



Financial Statements
June 30, 2017 and 2016

Archdiocese of Dubuque Seminarian Education Fund

Archdiocese of Dubuque Seminarian Education Fund

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Independent Auditor's Report

To the Audit Committee
Archdiocese of Dubuque Seminarian Education Fund
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Dubuque Seminarian Education Fund (Seminarian Education Fund) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Dubuque Seminarian Education Fund, as of June 30, 2017 and 2016, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, management has elected to early adopt the guidance contained in Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in 2017, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. The updates of Accounting Standards Update 2015-07 have been applied retrospectively to the 2016 notes to the financial statements. Our opinion is not modified with respect to that matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
August 28, 2018

Archdiocese of Dubuque Seminarian Education Fund
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 6,835	\$ 7,468
Deposits in Archdiocese of Dubuque		
Deposit and Loan Fund – Note 5	513,289	-
Accrued interest receivable	1,949	2,017
Note receivable - Note 6	193,359	199,406
Investments – Note 2	351,075	755,804
Annuity/life insurance contracts – Note 4	595,000	595,000
Beneficial interest in assets held by the Catholic Foundation for the Archdiocese of Dubuque - Note 2	5,224,165	4,868,633
Total assets	\$ 6,885,672	\$ 6,428,328
Liabilities and Net Assets		
Liabilities		
Account payable	\$ 4,826	\$ 268
Payable to Archdiocese of Dubuque		
Deposit and Loan Fund – Note 5	-	245,272
Due to other Archdiocesan funds/organizations	308,879	183,920
Total liabilities	313,705	429,460
Net Assets		
Unrestricted	1,172,653	1,137,843
Temporarily restricted – Note 7	2,636,689	2,189,735
Permanently restricted – Note 7	2,762,625	2,671,290
Total net assets	6,571,967	5,998,868
Total liabilities and net assets	\$ 6,885,672	\$ 6,428,328

Archdiocese of Dubuque Seminarian Education Fund
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets		
Revenue		
Net investment return - Note 3	\$ 20,984	\$ 220
Interest income on note receivable - Note 6	13,826	12,198
	34,810	12,418
Total revenue		
Net assets released from restriction	202,101	204,453
	236,911	216,871
Expenses		
Audit expense	4,500	5,460
	232,411	211,411
Revenue in Excess of Expense		
Transfer of Investment Income to Archdiocese of Dubuque	(197,601)	(198,993)
Change in Unrestricted Net Assets	34,810	12,418
Changes in Temporarily Restricted Net Assets		
Net investment return – Note 3	89,642	981
Net assets released from restriction	(202,101)	(204,453)
Distributions from and change in value of beneficial interest in assets held by others	553,133	106
Other	6,280	(7,534)
	446,954	(210,900)
Change in Temporarily Restricted Net Assets		
Change in Permanently Restricted Net Assets		
Contributions	91,335	53,747
	573,099	(144,735)
Change in Net Assets		
Net Assets, Beginning of Year	5,998,868	6,143,603
Net Assets, End of Year	\$ 6,571,967	\$ 5,998,868

Archdiocese of Dubuque Seminarian Education Fund

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 573,099	\$ (144,735)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Realized and unrealized (gains) losses on investments	(58,821)	41,355
Change in beneficial interest in assets held by others	(355,532)	198,887
Changes in assets and liabilities		
Accrued interest receivable	68	49
Due to/from other Archdiocesan funds/organizations	124,959	(228,380)
Account payable	4,558	(17)
Net Cash from (used for) Operating Activities	288,331	(132,841)
Investing Activities		
Purchase of investments	(161,305)	(7,147)
Proceeds from sale of investments	624,855	10,185
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(527,978)	-
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	14,689	-
Net Cash from (used for) Investing Activities	(49,739)	3,038
Financing Activities		
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(245,272)	(306,781)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	-	427,475
Collection on note receivable	6,047	5,485
Net Cash from (used for) Financing Activities	(239,225)	126,179
Net Change in Cash and Cash Equivalents	(633)	(3,624)
Cash and Cash Equivalents, Beginning of Year	7,468	11,092
Cash and Cash Equivalents, End of Year	\$ 6,835	\$ 7,468

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

The Archdiocese of Dubuque Seminarian Education Fund (Seminarian Education Fund) is an endowment-like fund which requires that the principal be invested and maintained intact with only the income earned from the investments available for education of seminarians of the Archdiocese of Dubuque.

Cash and Cash Equivalents

The Seminarian Education 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 capital expenditures, permanent endowment, or other long-term purposes of the Seminarian Education Fund are excluded from this definition.

Note Receivable

Note receivable is stated at principal amount and is collateralized by a real estate mortgage. Payments of note receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management reviews the note receivable periodically and estimates a portion, if any, of the balance that will not be collected. Accrued interest is stated separately.

Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque

During 2013, the Seminarian Education Fund established a permanent endowment fund under the Catholic Foundation for the Archdiocese of Dubuque (CFAD). The Seminarian Education Fund granted variance power to CFAD which allows CFAD to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFAD's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the mission of CFAD. The permanent endowment fund is held and invested by CFAD for the benefit of the Seminarian Education Fund, and is reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value 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 capital gains and losses, less investment management and custodial fees.

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:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Seminarian Education Fund and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by management.

The Seminarian Education Fund reports contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Seminarian Education Fund. The restrictions stipulate that resources be maintained permanently, but permit the Seminarian Education Fund to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. 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 are not recognized until the conditions on which they depend have been substantially met.

Income Taxes

The Seminarian Education Fund is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(i). The Seminarian Education Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Seminarian Education Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Seminarian Education 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 Seminarian Education Fund believes that it has appropriate support 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 Seminarian Education 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 Seminarian Education Fund manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Seminarian Education 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 Finance Council. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Seminarian Education Fund.

Change in Accounting Principle

Management has elected to early adopt the guidance contained in ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in 2017, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. ASU 2015-07 was applied retrospectively to disclosures presented in 2016 (Note 2). The Seminarian Education Fund has adopted this standard as it eliminates a known diversity in practice for determining whether assets measured at fair value by using the net asset value per share as a practical expedient are classified as Level 2 or Level 3 within the fair value hierarchy.

Subsequent Events

The Seminarian Education Fund has evaluated subsequent events through August 28, 2018, the date which the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

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In some cases, the inputs used to measure the fair value of an asset 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. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

A significant portion of investments are classified within Level 1 because they are comprised of open-end mutual funds and stocks with readily determinable fair values based on daily redemption values. The fair value of the beneficial interest in assets held by CFAD is based on the fair value of the fund investments as reported by CFAD. These are considered to be Level 3 measurements.

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 values of certain hedge funds and interest in limited partnerships 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.

The following table presents assets measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified in the following, at June 30, 2017:

	Total	Fair Value Measurements at Report Date Using			Investments Measured at NAV
		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments					
Growth funds					
Domestic and international	\$ 225,828	\$ 225,828	\$ -	\$ -	\$ -
Inflation protection assets					
Interest in limited partnership	371	-	-	-	371
Risk reduction assets					
Domestic fixed assets mutual funds	117,876	117,876	-	-	-
Hedge fund	7,000	-	-	-	7,000
	<u>\$ 351,075</u>	<u>\$ 343,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,371</u>
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque	<u>\$ 5,224,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,224,165</u>	<u>\$ -</u>

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The following table presents assets measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified in the following, at June 30, 2016:

	Total	Fair Value Measurements at Report Date Using			Investments Measured at NAV
		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments					
Growth funds					
Domestic and international	\$ 187,981	\$ 187,981	\$ -	\$ -	\$ -
Inflation protection assets					
Interest in limited partnership	2,250	-	-	-	2,250
Risk reduction assets					
Domestic fixed assets					
mutual funds	114,080	114,080	-	-	-
Hedge funds	451,493	-	-	-	451,493
	<u>\$ 755,804</u>	<u>\$ 302,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,743</u>
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque	<u>\$ 4,868,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,868,633</u>	<u>\$ -</u>

Below is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	2017	2016
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque		
Beginning Balance	\$ 4,868,633	\$ 5,067,520
Interest and dividends	91,208	123,321
Distributions	(197,601)	(198,993)
Change in unrealized gains/losses	522,350	(34,190)
Realized gains/losses	(31,320)	(60,166)
Administrative fees	(29,105)	(28,859)
Ending Balance	<u>\$ 5,224,165</u>	<u>\$ 4,868,633</u>
Unrealized Gain (Loss) Included in Net Investment Return in the Statements of Activities Relating to Assets Still Held at Year End	<u>\$ 522,350</u>	<u>\$ (34,190)</u>

Archdiocese of Dubuque Seminarian Education Fund
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Investments in certain entities that calculate NAV per share are as follows:

	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
June 30, 2017				
Interest in Limited Partnership	\$ 371	\$ -	Illiquid	None
Hedge Fund	<u>7,000</u>	<u>-</u>	Quarterly	60 days
	<u><u>\$ 7,371</u></u>	<u><u>\$ -</u></u>		
June 30, 2016				
Interest in Limited Partnership	\$ 2,250	\$ -	Illiquid	None
Hedge Funds	<u>451,493</u>	<u>-</u>	Quarterly, Annually	60 days, 100 days
	<u><u>\$ 453,743</u></u>	<u><u>\$ -</u></u>		

The interest in limited partnership's objective is to maximize the total return to shareholders through cash dividends and appreciation in the value of the shares through investment in a real estate portfolio consisting of undeveloped land, residential, multi-family, condominium units, industrial, retail, and office properties.

