



Financial Statements
June 30, 2022 and 2021

**Diocesan Educational Endowment Fund
for Parish Elementary Schools and
Diocesan High Schools of the Roman
Catholic Diocese of Joliet, Illinois
(Educational Endowment Fund)**

Diocesan Educational Endowment Fund for Parish Elementary Schools and
Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois
(Educational Endowment Fund)

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Independent Auditor's Report

To His Excellency
The Most Reverend Ronald A. Hicks
Bishop of the Roman Catholic Diocese of Joliet
and the Board of Directors
Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan
High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment Fund)
Crest Hill, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment Fund), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Educational Endowment Fund as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Educational Endowment Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Endowment Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Educational Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Endowment Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eide Sully LLP

Dubuque, Iowa
November 10, 2022

Educational Endowment Fund
 Statements of Financial Position
 June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 239,889	\$ 302,468
Accrued interest receivable	99	1
Endowment investments	48,580,826	54,774,598
Total assets	\$ 48,820,814	\$ 55,077,067
 Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 6,000	\$ 2,000
Distributions payable	1,740,382	1,936,726
Total liabilities	1,746,382	1,938,726
 Net Assets		
With donor restrictions		
Perpetual in nature	29,069,247	28,830,630
Purpose restrictions	18,005,185	24,307,711
Total net assets	47,074,432	53,138,341
Total liabilities and net assets	\$ 48,820,814	\$ 55,077,067

Educational Endowment Fund
Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Net investment return	\$ -	\$ (4,553,189)	\$ (4,553,189)
Contributions	-	238,617	238,617
Net assets released from restrictions	<u>1,749,337</u>	<u>(1,749,337)</u>	<u>-</u>
Total revenue (loss)	<u>1,749,337</u>	<u>(6,063,909)</u>	<u>(4,314,572)</u>
Expenses			
Program services expense			
Distribution of endowment earnings	1,740,382	-	1,740,382
Management and general			
Audit fees	<u>8,955</u>	<u>-</u>	<u>8,955</u>
Total expenses	<u>1,749,337</u>	<u>-</u>	<u>1,749,337</u>
Change in Net Assets	-	(6,063,909)	(6,063,909)
Net Assets, Beginning of Year	<u>-</u>	<u>53,138,341</u>	<u>53,138,341</u>
Net Assets, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 47,074,432</u></u>	<u><u>\$ 47,074,432</u></u>

Educational Endowment Fund
Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Net investment return	\$ -	\$ 11,892,269	\$ 11,892,269
Contributions	-	536,491	536,491
Net assets released from restrictions	<u>1,982,148</u>	<u>(1,982,148)</u>	<u>-</u>
Total revenue	<u>1,982,148</u>	<u>10,446,612</u>	<u>12,428,760</u>
Expenses			
Program services expense			
Distribution of endowment earnings	1,973,538	-	1,973,538
Management and general			
Audit fees	<u>8,610</u>	<u>-</u>	<u>8,610</u>
Total expenses	<u>1,982,148</u>	<u>-</u>	<u>1,982,148</u>
Change in Net Assets	-	10,446,612	10,446,612
Net Assets, Beginning of Year	<u>-</u>	<u>42,691,729</u>	<u>42,691,729</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 53,138,341</u>	<u>\$ 53,138,341</u>

Educational Endowment Fund
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (6,063,909)	\$ 10,446,612
Adjustments to reconcile change in net assets to net cash used for operating activities		
Net realized and unrealized losses (gains) on investments	5,619,494	(11,415,278)
Changes in assets and liabilities		
Accrued interest receivable	(98)	5,799
Accrued expenses	4,000	-
Distributions payable	(196,344)	(23,134)
Net Cash used for Operating Activities	(636,857)	(986,001)
Investing Activities		
Purchases of investments	(1,709,659)	(3,491,183)
Sales of investments	2,283,937	2,729,374
Net Cash from (used for) Investing Activities	574,278	(761,809)
Net Change in Cash and Cash Equivalents	(62,579)	(1,747,810)
Cash and Cash Equivalents, Beginning of Year	302,468	2,050,278
Cash and Cash Equivalents, End of Year	\$ 239,889	\$ 302,468

Note 1 - Organization and Significant Accounting Policies**Organization**

The Diocesan Educational Endowment Fund for Parish Elementary Schools and Diocesan High Schools of the Roman Catholic Diocese of Joliet, Illinois (Educational Endowment Fund) is a not-for-profit organization established on June 30, 2009. It oversees the investments and distributions of earnings for endowments restricted for parish schools and high schools. From July 1, 1996 through June 30, 2009 these funds were the responsibility of the Catholic Education Foundation of the Roman Catholic Diocese of Joliet. Prior to July 1, 1996, the Roman Catholic Diocese of Joliet was responsible for administration of the endowments.

Cash and Cash Equivalents

The Educational Endowment Fund considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes of the Educational Endowment Fund are excluded from this definition.

