

The Parish of St. Mary

*Financial Statements for the Year Ended
June 30, 2011*

{ Financial Statements }

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The Parish of St. Mary

Year Ended June 30, 2011

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Independent Auditor's Report

Finance Committee
The Parish of St. Mary
Lake Forest, Illinois

We have audited the accompanying statements of assets and liabilities - modified cash basis of **The Parish of St. Mary** as of June 30, 2011 and 2010, and the related statements of revenues and expenses - modified cash basis, changes in net assets - modified cash basis and cash flows - modified cash basis during the year ended June 30, 2011. These financial statements are the responsibility of **The Parish of St. Mary's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 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 audit provides a reasonable basis for our opinion.

We were unable to obtain investment information from the Archdiocese supporting the fair value of the endowment fund investments stated at \$1,124,424 and \$1,195,656 as of June 30, 2011 and 2010, respectively, or the net appreciation in fair value of investments stated at \$74,267 which is included in the statement of revenues collected and expenses paid - modified cash basis for the fiscal year ended June 30, 2011.

The Parish was unable to obtain information regarding the Parish's participation in the Defined Benefit Plan sponsored by the Archdiocese, most importantly with the respect to the Plan's funded status for disclosure purposes, as generally presented in the notes to financial statements.

As described in Note 2, these financial statements were prepared on the basis of modified cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Parish been able to obtain information regarding the Parish's participation in the Defined Benefit Plan sponsored by the Archdiocese and had we been able to obtain and examine sufficient evidence regarding the fair value of the Parish's endowment fund investments, the financial statements referred to in the first paragraph above present fairly, in all material respects, the asset and liabilities arising from the modified cash transactions of **The Parish of St. Mary** as of June 30, 2011 and 2010 and its revenues and expenses - modified cash basis, changes in net assets - modified cash basis and cash flows - modified cash basis during the year ended June 30, 2011, on the basis of accounting described in Note 2.

Plante & Moran, PLLC

November 27, 2012

The Parish of St. Mary

Year Ended June 30, 2011

Financial Statements

The Parish of St. Mary

Statements of Assets and Liabilities - Modified Cash Basis
June 30, 2011 and 2010

	<u>Assets</u>	
	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 2,654,847	\$ 2,220,858
Cash held on behalf of others	144,311	126,134
Total Current Assets	<u>2,799,158</u>	<u>2,346,992</u>
Noncurrent Assets		
Property		
Land	872,938	872,938
Oakwood building	357,500	357,500
Illinois building	436,000	436,000
Total Property	<u>1,666,438</u>	<u>1,666,438</u>
Other Noncurrent Assets		
Parish education endowment fund	1,014,566	1,103,562
RJB endowment fund	109,858	92,094
Total Other Noncurrent Assets	<u>1,124,424</u>	<u>1,195,656</u>
Total Assets	<u><u>\$ 5,590,020</u></u>	<u><u>\$ 5,209,086</u></u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Amounts held on behalf of others	\$ 144,311	\$ 126,135
Deferred tuition and fees	1,254,830	1,275,220
Long-term debt due within one year	159,223	102,156
Total Current Liabilities	<u>1,558,364</u>	<u>1,503,511</u>
Noncurrent Liabilities		
Long-term debt (Net of portion included in current liabilities)	420,757	1,474,825
Total Liabilities	<u>1,979,121</u>	<u>2,978,336</u>
Net Assets		
Unrestricted	1,990,237	855,256
Temporarily restricted	1,208,338	963,170
Permanently restricted	412,324	412,324
Total Net Assets	<u>3,610,899</u>	<u>2,230,750</u>
Total Liabilities and Net Assets	<u><u>\$ 5,590,020</u></u>	<u><u>\$ 5,209,086</u></u>

The Parish of St. Mary

Statement of Revenue Collected and Expenses Paid - Modified Cash Basis Year Ended June 30, 2011

