Financial Statements
June 30, 2022

Diocese of Joliet
Priests' Pension Plan

EideBailly

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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 Joliet Clergy Retirement Board
Diocese of Joliet Priests' Pension Plan
Crest Hill, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Diocese of Joliet Priests' Pension Plan (Plan), which comprise the statement of net assets available for benefits as of June 30, 2022, and the related statement of changes in net assets available for benefits for the year 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 net assets available for benefits as of June 30, 2022, and the changes in its net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Plan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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 Plan'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 Plan'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 Bailly LLP

Dubuque, Iowa
November 10, 2022

Assets	
Cash and cash equivalents	$ 209,345
Investments at fair value	24,173,151
Total assets	24,382,496
Liabilities	
Benefits payable	116,635
Net Assets Available for Benefits	$ 24,265,861

Investment income (loss)	
Interest and dividends	$ 401,076
Net realized gains on investments	719,350
Net depreciation in fair value of investments	(2,468,813)
Investment management and bank fees	(85,414)
Net investment loss	(1,433,801)
Employer contributions	309,450
Total contributions and investment loss	(1,124,351)
Deductions	
Pension benefits paid	1,419,922
Professional fees and other	12,000
Total deductions	1,431,922
Net Decrease	(2,556,273)
Transfers from Diocese of Joliet Retired Priests' Other Benefits Plan	44,792
Net Assets Available for Benefits	
Beginning of year	26,777,342
End of year	$ 24,265,861

Note 1 - Plan Description

The following brief description of the Diocese of Joliet 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 Diocese of Joliet Priests' Pension Plan is a noncontributory defined benefit plan covering the Priests of the Diocese who became participants of such Plan by ordination or incardination.

The Diocese of Joliet Clergy Retirement Board controls and manages the operations and administration of the plan.

Change in Reporting Entity

The Priests' Pension Plan of the Roman Catholic Diocese of Joliet was a noncontributory defined benefit plan covering the Priests of the Diocese who became participants of such Plan by ordination or incardination. This plan was in effect until November 30, 2020. Effective December 1, 2020, this plan was separated into two new plans under the newly formed Diocese of Joliet Priests' Pension Plan and Other Retirement Benefits Trust (Trust). The new plans were reported on a combined basis through June 30, 2021. Effective July 1, 2021, the assets of the combined plan were segregated into two plans as a result of a change in reporting entities. The separate reporting entities are as follows:

- The Diocese of Joliet Priests' Pension Plan
- The Diocese of Joliet Retired Priests' Other Benefits Plan

See Note 7 for details related to the assets segregated from the prior plan and transferred to this Plan.

Contributions

The intention of the Diocese is to make contributions in amounts sufficient to fund both the Diocese of Joliet Priests' Pension Plan and the Diocese of Joliet Retired Priests' Other Benefits Plan. One amount is paid to the Diocese to cover benefit obligations for both plans. Diocesan management then makes a determination as to the amount to allocate to each plan. During the year ended June 30, 2022, the amount contributed to the Diocese, per priest, was either $1,750 or $3,500 depending on the amount of Sunday collections at a parish. Of the amount collected from parishes, the Diocese contributed $309,450 to the Plan.

Pension Benefits

A priest is entitled to the maximum benefit that is in effect at the time of his retirement, provided that he has at least 30 years of service coupled with 30 years of contributions. In the event that a priest has less than 30 years of service and contributions due to incardination into the Diocese late in life, he may receive a full benefit if all of the following conditions are met: (1) he was incardinated into the Diocese before age 50, (2) he deferred retirement until age 70, and (3) he is still a member of the Diocese at the time of retirement.

In the event that a priest has 30 years or more of service and annual contributions, if such a priest is granted an early retirement (less than age 70 years), he will not receive a full pension. At the time of early retirement for such a priest, his benefits shall be calculated by reducing the full benefit by 5% for each year (max of 5 years or 25%) that his age is less than age 70. Benefits are paid only upon actual retirement and only during the life of the member. In certain instances, benefits may be paid to a priest's beneficiary if certain requirements are met. Benefits will not be paid to a member's estate or heirs.

