



Financial Statements
June 30, 2011 and 2010

Archdiocese of Dubuque Administrative Offices

Archdiocese of Dubuque - Administrative Offices

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Independent Auditor's Report

To the Audit Committee
Archdiocese of Dubuque
Dubuque, Iowa

We have audited the accompanying statements of financial position of the Archdiocese of Dubuque Administrative Offices (the Administrative Offices), a division of The Archdiocese of Dubuque, 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 Administrative Offices' 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 Administrative Offices' internal control over financial reporting. Accordingly, we do not express such an 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 Archdiocese of Dubuque Administrative Offices 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 14, 2011

Archdiocese of Dubuque - Administrative Offices
 Statements of Financial Position
 June 30, 2011 and 2010

	2011	2010
Assets		
Cash and Cash Equivalents	\$ 71,028	\$ 92,785
Deposits in Archdiocese of Dubuque		
Deposit and Loan Fund - Note 2	3,902,624	3,515,562
Accounts Receivable	151,963	59,179
Due from Other Archdiocesan		
Funds/Organizations	810,157	125,099
Inventories	6,716	4,610
Prepaid Expenses	127,570	11,849
Notes Receivable	3,510	3,510
Investments - Note 3	10,455,502	8,640,889
Annuity/Life Insurance Contracts - Note 4	1,085,000	1,085,000
Real Estate Investments - Note 5	2,944	2,944
Land, Buildings, and Equipment, Net - Note 7	733,425	807,593
Total assets	\$ 17,350,439	\$ 14,349,020
Liabilities and Net Assets		
Liabilities		
Checks drawn in excess of available		
bank balances	\$ -	\$ 55,978
Accounts payable	120,735	82,691
Health claims payable - Note 8	377,774	236,405
Accrued expenses	162,705	226,211
Mission offerings and collections		
payable - Note 9	433,757	613,041
Note payable - related	3,083,056	1,659,989
Deferred revenue	282,244	147,672
Funds held for others - Note 10	706,176	667,043
Total liabilities	5,166,447	3,689,030
Net Assets		
Unrestricted		
Designated for special purposes	12,179,488	10,075,335
Undesignated	(2,364,343)	(1,845,419)
Temporarily restricted - Note 11	1,088,540	1,149,767
Permanently restricted - Note 11	1,280,307	1,280,307
Total net assets	12,183,992	10,659,990
Total liabilities and net assets	\$ 17,350,439	\$ 14,349,020

June 30, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Changes in Net Assets				
Revenues and gains				
Archdiocesan Taxa	\$ 2,209,259	\$ -	\$ -	\$ 2,209,259
Fees for services	396,091	-	-	396,091
Programs and workshops	273,521	-	-	273,521
Sale/rental of materials	80,244	-	-	80,244
Charges to other departments	268,413	-	-	268,413
Contributions and bequests	148,218	31,477	-	179,695
Investment income - Note 3	1,988,210	114,735	-	2,102,945
Rental of property	45,723	-	-	45,723
Sale of property	3,732	-	-	3,732
Gain on disposal of fixed assets	6,903	-	-	6,903
Assessments/subsidies	690	-	-	690
Medical insurance premiums	3,844,606	-	-	3,844,606
Total Revenues and Gains	9,265,610	146,212	-	9,411,822
Net Assets Released from Restrictions	141,924	(141,924)	-	-
	9,407,534	4,288	-	9,411,822
Expenses and Losses				
Salaries	2,199,066	-	-	2,199,066
Employee benefits	341,933	-	-	341,933
Medical insurance premiums and claims	3,488,312	-	-	3,488,312
Professional services	73,407	-	-	73,407
Occupancy	362,480	-	-	362,480
Office supplies and expenses	140,925	-	-	140,925
Telephone	51,221	-	-	51,221
Travel, conventions, and meetings	87,740	-	-	87,740
Dues and memberships	133,334	-	-	133,334
Depreciation	106,660	-	-	106,660
Programs and workshops - revenue producing	282,569	-	-	282,569
Programs and workshops - nonrevenue producing	81,035	-	-	81,035

