



Financial Statements
June 30, 2011 and 2010

Archdiocese of Dubuque Education Fund

Archdiocese of Dubuque Education Fund

Table of Contents
June 30, 2011 and 2010

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position - June 30, 2011 and 2010	2
Statements of Activities and Changes in Net Assets - Years Ended June 30, 2011 and 2010.....	3
Statements of Cash Flows - Years Ended June 30, 2011 and 2010	4
Notes to Financial Statements.....	5



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 Education Fund (Education 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 Education 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 Education 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 Education 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

(This page left blank intentionally.)

	June 30, 2011		
	Current Funds	Life Insurance and Annuity Funds	Total
Assets			
Cash and Cash Equivalents	\$ 24,596	\$ 37,140	\$ 61,736
Deposits in Archdiocese of Dubuque Deposit and Loan Fund - Note 2	789,029	111,386	900,415
Investments – Note 3	12,975,561	2,769,308	15,744,869
Annuity/Life Insurance Contracts – Note 4	1,350,000	-	1,350,000
Cash Surrender Value of Life Insurance	-	186,976	186,976
Investment in Real Estate	-	73,500	73,500
	<u>\$ 15,139,186</u>	<u>\$ 3,178,310</u>	<u>\$ 18,317,496</u>
Liabilities and Net Assets			
Liabilities			
Annuities payable	\$ -	\$ 902,111	\$ 902,111
Accounts payable - related organizations	-	280,899	280,899
Due to other Archdiocesan funds/ organizations	426,150	25,057	451,207
	<u>426,150</u>	<u>1,208,067</u>	<u>1,634,217</u>
Net Assets			
Unrestricted	14,713,036	186,974	14,900,010
Temporarily restricted – Note 7	-	1,783,269	1,783,269
	<u>14,713,036</u>	<u>1,970,243</u>	<u>16,683,279</u>
	<u>\$ 15,139,186</u>	<u>\$ 3,178,310</u>	<u>\$ 18,317,496</u>

See Notes to Financial Statements

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

	June 30, 2010		
	Current Funds	Life Insurance and Annuity Funds	Total
Assets			
Cash and Cash Equivalents	\$ 9,770	\$ 42,967	\$ 52,737
Deposits in Archdiocese of Dubuque Deposit and Loan Fund - Note 2	868,133	128,553	996,686
Due from Other Archdiocesan Funds/ Organizations	75,969	-	75,969
Investments – Note 3	10,355,841	2,310,856	12,666,697
Annuity/Life Insurance Contracts - Note 4	1,350,000	-	1,350,000
Cash Surrender Value of Life Insurance	-	224,864	224,864
Investment in Real Estate	-	73,500	73,500
Total assets	<u>\$ 12,659,713</u>	<u>\$ 2,780,740</u>	<u>\$ 15,440,453</u>
Liabilities and Net Assets			
Liabilities			
Annuities payable	\$ -	\$ 687,121	\$ 687,121
Accounts payable - related organizations	-	322,375	322,375
Due to other Archdiocesan funds/ organizations	-	19,496	19,496
Total liabilities	<u>-</u>	<u>1,028,992</u>	<u>1,028,992</u>
Net Assets			
Unrestricted	12,659,713	224,860	12,884,573
Temporarily restricted – Note 7	-	1,526,888	1,526,888
Total net assets	<u>12,659,713</u>	<u>1,751,748</u>	<u>14,411,461</u>
Total liabilities and net assets	<u>\$ 12,659,713</u>	<u>\$ 2,780,740</u>	<u>\$ 15,440,453</u>

