

**The Catholic Community Foundation
of the Archdiocese of Baltimore, Inc.**
Financial Statements
June 30, 2012 and 2011

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Archdiocese of Baltimore, Inc.**

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June 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Trustees of
The Catholic Community Foundation of the Archdiocese of Baltimore, Inc.

In our opinion, the accompanying statement of financial position and the related statement of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of The Catholic Community Foundation of The Archdiocese of Baltimore, Inc. ("CCF, Inc.") at June 30, 2012 and 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of CCF, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

December 18, 2012

**The Catholic Community Foundation of the
Archdiocese of Baltimore, Inc.
Statements of Financial Position
June 30, 2012 and 2011**

	2012	2011
Assets		
Cash	\$ 846,530	\$ 1,446,700
Investments, at fair market value		
Unrestricted	5,661,594	5,562,500
Temporarily restricted	27,733,161	23,668,600
Permanently restricted	27,400	27,400
Agency	<u>219,940</u>	<u>230,900</u>
Total cash and investments	34,488,625	30,936,100
Contributions receivable, net of allowance and discount of \$1,026,272 and \$131,600 at June 30, 2012 and 2011, respectively	4,425,940	878,100
Other assets	<u>462,798</u>	<u>400,900</u>
Total assets	<u>\$ 39,377,363</u>	<u>\$ 32,215,100</u>
Liabilities and Net Assets		
Liabilities		
Accrued grant liabilities	\$ 1,307,260	\$ 1,085,900
Accrued expenses	222,022	45,400
Investments held for others	<u>219,940</u>	<u>230,900</u>
Total liabilities	<u>1,749,222</u>	<u>1,362,200</u>
Net assets		
Unrestricted	5,468,914	5,697,600
Temporarily restricted	32,129,327	25,125,400
Permanently restricted	<u>29,900</u>	<u>29,900</u>
Total net assets	<u>37,628,141</u>	<u>30,852,900</u>
Total liabilities and net assets	<u>\$ 39,377,363</u>	<u>\$ 32,215,100</u>

The accompanying notes are an integral part of these financial statements.

**The Catholic Community Foundation of the
Archdiocese of Baltimore, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Contributions	\$ 37,974	\$ 7,622,171	\$ -	\$ 7,660,145
Interest and dividends	95,494	544,283	-	639,777
Unrealized loss on investments	(41,699)	(122,960)	-	(164,659)
Net assets released from restrictions	<u>1,039,567</u>	<u>(1,039,567)</u>	-	<u>-</u>
Total revenue, gains and other support	<u>1,131,336</u>	<u>7,003,927</u>	-	<u>8,135,263</u>
Expenses				
Management fees	394,017	-	-	394,017
Grant expense	<u>966,005</u>	-	-	<u>966,005</u>
Total grants and expenses	<u>1,360,022</u>	-	-	<u>1,360,022</u>
Change in net assets	(228,686)	7,003,927	-	6,775,241
Net assets				
Beginning of year	<u>5,697,600</u>	<u>25,125,400</u>	<u>29,900</u>	<u>30,852,900</u>
End of year	<u>\$ 5,468,914</u>	<u>\$ 32,129,327</u>	<u>\$ 29,900</u>	<u>\$ 37,628,141</u>

The accompanying notes are an integral part of these financial statements.

**The Catholic Community Foundation of the
Archdiocese of Baltimore, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Contributions	\$ 48,600	\$ 1,536,900	\$ -	\$ 1,585,500
Interest and dividends	124,200	489,400	-	613,600
Unrealized gain on investments	854,400	3,210,800	-	4,065,200
Net assets released from restrictions	969,500	(969,500)	-	-
Total revenue, gains and other support	<u>1,996,700</u>	<u>4,267,600</u>	<u>-</u>	<u>6,264,300</u>
Expenses				
Management fees	360,200	-	-	360,200
Grant expense	897,300	-	-	897,300
Total grants and expenses	<u>1,257,500</u>	<u>-</u>	<u>-</u>	<u>1,257,500</u>
Change in net assets	739,200	4,267,600	-	5,006,800
Net assets				
Beginning of year	<u>4,958,400</u>	<u>20,857,800</u>	<u>29,900</u>	<u>25,846,100</u>
End of year	<u>\$ 5,697,600</u>	<u>\$ 25,125,400</u>	<u>\$ 29,900</u>	<u>\$ 30,852,900</u>

The accompanying notes are an integral part of these financial statements.