	2011			
	Church	School	Interparish Eliminations	Total
Change in Unrestricted Net Assets				
Income				
Sunday and holy day collections	\$ 2,117,994	\$ -	\$ -	\$ 2,117,994
Tuition and fees	152,433	2,842,637	-	2,995,070
Scholarship income	26,779	138,449	(133,449)	31,779
Subsidy income from Parish	-	330,000	(330,000)	-
Educational and program fees	54,247	106,818	-	161,065
Fundraising revenues	17,694	270,444	-	288,138
Donations	47,955	13,254	-	61,209
Interest and investment income	29,453	4,449	-	33,902
Miscellaneous income	91,743	6,194	-	97,937
Total income	2,538,298	3,712,245	(463,449)	5,787,094
Temporary loan from endowment	198,787	-	(198,787)	-
Net assets released from restrictions	428,604	132,452	-	561,056
Total income	3,165,689	3,844,697	(662,236)	6,348,150
Expense				
Salaries	864,762	2,360,709	-	3,225,471
Employee benefits	184,284	704,049	-	888,333
Liturgical and ministries expenses	132,535	155	-	132,690
Educational, liturgical books, and supplies	32,036	117,990	-	150,026
Administrative and other expenses	199,510	34,240	-	233,750
Utilities expenses	59,937	162,923	-	222,860
Maintenance and repairs	114,484	123,959	-	238,443
Upper grade center loan interest	81,214	-	-	81,214
Archdiocesan assessments	294,336	12,489	-	306,825
Parish scholarship expense	133,449	-	(133,449)	-
Subsidy expense from Parish	330,000	-	(330,000)	-
Insurance	41,220	100,596	-	141,816
Miscellaneous	9,436	22,013	-	31,449
Total expense	2,477,203	3,639,123	(463,449)	5,652,877
Other Unrestricted Income and Expense				
Other Income				
Archdiocese required collections	99,925	-	-	99,925
Estates, bequests, and memorials	936,139	-	-	936,139
Annual appeal rebate	27,891	-	-	27,891
Capital collections	22,973	-	-	22,973
Realized and unrealized gains	8,025	-	-	8,025
Total other income	1,094,953	-	-	1,094,953

The Parish of St. Mary

Statement of Revenue Collected and Expenses Paid - Modified Cash Basis Year Ended June 30, 2011

	2011			
	Church	School	Interparish Eliminations	Total
Other Expense				
Archdiocese required collection	\$ 89,779	\$ -	\$ -	\$ 89,779
Capital improvements	540,951	-	-	540,951
Other Expenses	19,534	4,981	-	24,515
Total other expense	<u>650,264</u>	<u>4,981</u>	<u>-</u>	<u>655,245</u>
Total change in unrestricted net assets	<u>1,133,175</u>	<u>200,593</u>	<u>(198,787)</u>	<u>1,134,981</u>
Change in Temporarily Restricted Net Assets - Income				
Church				
Collections	489,795	-	-	489,795
Interest and dividend income	45,263	-	-	45,263
Realized and unrealized gains	74,267	-	-	74,267
School				
Contributions	-	-	-	-
Other donations	-	196,899	-	196,899
Net assets released from restrictions	<u>(428,604)</u>	<u>(132,452)</u>	<u>-</u>	<u>(561,056)</u>
Total change in temporarily restricted net assets before temporary loan from endowment	<u>180,721</u>	<u>64,447</u>	<u>-</u>	<u>245,168</u>
Temporary loan from endowment	<u>(198,787)</u>	<u>-</u>	<u>198,787</u>	<u>-</u>
Change in Net Assets	<u><u>\$ 1,115,109</u></u>	<u><u>\$ 265,040</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,380,149</u></u>

The Parish of St. Mary

Statement of Changes in Net Assets - Modified Cash Basis
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, June 30, 2010	\$ 855,256	\$ 963,170	\$ 412,324	\$ 2,230,750
Change in Net Assets	<u>1,134,981</u>	<u>245,168</u>	<u>-</u>	<u>1,380,149</u>
Net Assets, June 30, 2011	<u>\$ 1,990,237</u>	<u>\$ 1,208,338</u>	<u>\$ 412,324</u>	<u>\$ 3,610,899</u>

The Parish of St. Mary

Statement of Cash Flows - Modified Cash Basis
Year Ended June 30, 2011

Cash Flows from Operating Activities

Change in net assets	\$ 1,380,149
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Interest and dividends reinvested	(45,263)
Realized and unrealized gains	(82,292)
Increase (decrease) in	
Amounts held on behalf of others	18,176
Deferred tuition and fees	(20,390)
	<hr/>
Total Adjustments	(129,769)
	<hr/>
Net Cash Provided by Operating Activities	1,250,380

