



Financial Statements
June 30, 2011 and 2010

Archdiocese of Dubuque Deposit and Loan Fund

Archdiocese of Dubuque Deposit and Loan Fund

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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 Deposit and Loan Fund (Deposit and Loan 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 Deposit and Loan 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 Deposit and Loan Fund's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Deposit and Loan 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 14, 2011

Archdiocese of Dubuque Deposit and Loan Fund
 Statements of Financial Position
 June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 281,232	\$ 276,500
Loans receivable, net of allowances for uncollectible loans of \$792,000 in 2011 and \$776,600 in 2010 - Note 2	31,338,481	31,265,890
Due from other Archdiocesan funds/organizations	-	4,598
Certificates of deposit	134,686	132,127
Investments - Note 3	81,911,713	65,945,612
Annuity/life insurance contracts - Note 4	8,020,000	7,645,000
Real estate investments	1,231,601	1,231,600
Accrued interest receivable	102,969	110,698
Total assets	\$ 123,020,682	\$ 106,612,025
 Liabilities and Net Assets		
Liabilities		
Checks drawn in excess of available bank balances	\$ 266,835	\$ -
Line of credit - Note 7	2,275,000	1,400,000
Deposits payable - Note 6	115,405,042	104,894,244
Due to other Archdiocesan funds/organizations	489	-
Accounts payable	15,274	17,773
Accrued payroll and vacation	1,639	1,409
Total liabilities	117,964,279	106,313,426
Net Assets	5,056,403	298,599
Total liabilities and net assets	\$ 123,020,682	\$ 106,612,025

Archdiocese of Dubuque Deposit and Loan Fund
 Statements of Activities and Changes in Net Assets
 June 30, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Revenue		
Interest income on loans, net of interest forgiven of \$38,713 in 2011 and \$42,660 in 2010	\$ 442,292	\$ 402,041
Investment gain - Note 3	14,751,310	6,017,847
Administration fee	197,986	184,651
Property rent	25,675	24,335
Total revenue	15,417,263	6,628,874
Expenses		
Interest to depositors - Note 6	10,143,747	4,464,144
Provision for losses on loans	115,400	234,900
Professional fees	336,247	311,946
Employee compensation	28,286	27,651
Employee benefits	4,326	4,421
Interest expense	26,402	3,497
Rental property expenses	4,134	4,046
Office supplies and expenses	917	1,138
Total expenses	10,659,459	5,051,743
Increase in Unrestricted Net Assets	4,757,804	1,577,131
Net Assets (Deficit), Beginning of Year	298,599	(1,278,532)
Net Assets, End of Year	\$ 5,056,403	\$ 298,599

Archdiocese of Dubuque Deposit and Loan Fund
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Increase in unrestricted net assets	\$ 4,757,804	\$ 1,577,131
Adjustments to reconcile increase in unrestricted net assets to net cash used for operating activities		
Provision for losses on loans	115,400	234,900
Change in unrealized gains on investments	(11,793,076)	(4,326,695)
Changes in assets and liabilities		
Due to/from other Archdiocesan funds/organizations	5,087	(4,629)
Accrued interest receivable	7,729	32,011
Checks drawn in excess of available bank balances	266,835	(54,869)
Accounts payable	(2,499)	(6,341)
Accrued payroll and vacation	230	78
	<u>(6,642,490)</u>	<u>(2,548,414)</u>
Net Cash used for Operating Activities		
Investing Activities		
Net increase (decrease) in investments	(4,173,026)	417,584
Purchase of annuity/life insurance contracts	(375,000)	(1,075,000)
Principal collection of loans	10,816,539	12,896,539
New borrowings on loans	(11,004,530)	(16,385,075)
Purchase of certificates of deposit	(2,559)	(3,877)
	<u>(4,738,576)</u>	<u>(4,149,829)</u>
Net Cash used for Investing Activities		
Financing Activities		
Proceeds from deposits payable	78,759,879	59,896,059
Payments of deposits payable	(68,249,081)	(56,192,833)
Proceeds from line of credit	875,000	1,400,000
	<u>11,385,798</u>	<u>5,103,226</u>
Net Cash from Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	4,732	(1,595,017)
Cash and Cash Equivalents, Beginning of Year	<u>276,500</u>	<u>1,871,517</u>
Cash and Cash Equivalents, End of Year	<u>\$ 281,232</u>	<u>\$ 276,500</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 606,145</u>	<u>\$ 580,196</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Archdiocese of Dubuque Deposit and Loan Fund (Deposit and Loan Fund) provides loans to credit worthy Archdiocesan organizations and provides an investment depository for Archdiocesan parishes, organizations and priests.

