

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
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LarsonAllen[®] LLP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Community Foundation in
the Archdiocese of Saint Paul and Minneapolis
St. Paul, Minnesota

We have audited the accompanying consolidated statements of financial position of Catholic Community Foundation in the Archdiocese of Saint Paul and Minneapolis (Catholic Community Foundation) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Catholic Community Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
September 22, 2009



**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 7,274,821	\$ 1,088,963
Receivables:		
Management Fee	96,337	48,748
Interest	121,813	174,244
Contributions	1,006,149	1,019,901
From Sale of Contributed Asset	512,855	753,544
Beneficial Interest in Lead Trust	183,155	238,807
Other	261	309,773
Assets Held for Sale	1,070,000	-
Investments	124,169,856	159,660,137
Collateral Asset Pool - Securities Lending	14,339,030	20,084,687
Payable - Securities Lending	(14,895,510)	(20,385,502)
Assets Held in Charitable Remainder Trusts	7,402,462	12,800,491
Cash Surrender Value of Life Insurance	2,326,202	2,163,730
Property and Equipment, Net	328,970	143,883
Total Assets	\$ 143,936,401	\$ 178,101,406
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes Payable	\$ 89,733	\$ 97,964
Accounts Payable	127,793	232,525
Accrued Custodial and Investment Fees	236,428	172,651
Agency Funds	60,579,568	69,782,964
Beneficiary Endowments	11,606,949	14,201,188
Charitable Gift Annuity and Charitable Remainder Trust Obligations	7,873,833	8,228,693
Total Liabilities	80,514,304	92,715,985
Net Assets:		
Unrestricted	20,680,179	30,106,533
Temporarily Restricted	10,886,433	23,038,111
Permanently Restricted	31,855,485	32,240,777
Total Net Assets	63,422,097	85,385,421
Total Liabilities and Net Assets	\$ 143,936,401	\$ 178,101,406

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE (LOSSES), GAINS AND OTHER SUPPORT				
Contributions	\$ 6,030,997	\$ -	\$ 863,204	\$ 6,894,201
Management Fees (Note 7)	485,567	-	-	485,567
Investment Income (Losses)	(771,613)	215,178	-	(556,435)
Net Unrealized and Realized				
Loss on Investments	(9,669,196)	(8,462,986)	-	(18,132,182)
Gain (Loss) in Value of Split-Interest				
Agreements, Net	665,859	(1,320,546)	(1,248,496)	(1,903,183)
Release from Restrictions	2,583,324	(2,583,324)	-	-
Total Revenue (Losses), Gains and Other Support	(675,062)	(12,151,678)	(385,292)	(13,212,032)
GRANTS AND EXPENSES				
Grants and Expenses:				
Family of Faith	1,712,628	-	-	1,712,628
Seminary	466,139	-	-	466,139
Parish and School	3,655,968	-	-	3,655,968
Community Service	1,390,974	-	-	1,390,974
Total Grants and Expenses	7,225,709	-	-	7,225,709
Operating Expenses:				
Development	975,014	-	-	975,014
Management and General	550,569	-	-	550,569
Total Operating Expenses	1,525,583	-	-	1,525,583
Total Grants and Expenses	8,751,292	-	-	8,751,292
CHANGE IN INTEREST IN NET ASSETS OF GROWING IN FAITH CAPITAL CAMPAIGN				
	-	-	-	-
CHANGE IN NET ASSETS				
	(9,426,354)	(12,151,678)	(385,292)	(21,963,324)
Beginning Net Assets	30,106,533	23,038,111	32,240,777	85,385,421
ENDING NET ASSETS	\$ 20,680,179	\$ 10,886,433	\$ 31,855,485	\$ 63,422,097

See accompanying Notes to Financial Statements.

