



Financial Statements
June 30, 2011 and 2010

Archdiocese of Dubuque Protection Plan

Archdiocese of Dubuque Protection Plan

Table of Contents
June 30, 2011 and 2010

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	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 Dubuque Archdiocesan Protection Plan, 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 Dubuque Archdiocesan Protection 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 Dubuque Archdiocesan Protection Plan's 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 Dubuque Archdiocesan Protection Plan 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 Protection Plan
 Statements of Financial Position
 June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 27,747	\$ -
Accounts receivable		
Trade	117,709	50,462
Other	70,463	1,826,135
Due from other Archdiocesan funds	-	7,285
Prepaid expense	60,521	62,142
Equity in Catholic Umbrella Pool - Note 7	639,422	508,134
Workers' compensation escrow - Note 8	586,372	548,613
	\$ 1,502,234	\$ 3,002,771
 Liabilities and Net Assets		
Liabilities		
Checks drawn in excess of available bank balances	\$ -	\$ 9,142
Accounts payable	76,965	83,126
Interest payable	29,041	28,277
Accrued expenses	2,550	2,339
Due to other Archdiocesan funds	12	-
Deferred revenue - insurance premiums	826,800	665,541
Estimated claims payable - Note 3	3,079,045	4,070,777
Note payable - related - Note 4	7,390,120	7,496,825
	11,404,533	12,356,027
Total liabilities		
Net Assets, Deficit - Note 12	(9,902,299)	(9,353,256)
	\$ 1,502,234	\$ 3,002,771
Total liabilities and net assets		

Archdiocese of Dubuque Protection Plan
Statements of Activities
June 30, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Revenue		
Insurance premiums	\$ 1,671,384	\$ 1,333,445
Investment income - Note 2	72,577	50,563
Equity in Catholic Umbrella Pool - Note 7	131,288	116,896
Total revenue	1,875,249	1,500,904
Expenses		
Insurance claims, net of recoveries of \$5,285 in 2011 and \$1,852,003 in 2010	1,624,293	4,174,584
Supplemental insurance premiums - Note 7	446,998	440,358
Insurance service fees	113,000	110,337
Employee compensation	20,298	19,945
Employee benefits	2,053	2,137
Professional fees	98,434	193,756
Interest expense	112,620	97,559
Occupancy	4,392	4,392
Office supplies and expenses	2,204	2,233
Total expenses	2,424,292	5,045,301
Decrease in Unrestricted Net Assets	(549,043)	(3,544,397)
Net Assets (Deficit) at Beginning of Year	(9,353,256)	(5,808,859)
Net Assets (Deficit) at End of Year	\$ (9,902,299)	\$ (9,353,256)

Archdiocese of Dubuque Protection Plan
 Statements of Cash Flows
 Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Decrease in unrestricted net assets	\$ (549,043)	\$ (3,544,397)
Changes in assets and liabilities		
Accounts receivable	1,688,425	(1,779,466)
Prepays	1,621	(267)
Equity in Catholic Umbrella Pool	(131,288)	(116,896)
Workers' compensation escrow	(37,759)	(762)
Deferred revenue – insurance premiums	161,259	139,867
Checks drawn in excess of available bank balances	(9,142)	9,142
Estimated claims payable	(991,732)	2,961,276
Accounts payable	(6,161)	36,482
Interest payable	764	(4,694)
Accrued expenses	211	203
Due to/from other Archdiocesan funds	7,297	(7,316)
Net Cash from (used for) Operating Activities	134,452	(2,306,828)
Financing Activities		
Proceeds from note payable - related	2,766,830	3,183,531
Payments of note payable - related	(2,873,535)	(885,250)
Net Cash from (used for) Financing Activities	(106,705)	2,298,281
Net Increase (Decrease) in Cash and Cash Equivalents	27,747	(8,547)
Cash and Cash Equivalents, Beginning of Year	-	8,547
Cash and Cash Equivalents, End of Year	\$ 27,747	\$ -
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 111,856	\$ 102,253

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The information contained in the financial statements relates only to the operations of the Dubuque Archdiocesan Protection Plan (the Plan), a division of The Archdiocese of Dubuque. Support for the Plan comes from insurance premiums and investment income. The activities of the Archdiocese of Dubuque Administrative Offices are not included in these financial statements.

Tax-Exempt Status

The Plan 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 Plan 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 Plan is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if applicable.

The Plan 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 original maturities of three months or less.

Receivables and Credit Policies

Trade receivables are amounts due from insured agencies for premiums. No allowance has been recorded as management expects to collect the balance. Other receivables consist of amounts due to the Plan from outside vendors, and are expected to be collected in full.

Equity in Catholic Umbrella Pool

The Plan accounts for its participation interest in the Catholic Umbrella Pool under the equity method. The Plan shares in the operating and investment income and expenses of the Catholic Umbrella Pool based on their contributions into the fund.

Property and Liability Insurance Claims

The Plan provides insurance coverage to all parishes, institutions, cemeteries and agencies of the Archdiocese. Insurance claims reserves are the estimated amounts necessary to settle outstanding claims, based on the facts in each case and the Diocese's experience with similar cases. The agencies are assessed insurance premiums to defray costs of the fund.

