

**CATHOLIC COMMUNITY FOUNDATION**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2009

# CATHOLIC COMMUNITY FOUNDATION

## FINANCIAL STATEMENTS

Year Ended June 30, 2009

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## Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300  
Phoenix, Arizona 85012  
602-264-6835 ph  
602-265-7631 fx  
www.mhm-pc.com

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

#### CATHOLIC COMMUNITY FOUNDATION

We have audited the accompanying statement of financial position of **Catholic Community Foundation** at June 30, 2009, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of **Catholic Community Foundation**. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from **Catholic Community Foundation** 2008 financial statements, and in our report dated September 30, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

During 2009, certain items were identified which required adjustments to previously issued financial statements. As described in Note 16, these items related to errors in the reporting of donor restrictions associated with gift annuity agreements. The prior year summarized information as of June 30, 2008 and for the year then ended has been restated for the effects of these adjustments.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of **Catholic Community Foundation** at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Phoenix, Arizona  
October 8, 2009

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, flowing script.

# CATHOLIC COMMUNITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2009

(with comparative totals at June 30, 2008)

	<b><u>ASSETS</u></b>	
	<b><u>2009</u></b>	<b><u>2008</u></b> <b><u>(As restated)</u></b>
CASH AND CASH EQUIVALENTS	\$ 41,852	\$ 257,402
RECEIVABLES	19,775	-
INVESTMENTS	38,570,599	49,055,791
SPLIT INTEREST AGREEMENTS	2,092,001	2,657,044
PROPERTY AND EQUIPMENT, net	19,337	2,327
PREPAID EXPENSES	<u>296</u>	<u>6,124</u>
TOTAL ASSETS	<b><u>\$ 40,743,860</u></b>	<b><u>\$ 51,978,688</u></b>

## **LIABILITIES AND NET ASSETS**

GRANTS PAYABLE	\$ 837,878	\$ 747,377
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	30,150	23,576
PRESENT VALUE OF ANNUITY PAYMENTS	1,700,577	1,693,989
AGENCY ENDOWMENT FUNDS	<u>14,515,000</u>	<u>18,737,231</u>
TOTAL LIABILITIES	<u>17,083,605</u>	<u>21,202,173</u>
NET ASSETS		
Unrestricted:		
Board designated	868,152	1,093,700
Undesignated	<u>15,306,758</u>	<u>21,185,686</u>
Total unrestricted	16,174,910	22,279,386
Temporarily restricted	800,670	1,724,797
Permanently restricted	<u>6,684,675</u>	<u>6,772,332</u>
TOTAL NET ASSETS	<u>23,660,255</u>	<u>30,776,515</u>
TOTAL LIABILITIES AND NET ASSETS	<b><u>\$ 40,743,860</u></b>	<b><u>\$ 51,978,688</u></b>

See Notes to Financial Statements

**CATHOLIC COMMUNITY FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2009	2008 (As restated)
<b>CONTRIBUTIONS, REVENUES AND OTHER SUPPORT</b>					
Contributions	\$ 668,156	\$ -	\$ 307,636	\$ 975,792	\$ 4,718,682
Investment return (losses)	(4,898,145)	(626,909)	(333,605)	(5,858,659)	(632,698)
Change in value of split-interest agreements	(79,690)	-	(31,434)	(111,124)	(144,476)
Total revenue before fundraising events and net assets released from restrictions	(4,309,679)	(626,909)	(57,403)	(4,993,991)	3,941,508
Fundraising events revenue:					
Fundraising events revenue	607,407	-	-	607,407	435,851
Less: cost of direct donor benefits	(258,878)	-	-	(258,878)	(253,586)
Gross profit on fundraising events	348,529	-	-	348,529	182,265
Net assets released from restrictions	327,472	(297,218)	(30,254)	-	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	(3,633,678)	(924,127)	(87,657)	(4,645,462)	4,123,773
<b>EXPENSES</b>					
Program services:					
Grants and scholarships	632,071	-	-	632,071	858,744
Contributions	499,849	-	-	499,849	617,515
Management and general	1,279,919	-	-	1,279,919	1,267,590
Fundraising	58,959	-	-	58,959	52,133
TOTAL EXPENSES	2,470,798	-	-	2,470,798	2,795,982
CHANGE IN NET ASSETS	(6,104,476)	(924,127)	(87,657)	(7,116,260)	1,327,791
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	22,279,386	1,724,797	6,772,332	30,776,515	29,448,724
NET ASSETS, END OF YEAR	\$ 16,174,910	\$ 800,670	\$ 6,684,675	\$ 23,660,255	\$ 30,776,515