2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,214,038	\$ -	\$ 619,967	\$ 9,834,005
194,082	-	-	194,082
515,288	749,343	-	1,264,631
(3,628,030)	(4,329,786)	-	(7,957,816)
310,521	(978,832)	(994,040)	(1,662,351)
<u>2,501,061</u>	<u>(2,501,061)</u>	<u>-</u>	<u>-</u>
9,106,960	(7,060,336)	(374,073)	1,672,551
1,572,046	-	-	1,572,046
434,875	-	-	434,875
3,405,541	-	-	3,405,541
<u>1,496,614</u>	<u>-</u>	<u>-</u>	<u>1,496,614</u>
6,909,076	-	-	6,909,076
972,057	-	-	972,057
<u>500,785</u>	<u>-</u>	<u>-</u>	<u>500,785</u>
1,472,842	-	-	1,472,842
8,381,918	-	-	8,381,918
-	(849,278)	-	(849,278)
725,042	(7,909,614)	(374,073)	(7,558,645)
<u>29,381,491</u>	<u>30,947,725</u>	<u>32,614,850</u>	<u>92,944,066</u>
<u>\$ 30,106,533</u>	<u>\$ 23,038,111</u>	<u>\$ 32,240,777</u>	<u>\$ 85,385,421</u>

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (21,963,324)	\$ 9,108,022
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	46,073	25,295
Contributions Received, Held for Long-Term Investment	(863,204)	(619,967)
Change in Cash Surrender Value of Insurance Policies	(162,472)	(150,091)
Net Realized and Unrealized Loss on Investments	18,132,182	7,957,816
Loss in Value of Split Interest Agreements and Other	1,903,183	1,662,351
Change in Assets and Liabilities		
Management Fee Receivable	(47,589)	16,740
Interest Receivable	52,431	(14,622)
Contributions Receivable	254,441	(17,402,468)
Beneficial Interest in Lead Trust	55,652	43,957
Other Receivable	309,512	(304,336)
Interest in Net Assets of Growing in Faith Capital Campaign	-	849,278
Assets Held for Sale	(1,070,000)	
Accounts Payable	(104,732)	104,731
Accrued Expenses	63,777	(49,211)
Agency and Beneficiary Endowment Deposits	20,202,401	11,838,600
Agency and Beneficiary Endowment Withdrawals	(13,002,346)	(10,094,249)
Securities Lending Agreement Collateral and Payable	255,665	300,815
Net Cash Provided by Operating Activities	4,061,650	3,272,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Distributions from Growing in Faith Capital Campaign	-	147,701
Proceeds from Sale of Investments	125,112,330	197,093,223
Purchase of Investments	(123,257,075)	(200,473,286)
Purchases of Fixed Assets	(231,160)	(6,615)
Net Cash Provided (Used) by Investing Activities	1,624,095	(3,238,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Received, Held for Long-Term Investment	863,204	555,930
Additions to Annuity and Trust Agreement Obligations	158,898	729,855
Payments on Annuities and Trust Obligations	(513,758)	(469,873)
Payments on Notes Payable	(8,231)	(7,909)
Net Cash Provided by Financing Activities	500,113	808,003
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,185,858	841,687
Cash and Cash Equivalents - Beginning of Year	1,088,963	247,276
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,274,821	\$ 1,088,963
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Agency and Beneficiary Endowment Unrealized/Realized Gains and Losses and Fees	\$ (18,997,693)	\$ (7,963,697)
Noncash Contributions	\$ 1,652,000	\$ 1,472,238
Cash Paid for Interest	\$ 3,769	\$ 4,090

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 ORGANIZATION

Nature of Organization

The Catholic Community Foundation in The Archdiocese of Saint Paul and Minneapolis (the "Foundation") was incorporated in November 1992 and commenced operations in July 1993 with the mission to support financially, the spiritual, educational and social needs of the Catholic community. The Foundation fulfills this mission by:

1. Seeking endowment funds that support its mission.
2. Helping donors achieve their charitable and financial goals.
3. Helping parishes, schools, and Catholic organizations meet their long-term financial needs.
4. Providing responsible and effective financial management.
5. Distributing earnings according to community priorities and donor intent.

Programs

The Foundation accomplishes its mission through the following programs.

Endowments

The endowment funds are recorded as net assets on the statement of financial position.

The Family of Faith Endowments provides income for Catholic schools, religious education, ministerial enrichment, and social outreach programs within the Archdiocese of Saint Paul and Minneapolis (the "Archdiocese").

The Seminary Endowments provide tuition support for the spiritual and educational development for those in ministry.

Parish and School Endowments provide tuition aid and program support for parishes and schools within the Archdiocese.

Community Service Endowments are established to provide support for social needs in the community.