Investments and Net Investment Return

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less external investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Educational Endowment Fund reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Donated Services

Volunteers contribute significant amounts of time to the Educational Endowment Fund's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements present the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Educational Endowment Fund is organized as an Illinois nonprofit organization and is exempt from income tax under section 501(c)(3) of the Internal Revenue Code under the group ruling exemption of the United States Conference of Catholic Bishops. The Educational Endowment Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Educational Endowment Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Educational Endowment Fund has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Educational Endowment Fund believes that it has appropriate purpose for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Educational Endowment 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.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Educational Endowment Fund manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured amounts. To date, the Educational Endowment Fund has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Diocesan Finance Council, as delegated by the Board of Directors of the Educational Endowment Fund. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Educational Endowment Fund.

Subsequent Events

The Educational Endowment Fund has evaluated subsequent events through November 10, 2022, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date as of June 30, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 239,889	\$ 302,468
Accrued interest receivable	99	1
Endowment investments	<u>48,580,826</u>	<u>54,774,598</u>
	48,820,814	55,077,067
Less amounts not available to be used for general expenditure within one year		
Net assets with donor restrictions	<u>(47,074,432)</u>	<u>(53,138,341)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,746,382</u>	<u>\$ 1,938,726</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in various types of investments.

Note 3 - Fair Value Measurements and Disclosures

The Educational Endowment 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 (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or the liability and market-corroborated inputs. Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A portion of the Educational Endowment Fund's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair value of common collective trusts, real estate investment trusts, alternative fixed income funds, managed volatility funds and private equity funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

Educational Endowment Fund

Notes to Financial Statements

June 30, 2022 and 2021

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2022:

	<u>Total</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 34,627,717	\$ 34,627,717	\$ -	\$ -
At NAV				
Real Estate Investment Trust	6,662,184	-	-	-
Alternative Fixed Income Fund	2,541,636	-	-	-
Managed Volatility Fund	2,687,444	-	-	-
Private Equity Fund	2,061,845	-	-	-
	<u>\$ 48,580,826</u>	<u>\$ 34,627,717</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ 48,580,826</u>	<u>\$ 34,627,717</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2021:

	<u>Total</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 4,540,778	\$ 4,540,778	\$ -	\$ -
At NAV				
Common Collective Trusts	39,431,438	-	-	-
Real Estate Investment Trust	4,329,396	-	-	-
Alternative Fixed Income Fund	2,374,666	-	-	-
Managed Volatility Fund	2,730,159	-	-	-
Private Equity Fund	1,368,161	-	-	-
	<u>\$ 54,774,598</u>	<u>\$ 4,540,778</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ 54,774,598</u>	<u>\$ 4,540,778</u>	<u>\$ -</u>	<u>\$ -</u>

Educational Endowment Fund

Notes to Financial Statements

June 30, 2022 and 2021

Investments in certain entities that calculate NAV per share are as follows at June 30, 2022:

<u>June 30, 2022</u>	<u>Number of Investments</u>	<u>Fair Value</u>	<u>Unfunded Commitments at June 30, 2020</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real Estate Investment Trust	1	6,662,184	-	Quarterly	45 Days
Alternative Fixed Income Fund	1	2,541,636	-	Bi-monthly	3 Days
Managed Volatility Fund	1	2,687,444	-	Monthly	(1)
Private Equity Fund	1	<u>2,061,845</u>	<u>735,000</u>	Illiquid	(2)
		<u>\$ 13,953,109</u>	<u>\$ 735,000</u>		

Investments in certain entities that calculate NAV per share are as follows at June 30, 2021:

<u>June 30, 2021</u>	<u>Number of Investments</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common Collective Trusts	4	\$ 39,431,438	\$ -	Daily	Daily
Real Estate Investment Trust	1	4,329,396	-	Quarterly	45 Days
Alternative Fixed Income Fund	1	2,374,666	-	Quarterly	30 Days
Managed Volatility Fund	1	2,730,159	-	Monthly	(1)
Private Equity Fund	1	<u>1,368,161</u>	<u>987,000</u>	Illiquid	(2)
		<u>\$ 50,233,820</u>	<u>\$ 987,000</u>		

(1) Redemption notice period is five days prior to month end.

(2) As a private equity fund, the capital committed to the fund is locked up for an extended period of time agreed upon in the prospectus (typically 10 years) which may be wound down before that period or extended for multiple years afterward.

Common Collective Trusts –

The CUIT Core Equity Index Fund’s objective is to seek long-term capital appreciation. To achieve this, the Fund invests in the common stock of companies that make up the S&P 500 Index, with the exception of those excluded due to the Christian Brothers Insurance Services, Inc. principles of Socially Responsible Investing.

The CUIT International Equity Fund’s objective is to seek long-term capital appreciation. To achieve this, the Fund invests in equity securities of companies with market capitalizations greater than \$1 billion, located primarily in developed-market nations.