	June 30, 2011		
	Current Funds	Life Insurance and Annuity Funds	Total
Changes in Unrestricted Net Assets			
Revenue			
Contributions	\$ 47,396	\$ -	\$ 47,396
Endowment income – Note 3	2,362,421	-	2,362,421
Investment income (loss) – annuities/ life insurance	139,954	(66,664)	73,290
Total revenue	2,549,771	(66,664)	2,483,107
Expenses			
Audit expense	2,627	-	2,627
Revenue in Excess of (Less Than) Expenses	2,547,144	(66,664)	2,480,480
Transfer of Endowment Income to Archdiocese of Dubuque	(465,043)	-	(465,043)
Transfer of Funds for Premium Payments	(28,778)	28,778	-
Increase (Decrease) in Unrestricted Net Assets	2,053,323	(37,886)	2,015,437
Changes in Temporarily Restricted Net Assets			
Contributions	-	56,622	56,622
Investment income – Note 3	-	420,036	420,036
Change in value of split-interest agreements	-	(220,277)	(220,277)
Increase in Temporarily Restricted Net Assets	-	256,381	256,381
Increase in Net Assets	2,053,323	218,495	2,271,818
Net Assets, Beginning of Year	12,659,713	1,751,748	14,411,461
Net Assets, End of Year	\$ 14,713,036	\$ 1,970,243	\$ 16,683,279

See Notes to Financial Statements

Archdiocese of Dubuque Education Fund
 Statements of Activities and Changes in Net Assets
 Years Ended June 30, 2011 and 2010

	June 30, 2010		
	Current Funds	Life Insurance and Annuity Funds	Total
Changes in Unrestricted Net Assets			
Revenue			
Contributions	\$ 499,296	\$ -	\$ 499,296
Endowment income – Note 3	1,001,493	-	1,001,493
Investment income – annuities/ life insurance	136,121	7,160	143,281
Total revenue	<u>1,636,910</u>	<u>7,160</u>	<u>1,644,070</u>
Expenses			
Audit expense	2,500	-	2,500
Loss from sale of property held for investment	5,660	-	5,660
Total expenses	<u>8,160</u>	<u>-</u>	<u>8,160</u>
Revenue in Excess of Expenses	1,628,750	7,160	1,635,910
Transfer of Endowment Income to Archdiocese of Dubuque	(416,331)	-	(416,331)
Transfer of Funds for Premium Payments	<u>3,760</u>	<u>(3,760)</u>	<u>-</u>
Increase in Unrestricted Net Assets	<u>1,216,179</u>	<u>3,400</u>	<u>1,219,579</u>
Changes in Temporarily Restricted Net Assets			
Contributions	-	4,861	4,861
Investment income – Note 3	-	217,414	217,414
Change in value of split-interest agreements	-	(118,456)	(118,456)
Increase in Temporarily Restricted Net Assets	<u>-</u>	<u>103,819</u>	<u>103,819</u>
Increase in Net Assets	1,216,179	107,219	1,323,398
Net Assets, Beginning of Year	<u>11,443,534</u>	<u>1,644,529</u>	<u>13,088,063</u>
Net Assets, End of Year	<u>\$ 12,659,713</u>	<u>\$ 1,751,748</u>	<u>\$ 14,411,461</u>

Archdiocese of Dubuque Education Fund
Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Increase in net assets	\$ 2,271,818	\$ 1,323,398
Adjustments to reconcile increase in net assets to net cash from operating activities		
Change in unrealized gains on investments	(2,025,648)	(926,156)
Changes in assets and liabilities		
Cash surrender value of life insurance policies	37,888	(3,403)
Due to/from other Archdiocesan funds/organizations	507,680	(266,279)
Annuities payable	214,990	(30,003)
Accounts payable	-	(3,886)
Accounts payable – related organizations	(41,476)	5,636
Net Cash from Operating Activities	965,252	99,307
Investing Activities		
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(2,571,935)	(2,215,233)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	2,668,205	1,227,802
Net (increase) decrease in investments	(1,052,523)	763,908
Proceeds from sale of investment in real estate	-	55,000
Net Cash used for Investing Activities	(956,253)	(168,523)
Net Increase (Decrease) in Cash and Cash Equivalents	8,999	(69,216)
Cash and Cash Equivalents, Beginning of Year	52,737	121,953
Cash and Cash Equivalents, End of Year	\$ 61,736	\$ 52,737

Note 1 - Organization and Significant Accounting Policies

Organization

The Archdiocese of Dubuque Education Fund (Education Fund) is an endowment-like fund in which the principal is invested and maintained intact with only the income earned from the investments available for Catholic education in the Archdiocese of Dubuque.