Cash Flows from Investing Activities

Sale of investments for temporary loan from endowment funds	598,787
Reinvested repayment of temporary loan from endowment funds	(400,000)
	<hr/>
Net Cash Provided by Investing Activities	198,787

Net Cash Used in Financing Activities -

Principal payments on long-term debt	(997,001)
	<hr/>

Net Increase in Cash and Cash Equivalents

452,166

Cash and Cash Equivalents, Beginning of Year

2,346,992

Cash and Cash Equivalents, End of Year

\$ 2,799,158

The Parish of St. Mary

Notes to Financial Statements

Note 1 - Nature of Operations

The Parish of St. Mary (the Parish) is an Illinois not-for-profit organization committed to minister spiritual, social and educational needs to the faithful. The Parish is committed to lifelong Catholic formation for every parishioner including a parish school and religious education for all young people. Formal preschool through 8th grade educational instruction is provided at the school where students learn in a positive, Christian environment.

The Parish's fiscal operations, located in Lake Forest, Illinois, include sacramental services, religious education training, educational instruction, fund-raising and investment of reserve funds. Operating support is derived primarily from parishioners' contributions, tuition and fees and fund-raising activities.

The Parish is part of the Archdiocese of Chicago and consolidates its operations at the Archdiocese level along with other Parishes, related schools, archdiocesan pastoral centers, catholic cemeteries, charitable activities organizations and the Priest Retirement and Mutual Aid Association.

As part of the Archdioceses of Chicago, the Parish participates in the Archdiocese benefit plans as described in Note 8, is required to follow certain policies and procedures of the Archdiocese as further described in Note 2 and is assessed certain assessments as further described in Note 3.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared on the modified cash basis, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America (GAAPUSA). Under the modified cash basis of accounting, adjustments to the cash basis accounts are made to conform to certain Archdiocese provisions. Under the modified cash basis of accounting, revenues and expenses are recognized only as cash is received or paid, with the exception of prepaid tuition for the following year, which is recognized as a liability in the statements of assets and liabilities - modified cash basis and the Parish endowment funds which are recorded at fair value. In addition, the Archdiocese provisions require real property of the Parish to be held in trust by the Archdiocese. Other land and buildings are carried at cost by the Parish and are not depreciated. See additional information in the summary of significant accounting policies for property and equipment.

Accordingly, the financial statements do not present the Parish's financial position, changes in net assets or cash flows in conformity with GAAPUSA, since such accounting principles require the accrual of income and expense and that fixed assets are capitalized and depreciated over the estimated useful life of those assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and cash on deposit at the Archdiocese of Chicago, and include short-term highly liquid investments (mostly Certificates of Deposits), which are readily convertible into cash within ninety days of purchase.

The Parish of St. Mary

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents (Continued)

The Parish maintains its cash and cash equivalents primarily in Lake Forest Bank & Trust accounts and at the Archdioceses of Chicago. Starting on December 31, 2010, according to the Dodd Frank Wall Street Reform and Consumer Protection Act, all noninterest bearing transaction accounts will have unlimited FDIC coverage until December 31, 2012.

Public Support and Revenue Recognition

Public support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled or the stipulated time period has elapsed) is reported as reclassification between applicable classes of net assets.

Collections, including unconditional promises to give and grants, are recorded at fair value when commitment is received by the church. All collections are available for unrestricted use unless specifically restricted by the donor.

Tuition and fees for educational activities, including amounts included in prepaid revenue in the prior year, are recognized as revenue during the related academic year when the services are received.

Contributions or collections of investments are recorded at fair value as of the date of the gift. It is the Church's policy to sell the investments upon receipt.

Parish Endowment Fund Investments

The Parish's endowment investments are held in trust by the Archdiocese of Chicago in a pooled investment fund. The Parish's endowment funds are carried at fair value based on the Parish's share of the pooled investment account.