Tax-Exempt Status

The Deposit and Loan Fund is organized as an Iowa 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 Deposit and Loan 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 Deposit and Loan 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 Deposit and Loan 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 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.

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 Deposit and Loan Fund 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 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 effect on the increase in net assets.

Subsequent Events

The Deposit and Loan Fund has evaluated subsequent events through October 14, 2011, the date which the financial statements were issued.

Note 2 - Loans Receivable

Loans receivable consist of unsecured notes, due principally from debtor Archdiocesan organizations within the next 15 years, and earn interest at a rate of 1.5% per annum at both June 30, 2011 and 2010.

Archdiocese of Dubuque Deposit and Loan Fund

Notes to Financial Statements

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. Also included are commodities carried at fair value using broker quotations and published indices, 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:

	2011		2010	
	Fair Value	Cost	Unrealized Gains (Losses)	Unrealized Gains (Losses)
Mutual Funds	\$ 46,450,621	\$ 45,731,093	\$ 719,528	\$ (9,571,006)
U.S. Government Securities and Bonds	19,790,550	18,570,861	1,219,689	999,309
Commodities	22,010	30,550	(8,540)	(9,491)
Alternative Investments	15,648,532	14,178,230	1,470,302	189,091
	<u>\$ 81,911,713</u>	<u>\$ 78,510,734</u>	<u>\$ 3,400,979</u>	<u>\$ (8,392,097)</u>

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

	2011		2010	
	Fair Value	Cost	Investment Income (Loss)	Investment Income (Loss)
End of Year	\$ 81,911,713	\$ 78,510,734	\$ 3,400,979	\$ (8,392,097)
Beginning of Year	65,945,612	74,337,709	(8,392,097)	(12,718,792)
Net unrealized gains for the year			11,793,076	4,326,695
Net realized gains (losses) for the year			401,915	(442)
Total net gains for the year			12,194,991	4,326,253
Interest and dividends for the year			2,556,319	1,691,594
Investment gain for the year			<u>\$ 14,751,310</u>	<u>\$ 6,017,847</u>

Note 4 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Deposit and Loan Fund with interest/annuity payments throughout the life of the annuitant/insured. The Deposit and Loan Fund 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 - 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	\$ 50,656,477	\$ 38,461,535
Inflation Protection Assets	2,775,246	2,001,951
Risk Reduction Assets	28,479,990	25,482,126
	\$ 81,911,713	\$ 65,945,612

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			
Limited partnerships	\$ -	\$ -	\$ 5,712,920
Domestic & international	43,064,415	-	-
Common stocks domestic & international	1,879,142	-	-
Inflation Protection Assets			
Commodities	-	22,010	-
Interest in limited partnership	-	-	2,753,236
Risk Reduction Assets			
Government Bonds	3,057,342	-	-
Domestic fixed assets mutual funds	12,332,658	-	-
Global fixed assets mutual funds	5,907,614	-	-
Hedge funds	-	-	7,182,376
	\$ 66,241,171	\$ 22,010	\$ 15,648,532

Archdiocese of Dubuque Deposit and Loan Fund
Notes to Financial Statements
June 30, 2011 and 2010

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2010			
Growth Funds			
Limited partnerships	\$ -	\$ -	\$ 4,251,140
Domestic & international	34,210,395	-	-
Inflation Protection Assets			
Commodities	-	21,059	-
Interest in limited partnership	-	-	1,980,892
Risk Reduction Assets			
Government bonds	5,310,989	-	-
Limited partnerships	-	-	3,264,552
Domestic fixed assets mutual funds	8,428,717	-	-
Global fixed assets mutual funds	2,538,208	-	-
Hedge funds	-	-	5,939,660
	<u>\$ 50,488,309</u>	<u>\$ 21,059</u>	<u>\$ 15,436,244</u>

The fair values of the domestic and international growth funds and common stock domestic and international funds are determined by reference to the net asset value of shares held at year end. The fair values of the government bonds, domestic 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 value of commodities is determined using broker quotations and published indices. The fair values for limited partnerships, interest in 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 of 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.