Priests who have reached the age of 70 who continue to have a Diocesan assignment will be entitled to receive the regular monthly pension benefit paid to retired Priests in addition to the regular salary. The parish will continue to provide all other benefits.

Vesting is based on years of credited service as set forth in the following table:

Participant's Years of Service	Vested Percentage
Less than 20	0.00%
21	66.67%
22	70.00%
23	73.33%
24	76.67%
25	80.00%
26	83.33%
27	90.00%
28	93.33%
29	96.67%
30 or more	100.00%

Plan Termination

The Diocese intends to continue the Plan indefinitely; however, the Diocese reserves the right to change, modify, or terminate the Plan at any time.

In the event the Plan terminates, the net assets of the Plan will be allocated to pensioners and participants as prescribed in the Plan document, in the order set forth below:

a. First, to participants who have attained age 70, but who have not retired.

b. Second, to participants not included in (a) above, who are on the date of Plan termination receiving a disability benefit in accordance with the terms of the Plan document.

c. Third, to participants not included in (a) or (b) above, who have completed five years of service.

d. Fourth, to all other participants not included in (a), (b) or (c) above.

Any funds which shall remain in the Plan after the satisfaction of all liabilities under the Plan to pensioners and participants shall revert to the Diocese of Joliet to be allocated as directed by the Bishop.

Whether all participants receive their benefits, should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the Plan.

Note 2 - Significant Accounting Policies

Basis of Accounting

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

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, 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.

Cash and Cash Equivalents

The Plan considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Investment Valuation and Income Recognition

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 3 for discussion of fair value measurements. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Finance Council.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized gain on investments includes the Plan's gains and losses on investments bought and sold during the year. Net depreciation in fair value of investments includes the Plan's gains and losses on investments held during the year. External investment expenses are reported as a component of net investment income (loss).

Payment of Benefits

Benefit payments to participants are recorded when paid.

Administrative Expenses

The Plan is responsible for paying a majority of the administrative expenses, as may be allocated between the Plan and the Diocese of Joliet Retired Priests' Other Benefits Plan. All other administrative expenses are paid by the Roman Catholic Diocese of Joliet, the Plan Sponsor.

Subsequent Events

The Plan Sponsor has evaluated subsequent events through November 10, 2022, the date which the financial statements were available to be issued.

Note 3 - Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

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, 2022.

<u>Mutual funds</u> – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Real estate investment trust, private equity fund, and alternative fixed income funds – Valued at NAV, which is provided by the fund and is used as a practical expedient to estimate fair value. The NAV is based on the observable market prices of the underlying investments within the fund less liabilities. This practical expedient is not used when it is determined to be probably that the fund will sell the investment for an amount different than the reported NAV.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, except those measured by using NAV per share as a practical expedient, the Plan's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	NAV	Total
Mutual funds	$ 14,789,651	$ -	$ -	$ -	$ 14,789,651
Real estate investment trust	-	-	-	3,964,040	3,964,040
Private equity fund	-	-	-	1,767,296	1,767,296
Alternative fixed income funds	-	-	-	3,652,164	3,652,164
Investments at fair value	$ 14,789,651	$ -	$ -	$ 9,383,500	$ 24,173,151

During the year ended June 30, 2022, certain Plan investments were terminated and converted via a tax free reorganization into a similar investment vehicle. During this conversion, the investments moved from being valued at NAV to be classified as a Level 1 mutual fund. No realized gain or loss was recognized as a result of the conversion.

The following summarizes investments for which fair value is measured at NAV per share as a practical expedient at June 30, 2022:

	Number of Investments	Fair Value June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Investment Trust	1	3,964,040	$ -	Quarterly	45 days
Private Equity Fund	1	1,767,296	630,000	Illiquid	(1)
Alternative Fixed Income Funds	2	3,652,164	-	Bi-monthly, quarterly	3 days, 15 days
		$ 9,383,500	$ 630,000		

(1) 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.

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.

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.

Alternative Fixed Income Funds

The NIS Preferred Stock Fund II's purpose of the fund 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.

The NIS Total Absolute Return Fund's objective is to achieve a consistent annual return through a portfolio of fixed income securities consisting primarily of the Barclays Aggregate 1-3 Year Index and similar securities. The long-term objective of the Fund is to outperform the annual average return of one-year U.S. Treasury Bills while minimizing volatility.