See Notes to Financial Statements

Archdiocese of Dubuque - Administrative Offices
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	June 30, 2010			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Changes in Net Assets				
Revenues and gains				
Archdiocesan Taxa	\$ 2,277,784	\$ -	\$ -	\$ 2,277,784
Fees for services	346,661	-	-	346,661
Programs and workshops	675,396	-	-	675,396
Sale/rental of materials	82,348	-	-	82,348
Charges to other departments	285,775	-	-	285,775
Contributions and bequests	368,167	31,738	5	399,910
Investment income - Note 3	899,057	245,797	-	1,144,854
Rental of property	47,680	-	-	47,680
Sale of property	206	-	-	206
Assessments/subsidies	1,204	-	-	1,204
Medical insurance premiums	3,856,885	-	-	3,856,885
Total Revenues and Gains	8,841,163	277,535	5	9,118,703
Net Assets Released from Restrictions				
	47,532	(47,532)	-	-
	8,888,695	230,003	5	9,118,703
Expenses and Losses				
Salaries	2,323,922	-	-	2,323,922
Employee benefits	374,332	-	-	374,332
Medical insurance premiums and claims	3,623,054	-	-	3,623,054
Professional services	62,129	-	-	62,129
Occupancy	358,404	-	-	358,404
Office supplies and expenses	164,542	-	-	164,542
Telephone	57,699	-	-	57,699
Travel, conventions, and meetings	139,657	-	-	139,657
Dues and memberships	146,522	-	-	146,522
Depreciation	117,680	-	-	117,680
Programs and workshops - revenue producing	700,165	-	-	700,165
Programs and workshops - nonrevenue producing	137,844	-	-	137,844

June 30, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Expenses and Losses (continued)				
Materials for resale or rental Education of priests and seminarians	\$ 62,277	\$ -	\$ -	\$ 62,277
Interest	403,995	-	-	403,995
Grants and contributions	38,507	-	-	38,507
Rental property	791,869	-	-	791,869
	334	-	-	334
Total Expenses and Losses	<u>8,645,664</u>	<u>-</u>	<u>-</u>	<u>8,645,664</u>
Revenues in Excess of Expenses	<u>761,870</u>	<u>4,288</u>	<u>-</u>	<u>766,158</u>
Transfers to Other				
Archdiocesan Organizations	-	(22,149)	-	(22,149)
Transfer from Education Fund	465,043	-	-	465,043
Transfer from Seminarian Education Fund	314,950	-	-	314,950
Transfer for Endowment Losses - Note 17	<u>43,366</u>	<u>(43,366)</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>823,359</u>	<u>(65,515)</u>	<u>-</u>	<u>757,844</u>
Increase (Decrease) in Net Assets	1,585,229	(61,227)	-	1,524,002
Net Assets at Beginning of Year	<u>8,229,916</u>	<u>1,149,767</u>	<u>1,280,307</u>	<u>10,659,990</u>
Net Assets at End of Year	<u>\$ 9,815,145</u>	<u>\$ 1,088,540</u>	<u>\$ 1,280,307</u>	<u>\$ 12,183,992</u>

See Notes to Financial Statements

Archdiocese of Dubuque - Administrative Offices
 Statements of Activities and Changes in Net Assets
 Years Ended June 30, 2011 and 2010

	June 30, 2010			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Expenses and Losses (Continued)				
Materials for resale or rental	\$ 85,597	\$ -	\$ -	\$ 85,597
Education of priests and seminarians	257,231	-	-	257,231
Interest	26,635	-	-	26,635
Grants and contributions	900,089	-	-	900,089
Rental property	804	-	-	804
Total Expenses and Losses	<u>9,476,306</u>	<u>-</u>	<u>-</u>	<u>9,476,306</u>
Revenues in Excess of (Less Than)				
Expenses	<u>(587,611)</u>	<u>230,003</u>	<u>5</u>	<u>(357,603)</u>
Transfers to Other				
Archdiocesan Organizations	-	(7,817)	-	(7,817)
Transfer from Education Fund	416,331	-	-	416,331
Transfer from Seminarian Education Fund	197,278	-	-	197,278
Transfer for Endowment Losses - Note 17	<u>110,518</u>	<u>(110,518)</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>724,127</u>	<u>(118,335)</u>	<u>-</u>	<u>605,792</u>
Increase in Net Assets	136,516	111,668	5	248,189
Net Assets at Beginning of Year	<u>8,093,400</u>	<u>1,038,099</u>	<u>1,280,302</u>	<u>10,411,801</u>
Net Assets at End of Year	<u>\$ 8,229,916</u>	<u>\$ 1,149,767</u>	<u>\$ 1,280,307</u>	<u>\$ 10,659,990</u>