Tax-Exempt Status

The Education 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 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 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 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 certain 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 revenue 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 an original 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.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Education 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 Education Fund in perpetuity. The Education Fund did not have any permanently restricted net assets.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. 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.

Split-Interest Agreements

The Education Fund's split-interest agreements with donors consist of charitable gift annuities. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate, determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for accretion of the discount and other changes in the estimates of future benefits.

Fair Value Measurements

The Education 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 effect on the increase in net assets.

Subsequent Events

The Education Fund 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 in 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. Negative deposit (payable) balances accrue interest at the same rates.

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 - current funds are comprised of the following:

	2011		2010	
	Fair Value	Cost	Unrealized Gains (Losses)	Unrealized Gains (Losses)
Mutual Funds	\$ 8,970,679	\$ 9,050,773	\$ (80,094)	\$ (1,761,307)
U.S. Government Securities and Bonds	3,118,704	2,902,850	215,854	167,304
Alternative Investments	886,178	778,699	107,479	124,875
	<u>\$ 12,975,561</u>	<u>\$ 12,732,322</u>	<u>\$ 243,239</u>	<u>\$ (1,469,128)</u>

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

	2011		2010	
	Fair Value	Cost	Investment Income (Loss)	Investment Income (Loss)
End of Year	\$ 12,975,561	\$ 12,732,322	\$ 243,239	\$ (1,469,128)
Beginning of Year	10,355,841	11,824,969	(1,469,128)	(2,190,754)
Net unrealized gains for the year			1,712,367	721,626
Net realized gains and earnings for the year			650,054	279,867
Total endowment gain for the year			<u>\$ 2,362,421</u>	<u>\$ 1,001,493</u>

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

Investments - life insurance and annuity funds are comprised of the following:

	2011		2010	
	Fair Value	Cost	Unrealized Gains (Losses)	Unrealized Gains (Losses)
Mutual Funds	\$ 1,936,091	\$ 1,957,962	\$ (21,871)	\$ (272,083)
U.S. Government Securities and Bonds	708,123	600,678	107,445	41,053
Alternative Investments	125,094	109,922	15,172	18,495
	<u>\$ 2,769,308</u>	<u>\$ 2,668,562</u>	<u>\$ 100,746</u>	<u>\$ (212,535)</u>

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

	2011		2010	
	Fair Value	Cost	Investment Income (Loss)	Investment Income (Loss)
End of Year	\$ 2,769,308	\$ 2,668,562	\$ 100,746	\$ (212,535)
Beginning of Year	2,310,856	2,523,391	(212,535)	(417,065)
Net unrealized gains for the year			313,281	204,530
Net realized gains and earnings for the year			106,755	12,884
Total investment income for the year			<u>\$ 420,036</u>	<u>\$ 217,414</u>

Life insurance and annuity funds investment income (loss) represents an increase in the cash surrender value of life insurance and totals \$(66,666) and \$7,163 for the years ended June 30, 2011 and 2010.

Note 4 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Education Fund with interest/annuity payments throughout the life of the annuitant/insured. The Education 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 Measurements

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

	2011	2010
Assets		
Growth funds	\$ 10,046,434	\$ 8,279,307
Inflation protection assets	40,482	24,769
Risk reduction assets	5,657,953	4,362,621
Cash surrender value of life insurance	186,976	224,864
Total assets	\$ 15,931,845	\$ 12,891,561
Liabilities		
Annuities payable	\$ 902,111	\$ 687,121

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

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011			
Assets			
Growth funds			
Domestic & international	\$ 10,046,434	\$ -	\$ -
Inflation protection assets			
Interest in limited partnership	-	-	40,482
Risk reduction assets			
Government bonds	472,729	-	-
Domestic fixed assets mutual funds	3,409,448	-	-
Global fixed assets mutual funds	804,986	-	-
Hedge funds	-	-	970,790
Cash surrender value of life insurance	-	-	186,976
Total assets	\$ 14,733,597	\$ -	\$ 1,198,248
Liabilities			
Annuities payable	\$ -	\$ -	\$ 902,111