Reclassifications

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

Subsequent Events

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

Note 2 - Investment Income

Investment income consists of dividends and interest received on money market account balances.

Note 3 - Estimated Claims Payable

Estimated claims payable is reflected at 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. Claims expected to be settled in excess of twelve months have been recorded at the present value of the future cash flows using a 4% discount factor.

Note 4 - Note Payable - Related

Note payable – related consists of an unsecured note due to Archdiocese of Dubuque Deposit and Loan, a separately incorporated organization. Interest on the outstanding balance accrues at 1.5% per annum at both June 30, 2011 and 2010.

Note 5 - Loss Contingency

In addition to the estimated claims payable reflected in these financial statements, additional significant losses from unreported occurrences and from claims in excess of the estimated liability for reported occurrences are possible. Since the Plan is responsible for approximately the first \$1,000,000 for each occurrence after July 6, 1987, the possible amount of additional loss is significant.

Note 6 - Insurance Coverages Provided

The Plan provides insurance coverage to all parishes, institutions, cemeteries, and agencies.

The basis for determining the payment amounts for different coverages follows:

<u>Type of Coverage</u>	<u>Basis for Determining Payment Amount</u>
Property loss	Full replacement cost with \$500 deductible per occurrence
Autos – collision	Actual cost value with \$500 deductible per occurrence
Autos – comprehensive	Repair cost up to actual cash value with \$500 deductible
Liability	Full with no deductible
Boiler	Full replacement cost with \$500 deductible
Workers' compensation	Statutory; no deductible

There are no co-insurance provisions for any coverage provided.

Note 7 - Supplemental Insurance Coverage

The Plan is reinsured by commercial carriers as follows:

	Reinsurance Coverage		
	On Claims Incurred from July 7, 1987 to June 30, 2011	On Claims Incurred from June 1, 1986 to May 31, 1987	On Claims Incurred Prior to June 1, 1986
Claims Basis	Occurrence	Claims Made	Occurrence
Specific Excess Coverage (Per Occurrence):			
Boiler	Over \$1,000	Over \$200,000	Over \$75,000
Workers' compensation claims	Over \$1,000,000	Over \$150,000	Over \$75,000
All other claims (excluding sexual misconduct)	Over \$1,000,000	Over \$200,000	Over \$75,000
Aggregate Excess Coverage (Total all claims by year)	\$2,000,000 *	None	Varies from \$175,000 in 1972 to \$525,000 in 1986

* \$2,000,000 effective July 1, 1998 to present.

The Plan has no reinsurance coverage for the period from May 31, 1987 to July 7, 1987. Neither does the Plan have reinsurance coverage for losses incurred from June 1, 1986 through May 31, 1987 for which claims had not been made by May 31, 1987.

The cost of claims up to the reinsurance level is the sole responsibility of the Plan, except for a \$500 deductible for each property, automobile and boiler loss. The reinsurance coverage has a limit of \$20,000,000 per occurrence and in the aggregate for liability claims and \$99,000,000 per occurrence and in the aggregate for property claims.

Archdiocese of Dubuque Protection Plan

Notes to Financial Statements

June 30, 2011 and 2010

Reinsurance coverage for sexual misconduct is as follows:

	Reinsurance Coverage		
	On Claims Incurred from July 1, 1999 to June 30, 2011	On Claims Incurred from July 1, 1998 to June 30, 1999	On Claims Incurred From July 1, 1990 to June 30, 1998
Aggregate Excess Coverage (Total all claims by year)	up to \$1,000,000	up to \$250,000	up to \$100,000

The Plan has no specific coverage for sexual misconduct claims prior to July 1, 1990.

Effective July 1, 1999, the Plan joined several other similar entities to participate in the Catholic Umbrella Pool (CUP). CUP was formed to insure participants for excess general liability and morality claims. The participating entities are liable for any losses beyond CUP's ability to fund losses. However, the Plan's exposure to additional loss funding, if any, because of its participation in CUP is unknown.

The Plan's contribution to CUP was \$124,284 for the year ended June 30, 2011. The Plan's equity interest in the pool increased by \$131,288 during the year. The Plan has a 2.5% equity interest in the pool at June 30, 2011.

Note 8 - Escrow Deposit

The state of Iowa requires \$585,000 to be held in escrow at a bank because of the self-insured workers' compensation plan.

Note 9 - Pending Claims

The Archdiocese of Dubuque is subject to various unresolved claims at June 30, 2011. While amounts claimed may be substantial, the ultimate liability to the Plan, with respect to such claims, cannot be determined at this time. Conversely, the Plan has instituted subrogation proceedings against others whom the Plan deems financially responsible for certain claims paid by the Plan. The amount to be received by the Plan with respect to such proceedings cannot be determined at this time.

Note 10 - Related Party Transactions

The Plan engages in transactions with the Archdiocese of Dubuque and other separately incorporated nonprofit Catholic institutions and organizations located in the Archdiocese.

Note 11 - Concentration of Credit Risk – Cash

The Plan maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Plan 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 12 - Net Assets, Deficit

Short term the Archdiocese of Dubuque Deposit and Loan Fund will loan funds to the Plan to insure payment of insurance losses. Additionally, premiums charged by the Plan were increased 25% beginning June 1, 2010, with an additional 25% increase beginning June 1, 2011.