Investment income, gains and losses and any investment related expenses are based on the Parish's share of the pooled investment account and are recorded as changes in unrestricted net assets in the statement of activities - modified cash basis unless their use is temporarily restricted by explicit donor stipulation or law. In the absence of donor stipulations or law to the contrary, losses on the investment of a donor-restricted endowment funds are recognized as reductions of temporarily restricted net assets to the extent that donor-imposed restrictions on net appreciation of the funds have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets.

Earnings on permanently restricted endowment principal, including realized and unrealized gains or losses, are recorded as temporarily restricted investment income based on specific endowment restrictions.

The Parish's investment portfolio is subject to various risks, such as interest rate, market and credit risks. Because of these risks, it is possible that changes in the value of the investments may occur and that such changes could materially affect the Church's financial statements.

The Parish of St. Mary

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Parish accounts for its endowment fund investments at fair value.

The Parish defines fair value as 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. The fair value framework describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach, each of which include multiple valuation techniques. The fair value framework does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Property, Furniture and Equipment

The Parish's policy is to record land and buildings at cost, other than Parish real property that is required to be held in trust by the Archdiocese of Chicago for the benefit of the Parish. The Parish does not depreciate or amortize the cost of property over an estimated useful life of the assets. Furniture, equipment, improvements and betterments are not capitalized and are expensed as incurred.

Amounts Held on Behalf of Others

Cash held on behalf of others includes the cash accounts related to various auxiliary groups such as the School Parent's Club, Women's Guild and Saint Circle accounts. As fiscal agent, the Parish records the funds received on behalf of others as a liability in the statement of financial position.

The Parish of St. Mary

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets

For financial reporting purposes, the Parish classifies net assets and related activities based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets are available for support of the Parish's operations and not subject to donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by the Parish's actions or passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently.

Income Tax Status

The Catholic Bishop of Chicago (the CBC), is an Illinois corporation sole under the laws of the state of Illinois, and is a tax exempt organization classified under Section 501(c)(3) of the Internal Revenue Code. The CBC was established as a corporation sole by Illinois statute in 1861. The Archbishop of Chicago (the Archbishop) is de jure The Catholic Bishop of Chicago, a corporation sole. Francis Cardinal George, O.M.I. currently serves as the Archbishop, with responsibility not only for the CBC, but also for the broader Archdiocese of Chicago (the Archdiocese).

The primary distinction between the CBC and the Archdiocese is that the Archdiocese includes within its scope not just the CBC, but also a number of other distinct separately organized entities, (primarily charities) that have a variety of charitable missions and are tax exempt entities under Section 501(c)(3). The CBC does not have a board of directors or other structures comparable to a secular entity. The CBC has within it 357 parishes, including the Church & School of St. Mary, that are separate unincorporated entities, with the property for each held in trust by the CBC for the benefit of each parish.

Endowments

The net asset classification of donor-restricted endowment funds for organizations is subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of UPMIFA is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

Conditional Asset Retirement Obligations

The Parish has identified asbestos removal as a conditional asset retirement obligation. In 2009, the Parish removed and encapsulated the asbestos at the school property located at 185 E. Illinois Road. The Parish has not obtained site-specific quotes for its remaining properties.

The Parish of St. Mary

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Parish has evaluated subsequent events through November 27, 2012, the date the financial statements were available to be issued. Except as disclosed in Note 3, related to the Church's subsequent payment to the School for prior fiscal years' scholarship and subsidy payments and the repayment of the temporary loan from the Parish educational endowment fund, there are no subsequent events that require additional disclosure.

Note 3 - Related Party and Intercompany Transactions

Archdiocese Assessments and Activity

As described in Notes 1 and 2, in accordance with the legal structure of the Parish and the Archdiocese, as well as the Archdiocese policies, the Archdiocese holds certain assets of the Parish in trust as further described in Notes 4 and 5. The real property held in trust by the Archdiocese for the Parish is listed below:

<u>Property</u>	<u>Location</u>
Saint Mary's Church	East Illinois Road
Rectory	East Illinois Road
Upper Grade Center - North Building	East Illinois Road
Upper Grade Center - South Building	East Illinois Road
Parish Center	East Illinois Road
School Gymnasium	East Illinois Road
Rectory Garage	East Illinois Road
Parish Center Garage	East Illinois Road
St. Mary School Primary Grades	Everett Road

The Parish maintains the real property held in trust, including payments to the Archdiocese for property and casualty insurance and real estate taxes. The Parish paid the Archdiocese \$100,596 and \$21,348 for property and casualty insurance and real estate taxes, respectively, on all properties for the year ended June 30, 2011.

