



Financial Statements
June 30, 2011 and 2010

Archdiocese of Dubuque Priests' Pension Plan

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Independent Auditor's Report

To the Audit Committee
Archdiocese of Dubuque
Dubuque, Iowa

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits of the Archdiocese of Dubuque Priests' Pension Plan (the Plan) as of June 30, 2011 and 2010, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the years ended June 30, 2011 and 2010. 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 Plan as of June 30, 2011 and 2010, 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.

Eide Bailly LLP

Dubuque, Iowa
October 14, 2011

Archdiocese of Dubuque Priests' Pension Plan
 Statements of Net Assets Available for Benefits
 June 30, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value – Note 3	\$ 19,182,424	\$ 16,716,298
Cash and cash equivalents	329,233	293,247
Due from other Archdiocesan funds/organizations	784,377	483,954
Note receivable – Note 6	983,125	995,000
Interest receivable	9,912	10,032
Annuity/life insurance contracts – Note 4	1,925,000	1,925,000
Total assets	23,214,071	20,423,531
Liabilities		
Due to other Archdiocesan funds/organizations	-	15
Net Assets Available for Benefits	\$ 23,214,071	\$ 20,423,516

Archdiocese of Dubuque Priests' Pension Plan
 Statements of Changes in Net Assets Available for Benefits
 Years Ended June 30, 2011 and 2010

	2011	2010
Investment Income – Note 3		
Interest	\$ 430,359	\$ 347,930
Dividends	263,240	176,851
Net realized gains	311,935	114,759
Net appreciation in fair value of investments	2,943,209	1,264,639
Total investment income	3,948,743	1,904,179
Deductions		
Benefits paid	2,561,724	2,397,924
Professional fees	47,464	47,484
Total deductions	2,609,188	2,445,408
Net increase (decrease) before equity transfers	1,339,555	(541,229)
Equity Transfers – Note 7		
Transfers from Archdiocese of Dubuque – St. Raphael Priest Fund Society	1,451,000	1,383,000
Net Increase	2,790,555	841,771
Net Assets Available for Benefits		
Beginning of year	20,423,516	19,581,745
End of year	\$ 23,214,071	\$ 20,423,516

Archdiocese of Dubuque Priests' Pension Plan
 Statements of Accumulated Plan Benefits
 June 30, 2011 and 2010

	2011	2010
Actuarial Present Value of Accumulated Plan Benefits *		
Vested Benefits		
Participants currently receiving payments	\$ 14,495,506	\$ 13,693,930
Other participants	9,529,508	9,012,200
	24,025,014	22,706,130
Nonvested benefits	168,803	157,443
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 24,193,817	\$ 22,863,573
Net Assets Available for Benefits (Market Value Basis)	\$ 23,214,071	\$ 20,423,516

* Includes Pension and Retiree Medical Benefits

Archdiocese of Dubuque Priests' Pension Plan
 Statements of Changes in Accumulated Plan Benefits
 Years Ended June 30, 2011 and 2010

	2011	2010
Actuarial Present Value of Accumulated Plan Benefits, Beginning of Year	\$ 22,863,573	\$ 21,675,829
Increase During the Year Attributable to		
Change in retirement benefit	251,616	456,557
Change in assumed medical benefit	362,668	229,422
Change in actuarial assumptions	1,708,847	819,474
Benefits accumulated	(149,241)	450,058
Increase for interest due to decrease in discount period	1,718,078	1,630,156
Benefits paid	(2,561,724)	(2,397,923)
Net increase	1,330,244	1,187,744
Actuarial Present Value of Accumulated Plan Benefits, End of Year	\$ 24,193,817	\$ 22,863,573

Note 1 - Description of the Plan

The following brief description of the Archdiocese of Dubuque Priests' Pension Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General

The Plan is a noncontributory defined benefit Church plan covering all Priests ordained or incardinated into the Archdiocese. The Plan is subject to the provisions of the Internal Revenue Code.

Pension Benefits

Priests with 25 years of service and have attained age 70 (normal retirement age) are entitled to monthly pension benefits. Benefits are based on a fixed benefit schedule (\$1,705 and \$1,660 per month for 2011 and 2010, respectively) established and updated by the Trustees of the Plan. There is a pro rata reduction of the retirement benefit for members with more than 10 but less than 25 years of service. Those members continuing to serve after age 70 receive partial benefits (\$825 and \$800 per month for 2011 and 2010, respectively).

Other

The Archdiocese may, at any time, terminate the Plan, but only after consultation with the Board of Trustees and after consideration of any recommendations made by the Board of Trustees in regard thereto. The Plan shall be deemed to have been terminated upon complete discontinuance of contributions by the contributors.