See Notes to Financial Statements

# CATHOLIC COMMUNITY FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

	<b>2009</b>	<b>2008</b> <b>(As restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (7,116,260)	\$ 1,327,791
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses on investments	6,821,636	2,039,847
Contribution of partnership interests	-	(3,280,000)
Depreciation and amortization	2,754	77
Change in allowance for doubtful accounts	4,550	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(24,325)	1,728,626
Prepaid expenses	5,828	(4,249)
Increase (decrease) in:		
Grants payable	90,501	58,539
Accounts payable and accrued expenses	6,574	(38,140)
Agency endowment funds	(441,986)	144,115
Present value of annuity payments	6,588	(77,825)
Other liabilities	-	(14,871)
Net cash provided by (used in) operating activities	(644,140)	1,883,910
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(58,966,855)	(68,540,390)
Proceeds from sale of investments	59,415,209	66,856,060
Purchases of property and equipment	(19,764)	(2,404)
Net cash provided by (used in) investing activities	428,590	(1,686,734)
<b>NET CHANGE IN CASH</b>	(215,550)	197,176
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	257,402	60,226
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 41,852	\$ 257,402

See Notes to Financial Statements

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (1) Foundation's operations and summary of significant accounting policies

**Organization operations** – *Catholic Community Foundation* (the "Foundation") was incorporated on May 18, 1983 in Arizona as a nonprofit corporation governed by a board of directors in which the bishop of Phoenix and his successor in office was the sole member. On September 3, 2003 the Foundation amended and restated its Articles of Incorporation. As a result, the Foundation is organized as a nonprofit organization with no members. Later in September 2003, the Foundation received a decree declaring its status as "an Autonomous Pious Foundation" under Canon law, acknowledging its management by primarily lay leadership, and no longer under the auspices of the Diocese of Phoenix.

The purpose of the Foundation includes the solicitation, receiving, holding, investing, reinvesting and administering of donor-restricted funds or property and donated unrestricted funds or property. The endowment and memorial funds provided through the Foundation's activities continue to support the religious, communication, educational, and charitable objectives of the Roman Catholic Church, as well as the charitable objectives of Catholic philanthropists who reside primarily in the area served by the Diocese of Phoenix.

**Basis of presentation** – The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Prior year summarized information** – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008 from which the summarized information was derived.

**Management's use of estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Contributions** – The Foundation accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

(1) **Foundation's operations and summary of significant accounting policies (continued)**

**Cash and cash equivalents** – For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Investments carried at market value include certain liquid accounts which are generally not used in operations. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

**Contributions receivable** – Contributions receivable (pledges) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Investments** – The Foundation accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, the Foundation is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices. Partnership interests, stocks in closely held companies and real estate held for investment are recorded at fair value at the dates the investments were donated and are periodically revalued through the use of a third party appraiser or other appropriate valuation methods, including the market and income approaches, when a third party appraisal is not available. Investment income (loss) (including interest, dividends, unrealized gains and losses, and realized gains and losses on investments) is included in operating income.

Investments 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 risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

**Property and equipment and depreciation and amortization** – Purchased property and equipment are valued at cost and donated property and equipment are recorded at fair value at the date of gift to the Foundation. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of \$500 are capitalized. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives of 3 to 7 years.

**Donated assets** – Assets and other non-cash items donated to the Foundation are recorded as contributions at their estimated fair market value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire long lived assets are reported as restricted contributions. The Foundation records donations of property and equipment that are not restricted as to their use by the donor as unrestricted contributions and, accordingly, increases in unrestricted net assets. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

**Functional allocation of expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity and other appropriate allocation methods. The expense category, management and general, includes those expenses that are not directly identifiable with any specific program, but provide for overall support and direction of the Foundation. Fundraising expenses include those expenses related to the overall acquisition of contributions to the Foundation.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (1) Foundation's operations and summary of significant accounting policies (continued)

**Advertising** – Advertising costs are charged to operations when incurred. Advertising expense charged to operations were \$25,637 and \$11,808 for the years ended June 30, 2009 and 2008, respectively.

**Income tax status** – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, there is no provision for income taxes. In addition, the organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 was originally effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109. In December 2008, the FASB issued FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* ("FSP FIN 48-3") which extended the period of adoption of FIN 48 to fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of FIN 48 in accordance with FSP FIN 48-3. The Foundation evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with third parties.

**Subsequent events** – The Foundation has evaluated subsequent events through October 8, 2009, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.

### (2) Receivables

Receivables consist of:

	<u>2009</u>	<u>2008</u>
Pledges receivable	\$ 24,325	\$ -
Allowance for uncollectable accounts	(4,550)	-
Total receivables	<u>\$ 19,775</u>	<u>\$ -</u>

Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. All pledge receivables are expected to be collected within one year.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (3) Investments

Investments consist of:

	2009	2008
Common stocks	\$ 11,690,608	\$ 19,707,916
Equity mutual funds	12,482,860	9,601,732
Partnership interests	7,306,452	9,420,036
Corporate bond mutual funds	3,152,745	4,708,980
U.S. Government obligations	1,817,515	2,892,799
Money market accounts	1,128,275	1,041,850
Corporate bonds	930,869	1,614,728
Real estate held for investment	48,000	48,000
Preferred stock	13,275	19,750
Total	\$ 38,570,599	\$ 49,055,791

Expenses relating to investment revenues, including custodial fees and investment advisory fees of \$342,938 and \$417,800 for years ended ending June 30, 2009 and 2008, respectively, were charged to operations and are included in management and general in the accompanying statements of activities.