The Parish has also entered into a loan agreement with the Archdiocese as described in Note 6 and participates in the Archdiocese retirement plans as described in Note 8.

The Parish pays three annual assessments to the Archdiocese of Chicago. The first annual assessment supports the activities of the Archdiocesan Pastoral Center. The Archdiocesan Pastoral Center is the ministerial and administrative center for the Archdiocese which provides support and services to the Parishes and other church agencies in Cook and Lake Counties. The main factor considered when determining the amount of the annual assessment is ordinary income as defined by the Archdiocese of Chicago. During the fiscal year ended June 30, 2011, the Church paid an assessment of \$218,028 to the Archdiocese of Chicago.

The Parish of St. Mary

Notes to Financial Statements

Note 3 - Related Party and Intercompany Transactions

Archdiocese Assessments and Activity (Continued)

The Parish pays an annual Office of Catholic Schools (OCS) assessment that is based on the level of enrollment at the School. During the fiscal year ended June 30, 2011, the Church paid an OCS assessment of \$12,489 to the Archdiocese of Chicago.

The Parish's Priest Retirement & Manual Aid Association (PRMAA) assessment covers the health insurance and pension for the Archdiocesan priests. The Parish's PRMAA assessment amounted to \$76,308 for the year ended June 30, 2011.

Intercompany Transactions

The Church also provides scholarships and an annual subsidy to support the School. During the year ended June 30, 2011, the Church paid the school \$133,449 for fiscal year 2009 and 2010 scholarships and \$330,000 for the 2011 annual subsidy. The scholarships and subsidy are eliminated in the statement of activities - modified cash basis.

In fiscal year 2012, the Church paid 2011 scholarships of \$70,500 and the balance of the subsidies for the fiscal years 2009, 2010 and 2011 which amounted to \$115,577.

Note 4 - Fair Value Measurements

The following tables set forth by level within the fair value hierarchy the Parish's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2011 and 2010. As required by fair value framework, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Parish's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

The Parish of St. Mary

Notes to Financial Statements

Note 4 - Fair Value Measurements (Continued)

Description	Fair Values as of June 30, 2011	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Parish education endowment fund	\$ 1,014,566	\$ -	\$ -	\$ 1,014,566
Parish endowment scholarship funds	109,858	-	-	109,858
	\$ 1,124,424	\$ -	\$ -	\$ 1,124,424

Description	Fair Values as of June 30, 2010	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Parish education endowment fund	\$ 1,103,562	\$ -	\$ -	\$ 1,103,562
Parish endowment scholarship funds	92,094	-	-	92,094
	\$ 1,195,656	\$ -	\$ -	\$ 1,195,656

Level 3 Inputs

The estimated fair value of the pooled investment fund is based on the percentage of the investment designated to the Parish, applied to the fair value of the investment pool.

The Archdiocese uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services or the underlying investment managers. As of June 30, 2011 and 2010, approximately 44% of the Archdiocese pooled investments were invested in funds with readily determinable fair values and 56% of the pooled investments were alternative investments.

The Parish of St. Mary

Notes to Financial Statements

Note 4 - Fair Value Measurements

Level 3 Inputs (Continued)

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Interest in
Beginning balance, June 30, 2010	\$ 1,195,656
Interest and dividends	45,263
Change in unrealized gains (losses)	82,292
Deposits	(598,787)
Withdraws	400,000
	<u>400,000</u>
Ending balance, June 30, 2011	<u><u>\$ 1,124,424</u></u>

The amount of total gains (losses) for the year included in the change in net assets attributable to the net change in unrealized gain(loss) relating to assets still held at June 30, 2011

\$ 82,292

Note 5 - Property

As described in Notes 2 and 3, the majority of the properties for the Church and School operations are carried on the books of the Archdiocese of Chicago.

In accordance with the accounting policies established by the Archdiocese of Chicago, land and buildings for certain rental properties are carried at cost. The Parish does not capitalize any furniture, equipment or improvements and does not record depreciation expense and accumulated depreciation.