In the event of termination of the plan, the pension fund shall be allocated to pensioners and participants as provided in the following order. First, there shall be allocated to each person who shall be a pensioner, or is working beyond his normal retirement date, at the date of such termination an amount which shall be estimated, on an actuarial basis, to be sufficient to provide for the pension that is payable to him under the provisions of the Plan. Second, any remaining portion of the pension fund shall be allocated to each participant who has terminated services with a vested interest in an amount which shall be estimated, on an actuarial basis, to be sufficient to provide him with the vested benefit. Third, any remaining portion of the pension fund shall be allocated to all other participants as though each had terminated service with a vested interest. Upon the date of termination, participant's right to his accrued benefit shall be 100% non-forfeitable. The amount of such allocation shall be an amount which shall be estimated, on an actuarial basis, to be sufficient to provide for the benefit which is assumed to be vested.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturity of three months or less.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net realized gains include the Plan's gains and losses on investments bought and sold during the year. Net appreciation includes the Plan's gains and losses on investments held during the year.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service Priests have rendered. Accumulated plan benefits include benefits expected to be paid to (a) currently active and retired priests, (b) temporary or permanently disabled priests, and (c) ill or indigent priests. Benefits under the Plan are based on a fixed benefit schedule established and updated by the Trustees. The accumulated Plan benefits for active Priests are based on past and future service and assumes all active members will accrue a full year of benefit service each year.

The actuarial present value of accumulated plan benefits is determined by an actuary from William M. Mercer, Incorporated and is that amount which results from applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death or retirement) between the valuation date and the expected date of payment.

The table below illustrates the present value of accumulated Plan benefits categorized between retired, leave of absence, and active priests:

	Retired	Leave of Absence	Active	Total
June 30, 2011				
Retirement	\$ 11,311,334	\$ 34,751	\$ 7,392,888	\$ 18,738,973
Medical	3,184,172	-	2,270,672	5,454,844
	\$ 14,495,506	\$ 34,751	\$ 9,663,560	\$ 24,193,817

Archdiocese of Dubuque Priests' Pension Plan
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	<u>Retired</u>	<u>Leave of Absence</u>	<u>Active</u>	<u>Total</u>
June 30, 2010				
Retirement	\$ 10,824,363	\$ 33,909	\$ 7,114,774	\$ 17,973,046
Medical	<u>2,869,567</u>	<u>-</u>	<u>2,020,960</u>	<u>4,890,527</u>
	<u>\$ 13,693,930</u>	<u>\$ 33,909</u>	<u>\$ 9,135,734</u>	<u>\$ 22,863,573</u>

The significant actuarial assumptions used in the valuations are as follows:

Assumptions Concerning Future Events:

Interest, net after investment expenses	Funding: 7.00% and 8.00% at July 1, 2011 and 2010, respectively
Mortality basis	RP-2000 Mortality Table
Retirement age	70
Disability incidence and continuance	None assumed
Withdrawal rates	None assumed
Inflation in medical premiums	None assumed
Inflation in retirement benefits	None assumed

Assumptions Concerning Member Data:

Priests considered in valuation	All Plan participants
Future service	All active members will accrue a full year of benefit service each year
Retirement benefit	Most current benefit rates of \$1,730 and \$1,705 are reflected for valuation purposes at July 1, 2011 and 2010, respectively
Medical benefit	Monthly benefit for valuation purposes is equal to the average per participant of the hospitalization insurance premiums, prescription drug reimbursement and dental costs for the prior plan year. This monthly average on July 1, 2011 and 2010, was \$587 and \$452 per participant, respectively
Actuarial cost method	Aggregate
Actuarial value of assets	Market value
Benefits not valued	All significant benefits defined in the plan have been included in the valuation

Payments of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Fees

Certain administrative fees are paid by the Plan as provided in the Plan Document.

Subsequent Events

The Plan Sponsor has evaluated subsequent events through October 14, 2011, the date which the financial statements were available to be issued.

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:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Mutual Funds	\$ 12,675,315	\$ 12,314,105	\$ 10,268,482	\$ 12,793,609
U.S. Government Securities and Bonds	4,408,910	4,122,702	3,629,271	3,386,365
Alternative Investments	2,098,199	1,837,338	2,818,545	2,571,254
	<u>\$ 19,182,424</u>	<u>\$ 18,274,145</u>	<u>\$ 16,716,298</u>	<u>\$ 18,751,228</u>

The Plan's investments that represented 5% or more of the Plan's net assets available for benefits as of June 30, 2011 and 2010, are as follows:

	2011	2010
Mutual Funds		
Vanguard Developed Market Index	\$ 4,515,929	\$ 3,626,471
Vanguard 500 Index Fund	2,908,565	2,226,087
Vanguard Dividend Appreciation Fund	1,555,736	1,271,978
U.S. Government Securities and Bonds		
U.S. Treasury Notes	1,179,842	1,743,382

The following tabulation summarizes changes in relationships between fair value and cost of marketable securities for the year ended June 30, 2011:

	2011		2010	
	Fair Value	Cost	Investment Income (Loss)	Investment Income (Loss)
End of Year				
Mutual funds	\$ 12,675,315	\$ 12,314,105	\$ 361,210	\$ (2,525,127)
U.S. government securities and bonds	4,408,910	4,122,702	286,208	242,906
Alternative investments	2,098,199	1,837,338	260,861	247,291
	<u>\$ 19,182,424</u>	<u>\$ 18,274,145</u>	908,279	(2,034,930)
Beginning of Year			(2,034,930)	(3,299,569)
Net unrealized gains for the year			2,943,209	1,264,639
Net realized gains for the year			311,935	114,759
Interest/dividends for the year			693,599	524,781
Total gain for the year on all investments			<u>\$ 3,948,743</u>	<u>\$ 1,904,179</u>

Note 4 - Annuity/Life Insurance Contracts

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

Topic ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the authoritative guidance are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Domestic and international growth funds: Valued at the net asset value of shares held by the Plan at year end.

Government bonds and domestic and global fixed assets mutual funds: Valued at the closing price reported in the active market in which the individual security is traded.

Interest in limited partnership and hedge funds: Valued at fair value 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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2011 and 2010:

	2011			Total
	Level 1	Level 2	Level 3	
Growth Funds				
Domestic and international	\$ 12,675,315	\$ -	\$ -	\$ 12,675,315
Inflation Protection Assets				
Interest in limited partnership	-	-	78,563	78,563
Risk Reduction Assets				
Government bonds	1,179,842	-	-	1,179,842
Domestic fixed assets mutual funds	2,210,831	-	-	2,210,831
Global fixed assets mutual funds	1,018,237	-	-	1,018,237
Hedge funds	-	-	2,019,636	2,019,636
	<u>\$ 17,084,225</u>	<u>\$ -</u>	<u>\$ 2,098,199</u>	<u>\$ 19,182,424</u>

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	2010			
	Level 1	Level 2	Level 3	Total
Growth Funds				
Domestic and international	\$ 10,268,482	\$ -	\$ -	\$ 10,268,482
Inflation Protection Assets				
Interest in limited partnership	-	-	48,044	48,044
Risk Reduction Assets				
Government bonds	1,743,382	-	-	1,743,382
Domestic fixed assets				
mutual funds	1,102,299	-	-	1,102,299
Global fixed assets				
mutual funds	783,590	-	-	783,590
Hedge funds	-	-	2,770,501	2,770,501
	<u>\$ 13,897,753</u>	<u>\$ -</u>	<u>\$ 2,818,545</u>	<u>\$ 16,716,298</u>

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2011 and 2010:

	2011		
	Interest in Limited Partnership	Hedge Funds	Total
Balance, Beginning of Year	\$ 48,044	\$ 2,770,501	\$ 2,818,545
Distributions During the Year	(772)	(910,254)	(911,026)
Realized Gains	-	32,053	32,053
Change in Unrealized Gains	31,291	127,336	158,627
Balance, End of Year	<u>\$ 78,563</u>	<u>\$ 2,019,636</u>	<u>\$ 2,098,199</u>
	2010		
	Interest in Limited Partnership	Hedge Funds	Total
Balance, Beginning of Year	\$ 70,505	\$ 2,258,969	\$ 2,329,474
Invested During the Year	-	232,143	232,143
Distributions During the Year	(865)	-	(865)
Change in Unrealized Gains	(21,596)	279,389	257,793
Balance, End of Year	<u>\$ 48,044</u>	<u>\$ 2,770,501</u>	<u>\$ 2,818,545</u>

Note 6 - Note Receivable

During the fiscal year ended June 30, 2010, the Plan entered into a loan agreement with another non-profit organization. The \$1,000,000 promissory note requires bi-annual payments ranging from \$34,918 to \$41,311, bearing interest at 6%. The note is due October 31, 2024, and is secured by a mortgage. The balance of this note as of June 30, 2011 and 2010 was \$983,125 and \$995,000, respectively.

Note 7 - Equity Transfers

The funding of the Plan will be accomplished through transfers of reserves from the St. Raphael Priest Fund Society of the Archdiocese of Dubuque. During the years ended June 30, 2011 and 2010, the following equity transfers were made to the Plan:

	2011	2010
St. Raphael Priest Fund Society	\$ 1,451,000	\$ 1,383,000

Note 8 - Income Tax Status

The Internal Revenue Service has determined and informed the Plan Sponsor by a letter dated December 20, 1998, that the Plan was designed in accordance with the applicable regulations of the Internal Revenue Code (IRC). Subsequent to this issuance of the determination letter, the Plan was amended. However, Plan management believes that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC, and the Plan continues to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Note 9 - Risks and Uncertainties

The Plan 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 net assets available for benefits.