The CUIT Intermediate Diversified Bond Fund’s objective is to achieve current income and long-term capital appreciation through investments primarily in U.S. government securities, securities issued by U.S. government agencies, fixed income obligations of corporations, mortgage-backed securities and asset-backed securities.

The CUIT Small Cap Equity Index Fund's objective is to seek long-term capital appreciation by attempting to replicate the performance of the Russell 2000 Index, a commonly used index of domestic small-capitalization stocks.

Real Estate Investment Trust - The RREEF America REIT II is an open-ended core fund organized to serve as a collective investment vehicle through which eligible investors may invest in a professionally managed real estate portfolio consisting of multi-family, industrial, retail, and office properties in targeted metropolitan areas within the continental United States. The objective is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return to shareholders through cash dividends and appreciation in shares.

Alternative Fixed Income Fund - The NIS Preferred Stock Fund II's purpose is to provide an attractive risk-sensitive incremental return on a consistent basis through a diversified portfolio consisting primarily of domestic corporate preferred stock and preferred-line fixed-income securities and investments.

Managed Volatility Fund – The LSV US Managed Volatility SRI Equity Fund's investment objective is to outperform the Russell 1000 Index, net of dividend withholding taxes, by investing in large and mid-cap U.S. listed equities.

Private Equity Fund – The Capital Dynamics Global Secondaries V (Feeder) SCSp (partnership) was established to primarily acquire and hold as a feeder entity a limited partner interest in Capital Dynamics Global Secondaries V (LUX) SCSp. The investment strategy emphasizes building a diversified portfolio of secondary investments.

Note 4 - Net Investment Return

Net investment return consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,143,475	\$ 515,735
Net realized and unrealized gains (losses)	(5,619,494)	11,415,278
Management fees	<u>(77,170)</u>	<u>(38,744)</u>
	<u>\$ (4,553,189)</u>	<u>\$ 11,892,269</u>

Note 5 - Endowments

The Educational Endowment Fund's endowment (Endowment) consists of approximately 58 individual funds established by donors to provide annual funding for specific activities and general operations. At June 30, 2022, the funds include those held by 33 grade schools, 3 high schools, and 11 parishes, with some entities bearing multiple accounts. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Educational Endowment Fund's Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Educational Endowment Fund retains in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the endowment, including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Educational Endowment Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2022 and 2021 the Educational Endowment Fund had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2022			
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 47,074,432</u>	<u>\$ 47,074,432</u>
June 30, 2021			
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 53,138,341</u>	<u>\$ 53,138,341</u>

Educational Endowment Fund

Notes to Financial Statements

June 30, 2022 and 2021

Investment and Spending Policies

The Educational Endowment Fund has adopted investment and spending policies for the Endowment that attempt to ensure the health and long-term life of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner to accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio. To satisfy its long-term rate-of-return objectives, the Educational Endowment Fund 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). The fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Educational Endowment Fund utilizes money managers to achieve this for the overall portfolio.

The Educational Endowment Fund's policy allows base distribution withdrawals of 4% of the three-year average of the value of an endowment each year, with an additional 1% of the three-year average allowed for capital campaigns or emergency purposes, including any endowments deemed to be underwater. At June 30, 2022 and 2021, \$6,049,078 and \$5,246,545, respectively, of prior years' allowed distributions were not taken. The amount carried over into the next fiscal year is available for withdrawal.

Changes in Endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets			
Beginning of Year	\$ -	\$ 53,138,341	\$ 53,138,341
Investment Return:			
Investment income	-	1,143,475	1,143,475
Net realized and unrealized depreciation	-	(5,619,494)	(5,619,494)
Management fees	-	(77,170)	(77,170)
Contributions	-	238,617	238,617
Appropriation of endowment assets pursuant to spending-rate policy	<u>-</u>	<u>(1,749,337)</u>	<u>(1,749,337)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 47,074,432</u>	<u>\$ 47,074,432</u>

Educational Endowment Fund

Notes to Financial Statements

June 30, 2022 and 2021

Changes in Endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 42,691,729	\$ 42,691,729
Investment Return:			
Investment income	-	515,735	515,735
Net realized and unrealized appreciation	-	11,415,278	11,415,278
Management fees	-	(38,744)	(38,744)
Contributions	-	536,491	536,491
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,982,148)	(1,982,148)
Endowment Net Assets, End of Year	\$ -	\$ 53,138,341	\$ 53,138,341

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Endowment		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for educational assistance and grants	\$ 18,005,185	\$ 24,307,711
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	29,069,247	28,830,630
Educational assistance and grants	\$ 47,074,432	\$ 53,138,341

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Restricted-purpose spending-rate distributions and appropriations		
Educational assistance and grants	\$ 1,749,337	\$ 1,982,148

Note 7 - Related Party

The Educational Endowment Fund is affiliated with the Roman Catholic Diocese of Joliet through common members of their respective Board of Directors and Diocesan Finance Council.