**The Catholic Community Foundation of the
Archdiocese of Baltimore, Inc.
Statements of Cash Flows
Years Ended June 30, 2012 and 2011**

	2012	2011
Cash flows from operating activities		
Changes in net assets	\$ 6,775,241	\$ 5,006,800
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Proceeds from interest and dividends	639,777	613,600
Change in unrealized loss (gain) on investments	164,659	(4,065,200)
Change in operating assets and liabilities		
(Increase) decrease in contributions receivable	(3,547,840)	103,400
(Increase) decrease in other assets	(61,898)	804,300
Increase in accrued grant liabilities	221,360	324,400
Increase in accrued expenses	176,622	12,800
Net cash provided by operating activities	<u>4,367,921</u>	<u>2,800,100</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	254,803	770,700
Purchases of investments	<u>(5,222,894)</u>	<u>(3,280,200)</u>
Net cash used in investing activities	<u>(4,968,091)</u>	<u>(2,509,500)</u>
Net increase in cash	(600,170)	290,600
Cash		
Beginning of year	<u>1,446,700</u>	<u>1,156,100</u>
End of year	<u>\$ 846,530</u>	<u>\$ 1,446,700</u>

The accompanying notes are an integral part of these financial statements.

The Catholic Community Foundation of the Archdiocese of Baltimore, Inc.

Notes to Financial Statements June 30, 2012 and 2011

1. Organization

The Catholic Community Foundation of The Archdiocese of Baltimore, Inc. ("CCF, Inc.") was established in 1998. The mission of CCF, Inc. is to financially support the spiritual, educational and social needs of the Catholic community within the Archdiocese of Baltimore. CCF, Inc. fulfills this mission by establishing fund agreements providing ongoing support to fund the mission and ministries of parishes, schools, and programs of the Archdiocese of Baltimore and other Catholic institutions located therein.

CCF, Inc. is incorporated in the state of Maryland. The Board of Trustees is authorized to provide all rules, policies, and procedures necessary to establish and administer investment funds. CCF, Inc. currently engages the Central Services of the Roman Catholic Archbishop of Baltimore, a corporation sole of the state of Maryland ("Central Services") to provide certain administration and development functions in exchange for administrative fees. There were 392 separate fund agreements in CCF, Inc. as of June 30, 2012. These funds generally fall in one of four categories.

- *Field of Interest Funds* established to support a particular area of need such as Catholic Education or Vocations.
- *Organizational Funds* established for individual parishes, schools, and affiliated organizations of the Archdiocese for the general purposes of the specific organization.
- *Individual Community Funds* established by individual donors. These funds restricted in purpose by the donor may have several beneficiaries that will receive ongoing financial support. As required by CCF, Inc. Board of Trustees, 50% of the income and assets of a fund must be designated for the use of the Archdiocese of Baltimore and/or Catholic institutions located therein.
- *Donor Advised Funds* established by individuals who wish to remain active in their philanthropy and have access to the Foundation's professional advice and management. Donors may suggest charitable distributions from funds they have established, although the Foundation's Board of Directors is required to make final decisions on all grants.

Investment proceeds are distributed annually based on the distribution parameters approved by the CCF, Inc. Board of Trustees, consistent with donor gift agreements.

Investments are managed by an external investment firm.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

Cash consists of deposits awaiting transfer to the investment management firm.

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Concentration of Credit Risk

Financial instruments which potentially subject CCF, Inc. to concentrations of credit risk consist of cash and investments in securities. CCF, Inc. places its cash and investments with credit worthy, high quality financial institutions. Though the market value of investments is subject to fluctuations on a year to year basis, CCF, Inc. believes that the investment policies are prudent for the long-term welfare of the organization.

Fair Value of Financial Instruments

Cash and Cash Equivalents and Investments

The carrying amount for cash and cash equivalents and investments approximates fair value. The fair value for limited use investments is based on quoted market prices. Income from cash and cash equivalents and investments are included in unrestricted investment income unless the income is restricted by donor. All income is reported net of investment related expenses.