The hedge funds' objectives are to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through portfolios having a diversified risk profile.

Note 3 - Net Investment Return

Net investment return consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 51,805	\$ 42,556
Net Realized and Unrealized Gain (Loss)	<u>58,821</u>	<u>(41,355)</u>
Net Investment Return	<u><u>\$ 110,626</u></u>	<u><u>\$ 1,201</u></u>

Note 4 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Seminarian Education Fund with interest/annuity payments throughout the life of the annuitant/insured. The Seminarian Education Fund is the owner and named beneficiary of life insurance policies in the amount of the initial investment in these contracts. These investments are recorded at the original amount invested.

Note 5 - Deposits in/payable to Archdiocese of Dubuque Deposit and Loan Fund

Certain funds are deposited in/payable to the Archdiocese of Dubuque Deposit and Loan Fund, a separate 501(c)(3) corporation. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at both June 30, 2017 and 2016. Negative deposit (payable) balances accrue interest at the same rate.

Note 6 - Note Receivable

During the fiscal year ending June 30, 2010, the Seminarian Education Fund entered into a loan agreement with another non-profit organization. The \$225,000 promissory note requires bi-annual payments ranging from \$7,857 to \$9,295, with a lump sum payment of \$130,078 in October 2024. The note bears interest at 6% and is secured by a mortgage. The balance of this note as of June 30, 2017 and 2016 was \$193,359 and \$199,406, respectively.

Note 7 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	2017	2016
Seminarian Education	\$ 2,400,852	\$ 1,953,898
Term Endowment for Seminarian Education (in the Year 2031 this Endowment Becomes Unrestricted)	235,837	235,837
	\$ 2,636,689	\$ 2,189,735

Net assets released from restrictions for seminarian education were \$202,101 and \$204,453 for the years ended June 30, 2017 and 2016, respectively.

All permanently restricted net assets at June 30, 2017 and 2016, are held in perpetuity for seminarian education.

Note 8 - Related Party Transactions

The Seminarian Education Fund provides financial support for the education of seminarians of the Archdiocese of Dubuque. During the years ended June 30, 2017 and 2016, the Seminarian Education Fund transferred \$197,601 and \$198,993, respectively, to the Archdiocese of Dubuque Administrative Offices for Seminarian education expenses incurred during the year.

The Seminarian Education Fund has money deposited with or payable to the Archdiocese of Dubuque Deposit & Loan Fund and invests in the Archdiocese of Dubuque Alternative Investments Grantor Trust. The net interest (paid) earned on monies (borrowed from) invested with the Archdiocese of Dubuque Deposit and Loan Fund amounted to \$2,364 and \$1, for the years ended June 30, 2017 and 2016.

Note 9 - Endowments

The Seminarian Education Fund’s endowment (the Endowment) consists of individual funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminarian Education Fund’s Board of Directors has interpreted the Iowa 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, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Seminarian Education Fund classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminarian Education Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. The Seminarian Education 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

The Seminarian Education Fund had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Donor-Restricted Endowment Funds	\$ -	\$ 749,688	\$ 2,762,625	\$ 3,512,313
June 30, 2016				
Donor-Restricted Endowment Funds	\$ -	\$ 618,642	\$ 2,671,290	\$ 3,289,932

Archdiocese of Dubuque Seminarian Education Fund

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Investment and Spending Policies

The Seminarian Education Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Seminarian Education Fund must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Seminarian Education Fund expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Seminarian Education 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 Seminarian Education 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 Seminarian Education Fund has a policy of appropriating for distribution the lesser of expenses incurred to educate men for the priesthood or the current year investment earnings plus previous years unspent earnings, if any. In establishing this policy, the Seminarian Education Fund considered the long-term expected return on its endowment. This is consistent with the Seminarian Education Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment net assets for the year ending June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 618,642	\$ 2,671,290	\$ 3,289,932
Investment Return:				
Investment income	-	38,151	-	38,151
Net realized and unrealized gain	-	298,930	-	298,930
Contributions	-	-	91,335	91,335
Appropriation of Endowment Assets for Expenditure	-	(8,434)	-	(8,434)
Other Changes:				
Equity transfer	-	(197,601)	-	(197,601)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 749,688</u>	<u>\$ 2,762,625</u>	<u>\$ 3,512,313</u>

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Changes in Endowment net assets for the year ending June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 933,417	\$ 2,617,543	\$ 3,550,960
Investment Return:				
Investment income	-	33,781	-	33,781
Net realized and unrealized loss	-	(140,411)	-	(140,411)
Contributions	-	-	53,747	53,747
Appropriation of Endowment Assets for Expenditure	-	(9,152)	-	(9,152)
Other Changes:				
Equity transfer	-	(198,993)	-	(198,993)
Endowment Net Assets, End of Year	\$ -	\$ 618,642	\$ 2,671,290	\$ 3,289,932