Archdiocese of Dubuque Deposit and Loan Fund

Notes to Financial Statements

June 30, 2011 and 2010

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

	Growth Funds Limited Partnership	Interest in Limited Partnership	Risk Reduction Assets Limited Partnerships	Hedge Funds
June 30, 2011				
Balance, beginning of year	\$ 4,251,140	\$ 1,980,892	\$ 3,264,552	\$ 5,939,660
Invested during the year	1,743,089	505,000	-	793,367
Distributions during the year	(1,091,147)	(298,474)	(3,383,701)	(126)
Increase (decrease) in unrealized gains/losses	809,838	565,818	(543,920)	449,475
Realized gains	-	-	663,069	-
Balance, end of year	<u>\$ 5,712,920</u>	<u>\$ 2,753,236</u>	<u>\$ -</u>	<u>\$ 7,182,376</u>
	Growth Funds Limited Partnership	Interest in Limited Partnership	Risk Reduction Assets Limited Partnerships	Hedge Funds
June 30, 2010				
Balance, beginning of year	\$ 2,613,026	\$ 1,487,273	\$ 2,211,842	\$ 5,407,883
Invested during the year	1,549,164	461,258	1,324,286	151,384
Distributions during the year	(99,282)	(59,985)	(618,653)	(126)
Increase in unrealized gains/losses	188,232	92,346	347,077	380,519
Realized gains	-	-	-	-
Balance, end of year	<u>\$ 4,251,140</u>	<u>\$ 1,980,892</u>	<u>\$ 3,264,552</u>	<u>\$ 5,939,660</u>

Note 6 - Deposits Payable and Interest to Depositors

Depositors are principally parishes, organizations and priests of the Archdiocese of Dubuque. Deposit accounts consist of Demand Accounts, Central Endowment Funds and Separately Managed Funds.

Demand Accounts earn interest at 1.0% per annum at both June 30, 2011 and 2010, and can be withdrawn on demand. The Central Endowment Fund is an investment pool for education endowment funds. Depositors earn income based upon the actual return of the underlying assets of the fund, net of fees. Funds can be withdrawn semi-annually on May 1 and November 1. Separately Managed Funds consist of education endowment funds of entities which have entrusted the investment of the funds to the Deposit and Loan Fund. Depositors earn income based upon the actual return of the underlying assets of the fund, net of fees. Funds can be withdrawn on demand.

Archdiocese of Dubuque Deposit and Loan Fund
Notes to Financial Statements
June 30, 2011 and 2010

Deposits payable at June 30, 2011 and 2010 are comprised of the following:

	2011	2010
Demand Accounts	\$ 57,940,020	\$ 57,853,981
Central Endowment Fund	40,683,519	32,688,096
Separately Managed Funds	16,781,503	14,352,167
	\$ 115,405,042	\$ 104,894,244

Interest to depositors at June 30, 2011 and 2010 are comprised of the following:

	2011	2010
Demand Accounts	\$ 606,145	\$ 580,196
Central Endowment Fund	6,615,394	2,588,730
Separately Managed Funds	2,922,208	1,295,218
	\$ 10,143,747	\$ 4,464,144

Note 7 - Line of Credit

The Deposit and Loan Fund has a revolving line of credit with American Trust & Savings Bank (AT&SB), under which they can borrow up to \$5,000,000 at an interest rate equal to the prime rate as published in the Wall Street Journal with a floor of 4.5%. The line of credit is secured by securities held in various accounts and matures June 25, 2012. The outstanding balance under the line of credit as of June 30, 2011 and 2010 was \$2,275,000 and \$1,400,000, respectively.

Note 8 - Related Party Transactions

The Deposit and Loan Fund engages in loan transactions with the Archdiocese of Dubuque and other separately incorporated nonprofit Catholic institutions and organizations of the Archdiocese. The corresponding interest income from loans and interest expense on deposits is from these institutions and organizations.

Note 9 - Concentration of Credit Risk – Cash

The Deposit and Loan Fund maintain its cash in bank accounts which, at times, may exceed federally insured limits. The Fund 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 10 - Commitments

Bond Issue Guarantees:

The Archdiocese of Dubuque Deposit and Loan Fund, Education Fund and Administrative Offices 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 guarantees 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

Investment:

The Deposit and Loan Fund has committed to invest a total of \$21,750,000 in certain Private Equity/Illiquid Real Assets funds. As of June 30, 2011, \$12,028,278 of that commitment has been funded, leaving \$9,721,722 to be funded in the future. It is expected this commitment will be funded over the next several years.

Note 11 - Risks and Uncertainties

The Deposit and Loan 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 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.