Parish property consists of the following land and buildings at the following locations:

Property	Location	2011	2010
Land - Primary Education Center	Everett Road	\$ 872,938	\$ 872,938
Oakwood Rental Property & Garage	Oakwood	357,500	357,500
Illinois Road Rental & Garage	East Illinois Road	436,000	436,000
		<u>436,000</u>	<u>436,000</u>
		<u><u>\$ 1,666,438</u></u>	<u><u>\$ 1,666,438</u></u>

The Parish of St. Mary

Notes to Financial Statements

Note 6 - Loan Payable

In February 2005, the Church took out a loan from the Archdiocese of Chicago for the renovation made to the Upper Grade Center. The approved loan amount was for \$1,500,000 with an original interest rate of 5.6%. In January 2011, the Church refinanced the remaining loan balance of \$667,439 with the Archdiocese of Chicago. The loan is payable in monthly installments of \$15,375, including interest at 5% and is due on January 1, 2015.

The loan balances as of June 30, 2011 and 2010 were \$579,980 and \$1,576,981, respectively.

Future minimum payments are as follows:

Fiscal Year Ending:	
2013	\$ 167,369
2014	175,932
2015	<u>77,456</u>
	<u>\$ 420,757</u>

Note 7 - Rental Income

The Church entered into a lease agreement to lease the property located on 178 E. Illinois Road, Lake Forest, Illinois under a five year lease expiring on June 30, 2015. Rental income received during the fiscal year ended June 30, 2011 was approximately \$18,000 for the year ended June 30, 2011.

Future minimum rental income payments are as follows:

Fiscal Year Ending:	
2013	\$ 18,000
2014	18,000
2015	<u>18,000</u>
	<u>\$ 54,000</u>

Note 8 - Archdiocese of Chicago Retirement Plans

The Parish participates in the Archdiocese of Chicago's defined contribution plan under the Internal Revenue Code Section 403(b) that includes a matching program. The matching program is available to all lay employees of the Parish that are eligible to receive benefits. The Archdiocese will match 50% of each employee contribution up to a maximum of 4% of gross salary. Vesting in the match occurs at 25% per year. Employees with four or more years of service are fully vested in their match.

The Parish of St. Mary

Notes to Financial Statements

Note 8 - Archdiocese of Chicago Retirement Plans (Continued)

The Archdiocese of Chicago implemented Share Plan contribution to replace a frozen defined benefit plan for all full-time and benefits -eligible part time employees. Under the Share Plan, the Archdiocese makes a contribution to the eligible employees' 403(b) retirement plan accounts based on total gross pay and it is deposited each quarter.

Under the Archdiocese's frozen defined benefit plan, all employees hired before July 1, 2007 are eligible for a pension. The benefit is based on the employee's career average earnings through June 30, 2007. Vesting in the pension is 100% after five years. If an employee quits before their five year anniversary, they will not receive a pension.

Contributions to the Archdiocese benefit plans amounted to \$30,661 for the year ended June 30, 2011.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	June 30, 2010	Additions	Releases	June 30, 2011
Church				
Parish Educational Endowment	\$ 791,357	\$ 109,791	\$ -	\$ 901,148
RJB Endowment	-	9,739	-	9,739
Stained Glass Windows	15,350	-	-	15,350
Fr. Francis Barry Fund	89,200	40,175	-	129,375
Church Roof	-	449,620	428,604	21,016
	<u>895,907</u>	<u>609,325</u>	<u>428,604</u>	<u>1,076,628</u>
Total Church				
School				
Science - 2009 Paddle Fund	21,232	-	486	20,746
Library Donation - Ahern	10,000	-	4,507	5,493
School Safety Block Grant	-	4,487	4,487	-
Bill Waldeck Sports Fund	9,665	-	1,940	7,725
Technology - 2010 Gala	18,938	-	18,938	-
UGC North Sprinkler	-	69,450	-	69,450
2010/2011 Grad Gifts - Signs	-	7,000	-	7,000
Upper Grade Activity Income	-	12,094	12,094	-
Athletic Booster Donation	-	9,050	-	9,050
Class Parties	381	18	-	399
Library Materials/Technology	3,319	3,171	-	6,490
Teacher Bonuses	-	90,000	90,000	-
Casual Day Collection	3,728	1,629	-	5,357
	<u>67,263</u>	<u>196,899</u>	<u>132,452</u>	<u>131,710</u>
Total School				
Total Church and School	<u>\$ 963,170</u>	<u>\$ 806,224</u>	<u>\$ 561,056</u>	<u>\$ 1,208,338</u>