Archdiocese of Dubuque Education 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			
Assets			
Growth funds			
Domestic & international	\$ 8,279,307	\$ -	\$ -
Inflation protection assets			
Interest in limited partnership	-	-	24,769
Risk reduction assets			
Government bonds	418,154	-	-
Limited partnerships	-	-	593,282
Domestic fixed assets mutual funds	1,885,114	-	-
Global fixed assets mutual funds	557,090	-	-
Hedge funds	-	-	908,981
Cash surrender value of life insurance	-	-	224,864
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,139,665</u>	<u>\$ -</u>	<u>\$ 1,751,896</u>
Liabilities			
Annuities payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 687,121</u>

The fair value of the domestic and international growth funds is determined by reference to the net asset value of shares held at year end. The fair values of the government bonds and 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 values for the inflation protection assets and risk reduction assets limited partnership 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. The fair value of the cash surrender value of life insurance is determined by reference to payments made into the policy and the value of the underlying assets. The fair value for annuities payable is determined by reference to the present value of future payments based on the life expectancies of annuity holders.

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

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

	Interest in Limited Partnership	Limited Partnerships	Hedge Funds	Cash Surrender Value of Life Insurance
June 30, 2011				
Balance, beginning of year	\$ 24,769	\$ 593,282	\$ 908,981	\$ 224,864
Invested during the year	-	-	-	-
Distributions during the year	(398)	(614,935)	-	(33,474)
Increase (decrease) in unrealized gains/losses	16,111	(98,639)	61,809	
Realized gains (losses)	-	120,292	-	(4,414)
Balance, end of year	<u>\$ 40,482</u>	<u>\$ -</u>	<u>\$ 970,790</u>	<u>\$ 186,976</u>
June 30, 2010				
Balance, beginning of year	\$ 36,348	\$ 370,540	\$ 811,286	\$ 221,461
Invested during the year	-	169,643	-	-
Distributions during the year	(446)	-	-	-
Increase (decrease) in unrealized gains/losses	(11,133)	53,099	97,695	3,403
Realized gains	-	-	-	-
Balance, end of year	<u>\$ 24,769</u>	<u>\$ 593,282</u>	<u>\$ 908,981</u>	<u>\$ 224,864</u>

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

	2011	2010
Additions		
Liability on new annuity contracts	\$ 65,106	\$ 5,921
Change in value of split- interest agreements	311,136	118,456
	376,242	124,377
Deductions		
Annuity payments	161,252	148,306
Payout - expired annuities	-	6,074
	161,252	154,380
 Net Decrease in Annuities Payable	 214,990	 (30,003)
Annuities Payable, Beginning of Year	687,121	717,124
 Annuities Payable, End of Year	 \$ 902,111	 \$ 687,121

Note 6 - Split-Interest Agreements

The Education Fund has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Education Fund is obligated to provide an annuity to the donor or other designated beneficiaries for the life of the annuitant.

A liability is recognized for the estimated present value of the annuity obligation, and the assets are recorded at their gross market value for agreements where the Education Fund is the trustee. Annuities payable represents the net present value of the estimated remaining payments (using a discount rate of 8%) due to annuitants; this liability is reevaluated annually for changes in the life expectancy of the annuitants. Assets of the Education Fund that are derived from split-interest agreements are held in general cash and investments.

Note 7 - Temporarily Restricted Net Assets

The temporarily restricted net assets represent split-interest agreements in the form of gift annuities and charitable remainder unitrusts. The Education Fund accepts the contribution and is obligated to make payments to the donor or a third-party beneficiary until the death of the donor or third-party beneficiary.

Note 8 - Related Party Transactions

The Education Fund supports Catholic education within the Archdiocese of Dubuque. During the years ended June 30, 2011 and 2010, the Education Fund transferred \$465,043 and \$416,331, respectively, to the Archdiocese of Dubuque Administrative Offices for education expenses incurred during the year. The interest earned on the investment with the Archdiocese of Dubuque Deposit and Loan Fund amounted to \$11,126 and \$8,399, for years ended June 30, 2011 and 2010, respectively.

Note 9 - Bond Issue Guarantee

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 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 10 - Risks and Uncertainties

The Education 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.