Archdiocese of Dubuque - Administrative Offices

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

	2011	2010
Operating Activities		
Increase in net assets	\$ 1,524,002	\$ 248,189
Adjustments to reconcile increase in net assets to net cash from (used for) operating activities		
Depreciation	106,660	117,680
Gain on disposal of fixed assets	(6,903)	-
Change in unrealized gains on investments	(1,401,248)	(560,019)
Changes in assets and liabilities		
Other receivables	(92,784)	52,316
Due to/from other Archdiocesan funds/organizations	(685,058)	325,149
Inventories	(2,106)	943
Prepaid expenses	(115,721)	41,435
Checks drawn in excess of available bank balances	(55,978)	55,978
Accounts payable	38,044	(18,754)
Health claims payable	141,369	(19,130)
Accrued expenses	(63,506)	114,328
Mission offerings and collections payable	(179,284)	311,073
Deferred revenue	134,572	(62,959)
Funds held for others	39,133	(64,761)
Net Cash from (used for) Operating Activities	(618,808)	541,468
Investing Activities		
Purchase of land, buildings, and equipment	(25,589)	(52,576)
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(8,609,484)	(6,007,455)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	8,222,422	5,495,581
Net increase in investments	(413,365)	(75,275)
Purchase of annuity/life insurance contracts	-	(50,000)
Net Cash used for Investing Activities	(826,016)	(689,725)

Archdiocese of Dubuque - Administrative Offices
 Statements of Cash Flows
 Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Financing Activities		
Proceeds from note payable - related	\$ 3,705,163	\$ 2,785,000
Payments of note payable - related	<u>(2,282,096)</u>	<u>(2,759,494)</u>
Net Cash from Financing Activities	<u>1,423,067</u>	<u>25,506</u>
Net Decrease in Cash and Cash Equivalents	(21,757)	(122,751)
Cash and Cash Equivalents at Beginning of Year	<u>92,785</u>	<u>215,536</u>
Cash and Cash Equivalents at End of Year	<u>\$ 71,028</u>	<u>\$ 92,785</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 38,507</u>	<u>\$ 26,635</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The information contained in the financial statements relates only to the operations of the Archdiocese of Dubuque - Administrative Offices (the Administrative Offices), a division of The Archdiocese of Dubuque. Support for the Administrative Offices comes from Archdiocesan assessments, contributions, and service fees. The activities of the Dubuque Archdiocesan Protection Plan are not included in these financial statements.

Tax-Exempt Status

The Administrative Offices is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Administrative Offices 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 Administrative Offices is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if applicable.

The Administrative Offices 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 U.S. generally accepted accounting principles. 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. Estimates also affect 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 a maturity of three months or less.

Accounts Receivable

Accounts receivables are uncollateralized individual obligations. Unpaid accounts receivable are not charged interest on amounts owed. Management reviews accounts receivables to determine amounts that will not be collected due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Inventories

Inventories are stated at the lower of cost (using primarily the first-in, first-out method) or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Money market funds are recorded at cost. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenue in the statements of activities and changes in net assets.

Fair Value Measurements

The Administrative Offices has determined the fair value of certain assets 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 in the principal or most advantageous market for the asset 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 input consists of quoted prices in active markets for identical assets 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. Level 3 inputs are unobservable inputs related to the asset.

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Land, buildings, and equipment donated for Archdiocesan operations are recorded as additions to investment in plant funds balance at fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Land improvements	10 – 15 years
Building and improvements	10 – 50 years
Computers	5 years
Vehicles	4 years
Other equipment	5 – 10 years

Contributions

Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of activities and changes in net assets.

Temporarily and Permanently Restricted Net Assets

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

Reclassifications

Certain items from the 2010 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the increase in net assets.

Subsequent Events

The Administrative Offices has evaluated subsequent events through October 14, 2011, the date which the financial statements were issued.

Note 2 - Deposits in Archdiocese of Dubuque Deposit and Loan Fund

Certain funds are deposited into the Archdiocese of Dubuque Deposit and Loan Fund, a separate 501(c)(3) corporation. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at both June 30, 2011 and 2010.