Pledge Receivables

Donor pledges which are expected to be collected in future periods in excess of 12 months are recorded at the present value of the estimated future cash flows, discounted at a risk-adjusted discount rate applicable to the years in which the promises were received. Discount rates utilized were derived utilizing the unsecured borrowing rate and ranged from 3.98% to 5.52%. Refer to Note 4 Contributions Receivable for details on amounts associated with contributions.

Charitable Gift Annuities

The net fair value of gift annuities is determined annually by adjusting annuity liability to reflect amortization of the discount and changes in the life expectancy of the donors. The annuity liability reflects the present value of the estimated future payments to be made to the donor and/or other beneficiaries. Refer to Note 5 Other Assets for further detail.

Fair Value Measurement

In September 2006, the FASB issued guidance for fair value measurement which establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Our financial assets recorded at fair value on a recurring basis primarily relate to investments in available-for-sale securities. The adoption of this guidance to our financial assets did not have any impact on our financial results.

In July 2008 CCF, Inc. implemented guidance as it relates to our nonfinancial assets and nonfinancial liabilities. The adoption of this guidance did not have any significant impact on our financial results.

The following describe the hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires the 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 identifiable 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.

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Level 3 Unobservable inputs for the assets or liability.

CCF, Inc. endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of our financial instruments by authoritative pricing levels as of June 30, 2012 and 2011:

Fair Value Measurements at June 30, 2012				
	Level 1	Level 2	Level 3	Total Fair value
Cash equivalents	\$ 1,154,111	\$ -	\$ -	\$ 1,154,111
Fixed income	666,379	7,181,263	40,416	7,888,058
Equity	11,063,752	10,860,356	3,522,348	25,446,456
Total investments	<u>\$ 12,884,242</u>	<u>\$ 18,041,619</u>	<u>\$ 3,562,764</u>	<u>\$ 34,488,625</u>

Fair Value Measurements at June 30, 2011				
	Level 1	Level 2	Level 3	Total Fair value
Cash equivalents	\$ 1,446,700	\$ -	\$ -	\$ 1,446,700
Fixed income	48,400	10,109,700	-	10,158,100
Equity	1,383,400	16,827,900	1,120,000	19,331,300
Total investments	<u>\$ 2,878,500</u>	<u>\$ 26,937,600</u>	<u>\$ 1,120,000</u>	<u>\$ 30,936,100</u>

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Level (3) Rollforward of Fair Value Measurements

	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Balance as of June 30, 2010	\$ -	\$ -	\$ -
Purchases	1,068,300	-	1,068,300
Realized gains	55,800	-	55,800
Unrealized losses	(4,100)	-	(4,100)
Balance as of June 30, 2011	1,120,000	-	1,120,000
Purchases	2,403,200	40,416	2,443,616
Unrealized losses	(852)	-	-
Balance as of June 30, 2012	<u>\$ 3,522,348</u>	<u>\$ 40,416</u>	<u>\$ 3,562,764</u>

There were no transfers between levels 1 and 2 and there were no transfers into or out of level 3 during the years ended June 30, 2012 or June 30, 2011.

CCF, Inc. currently has no other financial instruments subject to fair value measurement on a recurring basis.

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Grant Expense

The grant expense is calculated annually applying the spending rate to each eligible endowment fund balance as of December 31. An individual endowment fund must meet certain criteria to be eligible. In general no expense will be calculated if a fund's corpus exceeds the market value, or has been in the Foundation's for less than twelve months.

The spending formula is derived utilizing the weighing of two economic factors. The first component of the spending rate is equal to 70% of the allowable spending rate of the previous year, increased by the rate of inflation, as measured by the Consumer Price Index. The second component of the spending rate is 30% of the long-term spending rate of 4% applied to the change in market value of the fund measured by a trailing market average over the the past twelve quarters. The spending rate shall never be less than 3% or higher than 5%.

The spending rate calculated and applied to applicable fund balances was 4.55% and 4.65% for fiscal period 2012 and 2011, respectively.