The Parish of St. Mary

Notes to Financial Statements

Note 10 - Endowment Funds

The Church's endowment consists of two individual donor-restricted endowment funds established for scholarship, educational and operating purposes. Net assets associated with endowment funds, including funds designated by the Parish Finance Council to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Parish Finance Council has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classified 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 net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the donor-restricted endowment funds;
3. General economic conditions;
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 Church; and
7. The investment policies of the Church.

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives

The endowment funds are held in trust by the Archdiocese. The Parish has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs 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) as well as designated funds. The Parish expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Parish 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).

Spending Policies and how the Investments Objectives Relate to Spending Policies

RJB Endowment - In order to preserve the real purchasing power of the Fund and to smooth out the impact on the Parish budget often-volatile financial markets, the Parish can adopt a spending rule of 5% for its Funds. This would allow the Parish to budget and spend 5% of the Fund balance (market value) annually, where the Fund balance is calculated using a four-quarter moving average of ending market values measured through June 30th of each year.

The Parish of St. Mary

Notes to Financial Statements

Note 10 - Endowment Funds (Continued)

Parish Educational Endowment - In order to preserve the real purchasing power of the Fund and to smooth out the impact on the Parish budget of often-volatile financial markets, the Parish can spend funds up to 100% of realized earnings.

The Church's Endowments net asset composition by type of funds is as follows for the year ended June 30, 2011 and 2010:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
RJB Endowment	\$ -	\$ 9,739	\$ 100,119	\$ 109,858
Parish Educational Endowment	-	702,361	312,205	1,014,566
Total	\$ -	\$ 712,100	\$ 412,324	\$ 1,124,424

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
RJB Endowment	\$ (8,025)	\$ -	\$ 100,119	\$ 92,094
Parish Educational Endowment	-	791,357	312,205	1,103,562
Total	\$ (8,025)	\$ 791,357	\$ 412,324	\$ 1,195,656

The changes in the endowment net assets for the Church were as follows for the year ended June 30, 2011:

	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (8,025)	\$ 791,357	\$ 412,324	\$ 1,195,656
Interest and dividends	-	45,263	-	45,263
Realized and change in unrealized gains and losses	8,025	74,267	-	82,292
Temporary endowment loan *	-	(598,787)	-	(598,787)
Loan repayments *	-	400,000	-	400,000
Endowment net assets, end of the year	\$ -	\$ 712,100	\$ 412,324	\$ 1,124,424

The Parish of St. Mary

Notes to Financial Statements

Note 10 - Endowment Funds (Continued)

The changes in the RJB Endowment net assets were as follows for the year ended June 30, 2011:

	RJB Endowment Fund			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (8,025)	\$ -	\$ 100,119	\$ 92,094
Interest and dividends	-	6,150	-	6,150
Realized and change in unrealized gains and losses	8,025	3,589	-	11,614
Appropriations	-	-	-	-
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 9,739</u>	<u>\$ 100,119</u>	<u>\$ 109,858</u>

The changes in the Parish Educational Endowment net assets were as follows for the year ended June 30, 2011:

	Parish Educational Endowment Fund			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 791,357	\$ 312,205	\$ 1,103,562
Interest and dividends	-	39,113	-	39,113
Realized and change in unrealized gains and losses	-	70,678	-	70,678
Temporary endowment loan *	-	(598,787)	-	(598,787)
Loan repayments *	-	400,000	-	400,000
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 702,361</u>	<u>\$ 312,205</u>	<u>\$ 1,014,566</u>

* During the year ended June 30, 2011, the Church took a temporary loan from the Parish Educational Endowment fund in the amount of \$598,787. \$400,000 of this loan was repaid as of June 30, 2011 and the remaining balance was repaid in fiscal year 2012.