Split Interest Agreements – Charitable Gift Annuities and Charitable Remainder Trusts

Charitable gift annuities and charitable remainder trusts are offered to donors wishing to make a deferred gift to the Family of Faith endowments, parish and school endowments, operating funds, or other charitable causes. Donors receive life income payments and the gift remainder is restricted for Foundation endowments or other charitable causes. Net earnings on charitable remainder trust investments in excess of the payments made to donors are also restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 ORGANIZATION (CONTINUED)

Programs (Continued)

Donor Advised Funds

The Foundation offers funds whereby the donor has the privilege of recommending, and the Foundation has final authority of selecting, within the mission and the policies of the Foundation, the grant recipients. These funds may be established as endowments or may be provisional funds, in which instance both principal and income may be expended.

Agency Funds

The Foundation manages funds as an agent for parishes, schools and service organizations within the Archdiocese and in other Minnesota dioceses. As agent, the Foundation establishes, manages, and invests the funds in the organization's name. Distributions are made in accordance with the agency agreements or directions from the organization. Either party may cancel an agency agreement at any time.

Beneficiary Endowments

Beneficiary endowments represent funds that have been legally transferred to the Foundation for the long-term investment purposes in which the transferring organization is the beneficiary. These funds are generally recorded as liabilities on the statement of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented on a consolidated basis. Effective December 12, 2007, the Foundation obtained control through voting rights of the Arthur J. Popehn Family Foundation, a supporting organization of the Foundation. The acquisition of the Arthur J. Popehn Foundation was accounted for using the purchase method of accounting and only those activities subsequent to December 12, 2007 are included in the consolidated financial statements. The fair value of the acquired was approximately \$1,162,000 and was included in contributions in fiscal 2008. The net assets of the Arthur J. Popehn Family Foundation are included in unrestricted net assets of the Foundation. Intercompany transactions have been eliminated in consolidation.

Financial Statement Presentation

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

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues, which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Foundation or passage of time.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation. The donors of these resources permitted the Foundation to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Certain trust agreements contain variance power language which allows the Foundation to redirect the use of funds to third parties other than those designated in the original trust agreements if the Foundation determined that the originally designated third parties were no longer in operation or were operating in a manner inconsistent with the teachings of the Catholic Church. During the years ended June 30, 2009 and 2008, the Foundation reviewed all trust agreements for proper presentation of net assets as unrestricted, temporarily restricted, and permanently restricted.

These financial statements are limited to the fair presentation of the financial position and activities of the Foundation. These statements do not include the accounts and activities of the Archdiocese, or other organizations within the Archdiocese community, which are separate legal entities apart from the Foundation.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents included in investments on the statement of financial position are not available for use in operations and are not considered cash for the purpose of presenting cash flows. The Foundation maintains its cash accounts primarily at one financial institution. At times throughout the year, the Foundation's cash and equivalents balances may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Included in cash is a money market account totaling approximately \$2,394,000 and \$895,000 at June 30, 2009 and 2008, respectively.

Contributions Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation provides an allowance for uncollectible contributions based on management's best estimate.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at fair value, generally based on quoted market values. Donated investments are initially recorded at market value on the date of donation and thereafter reported in accordance with the above provisions. Realized and unrealized gains and losses for investments, other than agency obligations, beneficiary endowments, and charitable remainder trusts, are recorded in the statement of activities. Investment income and gains and losses on agency obligations and beneficiary endowment investments are reported as a direct increase or decrease to the obligations on the statement of financial position. Investment income and gains and losses for charitable remainder trusts are recorded within the trust activity.

The Foundation invests most of the endowments and agency funds in four investment pools managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments within the investment pools as well as investment costs are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

For the purpose of evaluating annual distributions from endowed funds, the Foundation has a policy to recognize changes in the purchasing power of the historical value of contributions. Adjustments for fiscal years are based on the Gross Domestic Product (GDP) deflator rate of 2.82% for the year ended June 30, 2008, 2.43% for the year ended June 30, 2007, and 4.72% for the year ended June 30, 2006.

Investment Income

The Foundation accounts for investment income recorded in the statement of activities, including gains and losses on investments, as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions related to the original contribution. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of donor restrictions.