Note 4 - Tax Status

The Plan was established as a church plan under Section 414(e) of the Internal Revenue Code of 1986 as amended. The Plan elected not to have Internal Revenue Code Section 410(d) apply whereby certain sections of the Code and Title I of the Employee Retirement Income Security Act of 1974 would need to be followed. Plan management believes that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC, and the Plan and related trust continue to be tax exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

The Internal Revenue Service (IRS) issued a letter of determination September 7, 2021, stating that the Plan qualifies under Section 401 (a) of the Internal Revenue Code and, therefore, is exempt from federal income taxes under Section 401 (a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Plan management has determined that there are no uncertain tax positions that meet the criteria for recognition in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 5 - Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to services rendered by the Priests to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated Priests and (b) present Priests. Benefits for retired or terminated Priests were $2,000 per month from July 1, 2021 through January 31, 2022, and $2,060 per month from February 1, 2022 through June 30, 2022. These monthly payments are paid out for life for priest's with 30 or more years of credited service at the age of 70, with prorated provisions for members retiring with less than 30 years, and certain provisions for early retirement. This benefit is reviewed annually by the Clergy Retirement Board to determine if there will be an increase. If the accumulated plan benefit information had been calculated as of June 30, 2022, there would not have been a material difference as compared to July 1, 2022.

The actuarial present value of accumulated plan benefits is determined by an independent actuary 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, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The actuarially determined present value of accumulated plan benefit information as of July 1, 2022 is as follows:

Actuarial Present Value of Accumulated Plan Benefits	
Vested benefits for	
Retired and disabled priests	$ 8,517,000
Terminated vested priests	633,000
Fully vested active priests	7,243,000
Total vested	16,393,000
Nonvested benefits	5,694,000
Total present value of accumulated plan benefits	$ 22,087,000
Net Assets Available for Benefits	$ 24,266,000
Funded Ratio	110%

The figures shown are based on the significant actuarial assumptions shown below, which are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of plan benefits.

- Mortality of nondisabled members: According to the RP 2000 Combined Mortality Table projected to 2022 for males for the July 1, 2022 valuation.
- Net investment return: 6.50% per annum in 2022, compounded annually, net of investment expenses.
- Loading for expenses: Average annual administrative expenses paid during the preceding three-year period, rounded to the nearest $1,000.
- Valuation of assets: Market value.
- Retirement age: All active members were assumed to retire at age 70 or immediately if over age 70 as of the valuation date.
- Entry age: Age at date of ordination.

The following table reconciles the actuarial present value of accumulated plan benefits from July 1, 2021 through July 1, 2022:

Actuarial Present Value of Accumulated Plan Benefits, Beginning of Period	$ 21,410,000
Changes Between Valuation Dates Due to	
Increase for interest	1,397,000
Benefit payments	(1,420,000)
Benefits accumulated	10,000
Change in actuarial assumptions	
Mortality tables	84,000
Valuation discount rate (changed from 6.75% to 6.50%)	606,000
Total increase	677,000
Actuarial Present Value of Accumulated Plan Benefits, End of Period	$ 22,087,000

Note 6 - 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.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would-be material to the financial statements.

Note 7 - Related Party Transactions

Plan Separation

On December 1, 2020, the Priests' Pension Plan of the Roman Catholic Diocese of Joliet was separated into two new plans under the newly formed Diocese of Joliet Priests' Pension Plan and Other Retirement Benefits Trust (Trust). The new plans were the Diocese of Joliet Priests' Pension Plan and the Diocese of Joliet Retired Priests' Other Benefits Plan. These plans were audited in a combined financial statement for the year ended June 30, 2021.

The following are the assets and liabilities transferred to this reporting entity as of July 1, 2021:

Assets	
Investments	$ 26,899,469
Total assets	26,899,469
Liabilities	
Deficit in cash and cash equivalents	805
Benefits payable	121,322
Total liabilities	122,127
Net Assets Available for Benefits	$ 26,777,342

Transfer From Related Party

Subsequent to the above transfer, during July 2021, the Diocese authorized a transfer of assets from the Retired Priests' Other Benefits Plan of $44,792 to the Plan.