Investment return (losses) consists of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2009	2008
Interest, dividend, and fee income	\$ 799,415	\$ 129,802	\$ 33,760	\$ 962,977	\$ 1,108,648
Realized/unrealized gains (losses) on investments	(5,697,560)	(756,711)	(367,365)	(6,821,636)	(1,741,346)
Total investment return (loss)	\$ (4,898,145)	\$ (626,909)	\$ (333,605)	\$ 5,858,659	\$ (632,698)

During 2009, partnership investment losses of \$2,113,584 was included in realized/unrealized losses on investments.

### (4) Split interest agreements

At June 30, 2009, The Foundation administered 28 charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value. The gift annuities totaling \$2,092,001 and \$2,657,044 at June 30, 2009 and 2008, respectively, are included in the investments in split interest agreements. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using discount rates that reflect the fair value as determined at the time the annuities are established and range from 3.60% to 11.70%, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is \$1,700,577 and \$1,693,989 at June 30, 2009 and 2008, respectively.

Investments in split interest agreements consist of:

	2009	2008
Equity mutual funds	\$ 2,090,096	\$ 2,654,843
Money market accounts	1,905	2,201
Total investments in split interest agreements	\$ 2,092,001	\$ 2,657,044

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

**(5) Property and equipment**

	2009	2008
Property and equipment consists of:		
Leasehold improvements, furniture, fixtures and equipment	\$ 22,168	\$ 2,404
Total cost	22,168	2,404
Accumulated depreciation and amortization	(2,831)	(77)
Net property and equipment	\$ 19,337	\$ 2,327

Depreciation and amortization expense charged to operations was \$2,754, and \$77 for the years ended June 30, 2009 and 2008, respectively.

**(6) Grants payable**

Grants authorized, but unpaid at year-end are reported as liabilities in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized and payable.

	2009	2008
Annual grants payable	\$ 428,000	\$ 386,000
Christian service scholarships	295,500	264,000
Designated grants payable	114,378	97,377
Total	\$ 837,878	\$ 747,377

	2009	2008
Grants payable to be paid in less than one year	\$ 653,878	\$ 557,377
Grants payable to be paid in one to five years	184,000	190,000
Gross grants authorized but unpaid	\$ 837,878	\$ 747,377

Discount on long-term grants payable was immaterial at June 30, 2009 and 2008.

**(7) Agency endowment funds**

SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. SFAS No. 136 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowment funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as cash and investments of the Foundation. However, in accordance with SFAS No. 136, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPO's.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (7) Agency endowment funds (continued)

The activity for the agency endowment funds is summarized below:

	<u>2009</u>	<u>2008</u>
Agency endowment funds, beginning of year	\$ 18,737,231	\$ 20,372,936
Contributions	90,247	532,837
Investment income	355,281	386,516
Realized and unrealized investment (losses)	(3,780,245)	(1,779,443)
Distributions	(699,883)	(517,718)
Administration and investment fees	(187,631)	(257,897)
Agency endowment funds, end of year	<u>\$ 14,515,000</u>	<u>\$ 18,737,231</u>

### (8) Board designated net assets

Board designated net assets consist of unrestricted net assets that are set aside by the board as part of a match program relating to parishes and schools. The net assets can be classified as undesignated by a vote from the board of directors.

### (9) Temporarily restricted net assets

Temporarily restricted net assets consist primarily of earnings on permanently restricted assets. These earnings are donor designated for specific purposes including scholarships.

### (10) Permanently restricted net assets

Permanently restricted net assets consist of funds for which the donors stipulated the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are reported as follows:

- An increase in permanently restricted net assets if the terms of the gift or the Foundation's board interpretation of relevant state law require that they be added to principal of a permanent endowment fund;
- An increase in temporarily restricted net assets if the terms of the gift impose restrictions on the use of income; or
- An increase in temporarily restricted net assets until appropriated.

### (11) Endowments

In September 2008, the State of Arizona enacted a version of the Uniform Prudent Management of Institutional Funds Act (SPMIFA). The Board of Directors of the Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (11) Endowments (continued)

In August 2008, the FASB issued FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The Foundation had no changes to its net asset classification as a result of adoption of this accounting pronouncement as of July 1, 2008.