Property and Equipment

Property and Equipment are stated at the lower of cost or estimated fair value. Depreciation and amortization are provided over estimated useful lives (shorter of asset life or lease term for leasehold improvements) by use of the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Foundation accepts gifts of life insurance whereby a donor designates the Foundation as a full or partial beneficiary of a life insurance policy or transfers all incidence of ownership in a policy to the Foundation. The majority of these gifts represent permanently restricted contributions for the Family of Faith Endowment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Development costs as shown in the accompanying statement of activities represent the Foundation's cost of fund-raising activities.

Interest in Net Assets of Growing in Faith Capital Campaign

The Foundation is a member of the Growing in Faith Capital Campaign Association in the Archdiocese of Saint Paul and Minneapolis, which was formed in September 2000. The equity interest that has been recorded represents the Foundation's share of the Growing in Faith Capital Campaign Association's net assets as of June 30, 2007. During fiscal 2008, the Foundation determined it no longer had a remaining interest in the Campaign.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Foundation is a non-private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor. It is the policy of the Foundation, in accordance with FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, to assess any uncertain tax provisions and, if necessary, record a tax asset or liability, and the related income tax expense, for any uncertain tax provisions. The Foundation does not have any uncertain tax positions or unrelated business income.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

On July 1, 2008, the Foundation adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Foundation accounts for its investments at fair value. In accordance with SFAS No. 157, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level of input that is significant to the fair value measurement of the instrument. Cash and cash equivalents are excluded in this valuation.

Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

At June 30, 2009 and 2008, the fair value of all financial instruments approximates carrying value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments – Fair value is based on quoted market prices at the reporting date. Donated investments are initially recorded at market value on the date of donation and thereafter reported in accordance with the above provisions.

Contributions Receivable – Carrying value, which approximates fair value, is based on the face amount of the gift, time remaining to maturity, and the interest rate applicable to determine the net present value of the receivable at June 30 (see Note 3).

Beneficial Interest in Lead Trust – Carrying value, which approximates fair value, is based on the face amount of the gift, time remaining to maturity, and the interest rate applicable to determine the net present value of the receivable at June 30 (see Note 5).

Obligations for Agency Funds and Endowments – Carrying value, which approximates fair value, of obligations for agency funds and beneficiary endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets.

Obligations for Charitable Gift Annuities and Remainder Trusts – Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations (see Note 9).

Financial Instruments and Concentration of Credit Risk

The Foundation holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Foundation's investment holdings and the amounts reported on the statements of financial position.

Uniform Prudent Management of Institutional Funds Act

During 2008 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the State of Minnesota. In August 2008, the FASB released FASB Staff Position 117-1 (FSP 117-1) which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted. The implementation of FSP 117-1 did not result in a reclassification of the Foundation's net assets.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through September 22, 2009, the date the consolidated financial statements were available to be issued.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at their estimated fair value, calculated using a present value factor of 4%. Expected collections of contributions receivable in future periods are as follows:

	2009	2008
Unconditional Promise to Give Before Unamortized		
Discount and Allowance for Uncollectibles	\$ 1,500,000	\$ 1,500,000
Less: Unamortized Discount	(493,851)	(480,099)
Net Contributions Receivable	\$ 1,006,149	\$ 1,019,901

The contribution receivable of \$1,500,000 at June 30, 2009 and 2008 is due from one donor and is not expected to be collected within the next 5 years. The present value of the pledge is based on the life expectancy of the donors providing funds to the family foundation making the pledge to the Foundation.

NOTE 4 RECEIVABLE FROM SALE OF DONATED ASSETS

Amounts receivable from the sale of donated assets bear interest at 8%. Expected future payments are as follows.

	2009	2008
Amounts Due In:		
Less Than One Year	\$ 151,379	\$ 109,440
One to Five Years	361,476	644,104
Totals	\$ 512,855	\$ 753,544

NOTE 5 CHARITABLE LEAD TRUST

During 2003, a donor established a trust with a local bank naming the Foundation as a lead beneficiary of a charitable lead trust. Under the terms of the split-interest agreement, the Foundation is to receive 6% of the trust assets for 10 years. The trust assets are valued at the beginning of the calendar year and the distributions are made quarterly. At the time of termination, the remaining assets are to be distributed to others.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 5 CHARITABLE LEAD TRUST (CONTINUED)

Using a discount rate of 4%, the present value of future benefits to be received by the Foundation was estimated to be \$183,155 and \$238,807 at June 30, 2009 and 2008, respectively, and was reported as a permanently restricted contribution. The Foundation received payments from the trust totaling \$64,435 and \$60,231 during the years ended June 30, 2009 and 2008, respectively.