Note 3 - Investments

Investments include mutual funds and U.S. government securities and bonds, carried at fair value based on quoted market prices; and alternative investments, carried at fair value based on information provided by external investment managers. Investments at June 30, 2011 and 2010, are comprised of the following:

	Fair Value	2011 Cost	Unrealized Gains	2010 Unrealized Gains (Losses)
Mutual Funds	\$ 6,668,504	\$ 6,564,462	\$ 104,042	\$ (980,144)
U.S. Government Securities and Bonds	2,972,965	2,786,250	186,715	(134,629)
Alternative Investments	814,033	717,916	96,117	100,399
	<u>\$ 10,455,502</u>	<u>\$ 10,068,628</u>	<u>\$ 386,874</u>	<u>\$ (1,014,374)</u>

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2011 and 2010

The following table summarizes the relationship between fair value and cost of investments for the years ended June 30, 2011 and 2010:

	2011		2010	
	Fair Value	Cost	Investment Income (Loss)	Investment Income (Loss)
End of Year	\$ 10,455,502	\$ 10,068,628	\$ 386,874	\$ (1,014,374)
Beginning of Year	8,640,889	9,655,263	(1,014,374)	(1,574,393)
Net unrealized gains for the year			1,401,248	560,019
Net realized gains for the year			158,163	11,812
Total net gains for the year			1,559,411	571,831
Interest and dividends for the year			543,534	573,023
Investment gain for the year			\$ 2,102,945	\$ 1,144,854

Note 4 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Administrative Offices with interest/annuity payments throughout the life of the annuitant/insured. The Administrative Offices is the owner and named beneficiary of life insurance policies in the amount of the initial investment in these contracts. These investments are recorded at the original amount invested.

Note 5 - Real Estate Investments

Real estate investments represent land and buildings owned by Administrative Offices which are not used for Archdiocesan purposes in its regular activities. Included is land acquired for use for future Archdiocesan purposes, as well as other property contributed or bequeathed to the Administrative Offices, all of which is leased to others.

Note 6 - Fair Value of Assets

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

	2011	2010
Growth Funds	\$ 6,950,028	\$ 5,399,284
Inflation Protection Assets	35,679	21,841
Risk Reduction Assets	3,469,795	3,219,764
	\$ 10,455,502	\$ 8,640,889

Archdiocese of Dubuque - Administrative Offices

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)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011			
Growth Funds			
Domestic & international	\$ 6,917,688	\$ -	\$ -
Money market funds and other cash equivalents	32,340	-	-
Inflation Protection Assets			
Interest in limited partnership	-	-	35,679
Risk Reduction Assets			
Government bonds	861,127	-	-
Domestic fixed assets mutual funds	1,333,208	-	-
Global fixed assets mutual funds	497,106	-	-
Hedge funds	-	-	778,354
	\$ 9,641,469	\$ -	\$ 814,033
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2010			
Growth Funds			
Domestic & international	\$ 5,365,714	\$ -	\$ -
Money market funds and other cash equivalents	33,570	-	-
Inflation Protection Assets			
Interest in limited partnership	-	-	21,841
Risk Reduction Assets			
Government bonds	992,957	-	-
Limited partnerships	-	-	406,942
Domestic fixed assets mutual funds	743,616	-	-
Global fixed assets mutual funds	347,080	-	-
Hedge funds	-	-	729,169
	\$ 7,482,937	\$ -	\$ 1,157,952

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2011 and 2010

The fair values of the domestic and international growth funds and money market funds and other cash equivalents are determined by reference to the net asset value of shares held at year end. The fair values of the government bonds, domestic fixed assets mutual funds and global fixed assets mutual funds are determined by reference to the closing price reported on the active market on which the individual securities are traded. The fair values for the interest in limited partnerships, limited partnerships and hedge funds are determined by reference to information provided by the respective external investment managers at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. Management believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2011 and 2010. Because these investments are not readily marketable, their estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for such investments existed.

Following is a reconciliation of activity for 2011 and 2010 for assets measured at fair value based upon significant unobservable (non-market) information.