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowments while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic and international equities, and fixed income investments. The majority of assets are invested in equity or equity-like securities. Fixed income assets are used to lower short-term volatility. Diversifications by asset class, investment style, etc. are employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than 8% over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes agency, designated, restricted and unrestricted funds. The current spending policy is to distribute an amount equal to 4% of the previous twelve quarter rolling average balance of each fund's assets at market value. Based on the spending policy, over the long term, the Foundation expects its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

The Foundation's endowments consist of only donor-restricted endowment funds. The changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ -	\$ 932,181	\$ 5,908,583	\$ 6,840,764
Contributions	-	-	180,561	180,561
Split interest agreement terminations	-	-	96,470	96,470
Investment return:				
Investment income	-	115,285	-	115,285
Realized and unrealized losses	(633,686)	(594,753)	-	(1,228,439)
Appropriation of endowment assets for expenditure	-	(275,855)	-	(275,855)
Endowment net assets, June 30, 2009	<u>\$ (633,686)</u>	<u>\$ 176,858</u>	<u>\$ 6,185,614</u>	<u>\$ 5,727,786</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$633,686 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (12) Pension plan

The Foundation participates in the Lay Employees Retirement Plan (the Plan), a multi-employer defined benefit pension plan administered by the Diocese. The Plan covers lay employees of the Diocese, the Central Administrative Office, the Diocesan High Schools, the parishes, and employees of the Foundation. Contributions to the Plan are based on salary levels of eligible employees. The Foundation made contributions to the Plan of approximately \$24,000 for 2009 and \$17,000 for 2008. The portion of the Plan's assets and liabilities allocable to the Foundation has not been determined with respect to accumulated benefits. In the event of withdrawals from the Plan and under certain other conditions, a contributor to a multi-employer plan may be liable to the Plan for a portion of the underfunded status, if any.

### (13) Leases

The Foundation leases certain office space and furniture and fixtures from the Diocese of Phoenix under a twelve month operating lease agreement, renewable at the end of each fiscal year. Total rental expense was \$67,432 and \$79,322 for the years ended June 30, 2009 and 2008, respectively.

### (14) Fundraising expenses

Fundraising expenses consist of development costs and expenses and an allocation of indirect expenses for fundraising events as follows:

	<u>2009</u>	<u>2008</u>
Events	\$ 45,882	\$ 31,971
Professional services	5,100	11,754
Advertising	4,790	6,758
Supplies	3,187	1,650
Total fundraising expenses	<u>\$ 58,959</u>	<u>\$ 52,133</u>

### (15) Fair value measurements

SFAS No. 157 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. The Foundation adopted SFAS No. 157 as of July 1, 2008 for financial and nonfinancial assets and financial liabilities subject to fair value measurement on a recurring basis. There was no material impact on the Foundation's financial statements for the adoption of this standard. SFAS No. 157 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(With comparative totals for the Year ended June 30, 2008)

### (15) Fair value measurements (continued)

The following table summarizes the valuation of the Foundation's financial and nonfinancial instruments subject to recurring fair value measurement by the above SFAS No. 157 categories as of June 30, 2009:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Common stocks	\$ 11,690,608	\$ -	\$ -
Equity mutual funds	14,572,956	-	-
Partnership interests	-	-	7,306,452
U.S. Government obligations	1,817,515	-	-
Money market accounts	1,130,180	-	-
Corporate bonds	930,869	-	-
Real estate held for investment	-	-	48,000
Preferred stock	13,275	-	-
Corporate bond mutual funds	3,152,745	-	-
Agency fund liability	-	(14,515,000)	-
Total	<u>\$ 33,308,148</u>	<u>\$ (14,515,000)</u>	<u>\$ 7,354,452</u>

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended June 30, 2009:

	<u>Partnership Interests</u>	<u>Real estate held for investment</u>	<u>Total</u>
Balance at July 1, 2008	\$ 9,420,036	\$ 48,000	\$ 9,468,036
Contributions	-	-	-
Sales	-	-	-
Investment income, net	-	-	-
Unrealized loss	(2,113,584)	-	(2,113,584)
Balance at June 30, 2009	<u>\$ 7,306,452</u>	<u>\$ 48,000</u>	<u>\$ 7,354,452</u>

The Foundation had no other financial or nonfinancial instruments with recurring fair value measurements.

### (16) Prior period adjustment

During 2009, management noted an item requiring adjustment to the Foundation's 2008 financial statements. The Foundation determined that it was incorrectly classifying donor restricted gift annuity agreement contributions. As a result, unrestricted net assets at June 30, 2008 and permanently restricted net assets at June 30, 2008 were restated as follows:

	<u>2008 As Previously Reported</u>	<u>Adjustment</u>	<u>2008 As Restated</u>
Permanently restricted net assets	\$ 5,908,583	\$ 863,749	\$ 6,772,332
Unrestricted net assets	23,143,135	(863,749)	22,279,386