>	<u>110</u>
Subtotal	<u>7,848</u>	<u>7,652</u>
Total	<u>25,841</u>	<u>24,108</u>
Actuarial present value of non-vested accumulated plan benefits		
Pension benefits	1,137	1,028
Health insurance premiums	570	516
Auto insurance premiums	86	78
Retreat	<u>23</u>	<u>21</u>
Total	<u>1,816</u>	<u>1,643</u>
Actuarial present value of all accumulated plan benefits	<u>\$ 27,657</u>	<u>\$ 25,751</u>
Net assets available for benefits (market value basis)	<u>\$ 26,813</u>	<u>\$ 28,945</u>
Net assets available for benefits in excess of (less than) accumulated plan benefits		
For vested benefits	<u>\$ 972</u>	<u>\$ 4,837</u>
For all benefits	<u>\$ (843)</u>	<u>\$ 3,194</u>
Funded ratio	<u>97%</u>	<u>112%</u>

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The figures shown on the previous page are based on the significant actuarial assumptions shown below, which 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.

- Mortality of nondisabled members: According to the male RP 2000 Mortality Table.
- Loading for disability: The normal cost for active priests was loaded by 3% to cover disability allowances expected to be paid from the trust.
- Net investment return: 8% per annum, compounded annually.
- Loading for expenses: None.
- Valuation of assets: Market value.
- Retirement age: All active members were assumed to retire at age 70 or immediately if over age 70 as of the valuation date.
- Entry age: Age at date of ordination.
- Health insurance premium is \$4,994 and \$4,668 per retired priest in 2008 and 2007, respectively.
- Auto insurance premium is \$1,051 per retired priest in 2008 and 2007.

The following table reconciles the actuarial present value of accumulated plan benefits between July 1, 2008 and 2007 (in \$000's):

	<u>2008</u>	<u>2007</u>
Actuarial present value of accumulated plan benefits, beginning of period	<u>\$ 25,751</u>	<u>\$ 23,738</u>
Changes between valuation dates due to		
Increase for interest due to the decrease in the discount period	<b>2,016</b>	1,860
Benefit payments	<b>(1,087)</b>	(966)
Net benefits accumulated	<b>381</b>	362
Plan amendments *	<b>596</b>	757
Change in actuarial assumptions	<u>-</u>	<u>-</u>
Total increase	<u><b>1,906</b></u>	<u>2,013</u>
Actuarial present value of accumulated plan benefits, end of period	<u><b>\$ 27,657</b></u>	<u>\$ 25,751</u>

\* The plan amendments for the year ended June 30, 2008, are as follows:

- The monthly pension amount for retired priests increased from \$1,334 to \$1,364.
- The monthly medical premium increased from \$389 to \$416.

The plan amendments for the year ended June 30, 2007, are as follows:

- The monthly pension amount for retired priests increased from \$1,291 to \$1,334.
- The monthly medical premium increased from \$358 to \$389.