	Interest in Limited Partnership	Limited Partnerships	Hedge Funds
June 30, 2011			
Balance, Beginning of Year	\$ 21,841	\$ 406,942	\$ 729,169
Invested During the Year	-	-	-
Distributions During the Year	(351)	(421,795)	-
Increase (Decrease) in Unrealized Gains/Losses	14,189	(67,656)	49,185
Realized Gains	-	82,509	-
Balance, End of Year	\$ 35,679	\$ -	\$ 778,354
	Interest in Limited Partnership	Limited Partnerships	Hedge Funds
June 30, 2010			
Balance, Beginning of Year	\$ 32,051	\$ 262,228	\$ 651,027
Invested During the Year	-	109,286	-
Distributions During the Year	(393)	-	-
Increase (Decrease) in Unrealized Gains/Losses	(9,817)	35,428	78,142
Realized Gains	-	-	-
Balance, End of Year	\$ 21,841	\$ 406,942	\$ 729,169

Note 7 - Land, Buildings, and Equipment

A summary of land, buildings, and equipment is as follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 90,372	\$ -	\$ 90,372	\$ -
Land Improvements	33,032	29,732	33,032	28,490
Buildings and Improvements	2,453,862	1,903,138	2,432,037	1,831,950
Equipment	890,837	801,808	904,938	792,346
	\$ 3,468,103	\$ 2,734,678	\$ 3,460,379	\$ 2,652,786
Net land, buildings and equipment	\$ 733,425		\$ 807,593	

Note 8 - Health Claims Payable

The Administrative Offices offer health insurance coverage to all eligible lay and religious employees of parishes, schools, cemeteries, and other agencies. Health claims payable reflects the amount established for claims reported by August 31, 2011. These claims occurred by the end of the accounting period, but had not been settled by June 30, 2011. No provision is made in the statements for claims incurred but not reported.

The Administrative Offices purchase reinsurance from First Administrators, Inc. for coverage of specific individual claims in excess of \$150,000 and aggregate claims in excess of 125% of estimated claims set by First Administrators Inc. (based on individual plans and demographic actuarial information). During fiscal year 2010, reinsurance for the same coverage was purchased through Wellmark.

Note 9 - Mission Offerings and Collections Payable

The Administrative Offices receive mission offerings on behalf of The Society for the Propagation of the Faith, as well as the proceeds of other collections held in the Archdiocese. These funds are held temporarily by the Administrative Offices before being transferred to the designated agencies or organizations. The balance is comprised of the following:

	2011	2010
Missions Offerings Payable	\$ 172,917	\$ 323,570
Collections Payable	260,840	289,471
	\$ 433,757	\$ 613,041

Note 10 - Funds Held for Others

Funds held for others include funds held by the Archdiocese of Dubuque on behalf of other agencies or organizations to which principal and/or investment income is to be disbursed.

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2011 and 2010

Note 11 - Restricted Net Assets

Restricted funds by net asset class are as follows:

Purpose	2011			2010
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Restricted Net Assets	Total Restricted Net Assets
Archdiocesan funds restricted for the benefit of other Archdiocesan organizations				
C. Helin Estate	\$ 894	\$ 15,000	\$ 15,894	\$ 14,562
Kohl Estate	64	27,878	27,942	25,538
Conrin Estate	-	42,640	42,640	42,640
John Fassbinder Trust	1	500,000	500,001	458,035
Ertl Scholarship	3,554	53,885	57,439	55,801
Ed Helin Estate	32	1,000	1,032	943
M. Beatrice Spiegel Trust	881	5,000	5,881	5,822
Amy Koscheder Memorial Fund	(1,525)	33,870	32,345	33,028
Fr. Frese Estate	59,250	-	59,250	59,160
William Butt Estate	132,335	384,534	516,869	484,855
Ray/Eileen Seitz Scholarship Fund	(2,320)	15,000	12,680	13,431
Fr. Nestor Goedken Trust	35,395	200,000	235,395	223,696
Family Life	-	-	-	541
Communications	454,581	-	454,581	456,451
Vocations	38,190	-	38,190	41,723
Diaconate Formation Scholarships	153	1,500	1,653	1,637
Waterloo Deanery Priests' Scholarships	4,422	-	4,422	4,378
Holy Family Schools Scholarships	-	-	-	54,325
Hispanic Ministry	30,100	-	30,100	30,100
Flood Relief	69,568	-	69,568	119,568
Unexpended Technology Grant	17,359	-	17,359	17,359
Latin American Fund	240,961	-	240,961	238,470
C. Menke - for masses	800	-	800	800
	<u>1,084,695</u>	<u>1,280,307</u>	<u>2,365,002</u>	<u>2,382,863</u>
Transfer of negative endowment balances from temporarily restricted to unrestricted	3,845	-	3,845	47,211
	<u>\$ 1,088,540</u>	<u>\$ 1,280,307</u>	<u>\$ 2,368,847</u>	<u>\$ 2,430,074</u>