Income Taxes
CCF, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3) through its inclusion in United States Conference of Catholic Bishops group ruling and listing in the Official Catholic Directory. Contributions to CCF, Inc. qualify as a charitable tax deduction by the contributor.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

3. Investments

Investments are stated at fair market value. CCF, Inc. maintains master investment accounts. Realized and unrealized gains and losses are allocated monthly to the accounts. The master investments are managed by an independent professional investment management firm and are diversified among a variety of investment products. The fair market values of the master investment accounts held as of June 30, 2012 and 2011 are:

	2012	2011
Fixed Income	\$ 7,888,058	\$ 10,158,200
Equities	<u>25,446,456</u>	<u>19,331,200</u>
	<u>\$ 33,334,514</u>	<u>\$ 29,489,400</u>

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Archdiocese of Baltimore, Inc.**
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Agency Funds

CCF, Inc. applies current authoritative guidance in regards to Transfers of Assets to Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, which requires that if a not-for-profit organization established 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. CCF, Inc. refers to such funds as agency funds. For financial reporting purposes, distributions from agency funds in the amount of \$0 and \$10,000 are not included in the reported grants and contributions of CCF, Inc. at June 30, 2012 and 2011, respectively. There were no contributions to agency funds.

4. Contributions Revenue and Receivables

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value. Contributions to be received after one year are discounted at a risk-adjusted rate and are presented as temporarily restricted net assets in the financial statements. Allowance of uncollectable pledges is estimated at 10% of pledges received unless circumstances dictate otherwise.

Contributions receivable are summarized as follows as of June 30, 2012 and 2011:

	2012	2011
Unconditional promises expected to be collected in		
Less than one year	\$ 1,847,044	\$ 293,000
One to five years	2,485,447	716,700
Over five years	1,119,721	-
	<u>5,452,212</u>	<u>1,009,700</u>
Less: Unamortized discount	(489,951)	(50,600)
Less: Allowance for uncollectible receivables	<u>(536,321)</u>	<u>(81,000)</u>
Net contributions receivable	<u>\$ 4,425,940</u>	<u>\$ 878,100</u>

5. Other Assets

The Roman Catholic Archbishop, a corporation sole of the state of Maryland ("Corporation Sole") has entered into gift annuities for the benefit of its affiliated entities. Several of the investment funds of CCF, Inc. have been named as beneficiaries upon the death of the annuitant. Revenue from these agreements is recognized at the date the agreement is established, net of the calculated liability for the present value of the estimated future payments to be made to the annuitant. All changes to the present value of the estimated future payments are recorded as a gain or loss and included in Other Income on the Statement of Activities and Changes in Net Assets. The Corporation Sole has specific segregated assets for annuity payments and assures all liability associated with future payments. As of June 30, 2012 and 2011, CCF, Inc. had \$462,798 and \$400,900, respectively, in other assets on the Statement of Financial Position.

**The Catholic Community Foundation of the
Archdiocese of Baltimore, Inc.
Notes to Financial Statements
June 30, 2012 and 2011**

6. Net Assets

The net assets of CCF, Inc. are reported in the following categories:

Unrestricted

Net assets that are not considered temporarily or permanently restricted. Revenues are reported as increases in unrestricted net assets unless they are limited by donor-imposed restrictions. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted to unrestricted net assets.

Temporarily Restricted

Net assets subject to donor-imposed stipulations that may or will be met by the passage of time. Most of the Organizational and Individual Community investment funds are classified as temporarily restricted, in which the temporary status is the continued operation of the named entity.

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

7. Related Party Transactions

In exchange for administrative services, CCF, Inc. provides a management fee that is calculated monthly on investment values and paid to Central Services. Management fees for the years ended June 30, 2012 and 2011 were \$318,980 and \$288,500, respectively, and are recorded in Management fees on the Statements of Activities and Changes in Net Assets.

The Corporation Sole is in possession of grant money that was awarded to CCF, Inc. for purposes of a Mustard Seed Match program. A contribution receivable in the amount of \$89,000 and \$99,000 from the Corporation Sole is included in the contribution receivables reported on the Statement of Financial Position as of June 30, 2012 and 2011, respectively. Additionally, CCF, Inc. recorded grant expenditures related to Central Services in the amount of \$233,926 and \$214,500, respectively, for fiscal years 2012 and 2011.

8. Litigation

CCF, Inc. is not a party to any litigation or threatened litigation that is expected to have an adverse material impact on these financial statements. CCF, Inc. is a separately incorporated, Maryland nonstock 501(c)(3) corporation. It is in good standing in the State of Maryland and the majority of its assets are subject to donor-imposed restrictions regarding their use.

9. Subsequent Events

Subsequent events have been evaluated through December 18, 2012, which is the date the financial statements were available to be issued.