Note 12 - Fund Raising Costs

Included in total expenses are fund raising costs that were incurred by the Administrative Offices. At June 30, 2011 and 2010, these costs were as follows:

	2011	2010
Educational Development Expenses	\$ 3,390	\$ 2,370

Note 13 - Pension Plan

The Administrative Offices have a defined contribution contributory pension plan under code Section 401(k) which covers employees who have worked for the Archdiocese for at least one year. The policy is to fund pension cost as accrued. The total expense for the plan for the years ended June 30, 2011 and 2010, was \$67,196 and \$83,233, respectively.

Note 14 - Related Party Transactions

The Administrative Offices by its nature engages in transactions with other separately incorporated nonprofit Catholic institutions and organizations in northeast Iowa. The Archdiocese of Dubuque is a separate corporate entity. The division of Administrative Offices does receive financial support from these other separately incorporated entities.

Note 15 - Concentration of Credit Risk – Cash

The Administrative Offices maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Administrative Offices has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 16 - Bond Issue Guarantee

The Archdiocese Administrative Offices, Education Fund and Deposit and Loan Fund have guaranteed the following bond issues as of June 30, 2011 and 2010:

	2011	2010
Xavier High School, Cedar Rapids - Variable Rate Demand Private School Facility Revenue Bonds, due periodically beginning 2007 through 2019. During 2011, the school refinanced and as a result the guarentees have been eliminated.	\$ -	\$ 12,600,000
Newman Catholic System, Mason City - Variable Rate Demand Private School Facility Revenue Bonds, due periodically beginning 2014 through 2033	6,500,000	5,750,000
Holy Family Catholic Schools, Dubuque - Variable Rate Demand Education Facilities Revenue Bonds, due periodically beginning 2021 through 2036	10,000,000	10,000,000
	\$ 16,500,000	\$ 28,350,000

Note 17 - Endowments

The Archdiocese of Dubuque endowment consists of approximately 25 individual funds established for a variety of purposes. Its endowment includes only 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.

Interpretation of Relevant Law

The Board of Trustees of the Archdiocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization 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 Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Archdiocese 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

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- 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>\$ (3,845)</u>	<u>\$ 173,309</u>	<u>\$ 1,280,307</u>	<u>\$ 1,449,771</u>
June 30, 2010				
Donor-restricted endowment funds	<u>\$ (47,211)</u>	<u>\$ 126,892</u>	<u>\$ 1,280,307</u>	<u>\$ 1,359,988</u>

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	\$ (47,211)	\$ 126,892	\$ 1,280,307	\$ 1,359,988
Investment return:				
Investment income	-	111,428	-	111,428
Appropriation of endowment assets for expenditure	-	(21,645)	-	(21,645)
Other changes:				
Transfers for endowment loss	<u>43,366</u>	<u>(43,366)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (3,845)</u>	<u>\$ 173,309</u>	<u>\$ 1,280,307</u>	<u>\$ 1,449,771</u>

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010				
Endowment net assets, beginning of year	\$ (157,729)	\$ 2,771	\$ 1,280,302	\$ 1,125,344
Investment return:				
Investment income	-	242,448	-	242,448
Contributions	-	-	5	5
Appropriation of endowment assets for expenditure	-	(7,809)	-	(7,809)
Other changes:				
Transfers for endowment loss	110,518	(110,518)	-	-
Endowment net assets, end of year	\$ (47,211)	\$ 126,892	\$ 1,280,307	\$ 1,359,988

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:

	2011	2010
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA	\$ 173,309	\$ 126,892
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 1,280,307	\$ 1,280,307

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 UPMIFA requires the Archdiocese to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$3,845 as of June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The deficiencies as of June 30, 2010 were \$47,211.

Return Objectives and Risk Parameters

The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Archdiocese expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Archdiocese 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 Archdiocese 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 spending policy of these endowments is established by the donor.

Note 18 - Risks and Uncertainties

The Administrative Offices 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 reasonably possible 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 Statement of Activities and Changes in Net Assets.