NOTE 6 ASSETS HELD FOR SALE

During the year ended June 30, 2009, the Foundation received ownership rights to two corporations, with the intent for the Foundation to receive the proceeds received from selling the corporations. One of these corporations was sold during the year ended June 30, 2009. The remaining corporation was sold during August of the fiscal year ending June 30, 2010. The investment has met the criteria required by SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, to be classified as held for sale. In accordance with SFAS 144, this corporation has been recorded at the lower of the carrying amount, or the fair value less costs to sell. As of June 30, 2009, the assets held for sale is recorded at their fair value of \$1,070,000.

NOTE 7 INVESTMENTS

Investment securities, which are managed and held in safekeeping by others, are recorded at fair market value. A significant portion of the investments are held in five investment pools. Agency funds, beneficiary endowments, and other endowments are invested in four of the investment pools, and charitable gift annuities are invested in a fifth pool. Charitable remainder trusts, certain agency funds and donor advised funds are separately invested.

Investments consist of the following at June 30:

	2009	2008
Cash and Cash Equivalents	\$ 10,074,401	\$ 15,675,244
United States Government Securities	1,332,672	2,687,920
Corporate Bonds	20,143,198	33,165,992
Corporate Stocks	84,402,719	105,651,951
Hedge Equity	6,158,895	-
Real Estate Insurance Trust	9,582,246	15,453,765
Totals	<u>\$ 131,694,131</u>	<u>\$ 172,634,872</u>
As Presented on the Balance Sheet:		
Investments	\$ 124,169,856	\$ 159,660,137
Assets Held in Charitable Remainder Trust	7,402,462	12,800,491
Interest Receivable	121,813	174,244
	<u>\$ 131,694,131</u>	<u>\$ 172,634,872</u>

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NOTE 7 INVESTMENTS (CONTINUED)

	<u>2009</u>
As Presented in Fair Value Measurements (Note 16):	
Investments	\$ 119,241,166
Assets Held in Charitable Remainder Trust	7,402,462
Money Markets Funds Not included in Fair	
Value Measurements	5,050,503
	<u>\$ 131,694,131</u>

Amounts invested for agency depository funds and for long-term purposes at June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Agency Funds	\$ 54,352,859	\$ 64,420,778
Long-Term Investments:		
Beneficiary Endowments	11,430,833	13,891,134
Charitable Gift Annuities	6,072,951	7,725,766
Charitable Remainder Trusts	7,402,462	12,800,491
Endowment and Other	52,435,026	73,796,703
Totals	<u>\$ 131,694,131</u>	<u>\$ 172,634,872</u>

Individual co-mingled investments that exceeded 5% of the Foundation's net assets at year-end were as follows:

	<u>2009</u>	<u>2008</u>
LSV International Value Equity Fund LP	\$ 6,678,172	7,660,392
Bailard REIT, Inc,	4,927,894	7,156,966
Prudential PRISA Fund	4,453,796	7,965,397
Core Plus Fixed Income	5,453,897	9,902,648
Loomis Sayles	5,429,158	9,289,729
Brandywine Global	5,071,046	9,462,625
Artio Global	6,135,364	8,257,441

The LSV International Value Equity Fund Limited Partnership represent many securities in developed countries outside of the U.S. Bailard REIT, Inc. and the Prudential Prisa Fund are equity based Real Estate Income Trusts which consist of a diversified portfolio of commercial property. Core Plus Fixed Income Fund focuses on security selection, sector rotation, and yield curve positioning, while diversifying with respect to risk exposure. Loomis Sayles seeks high current income with a secondary objective of capital growth. They invest in income-producing securities, including below-investment-grade bonds. Brandywine Global invests in global bonds with the highest real yield, managing currency to protect and increase return, rotating among countries and controlling risk by purchasing undervalued securities. Artio Global's investment management is driven by dynamic sector and company fundamental analysis. Their process uses global fundamental analysis to establish relative values and priorities. They use a bottom-up approach for developed markets, top-down approach for emerging markets, and a hybrid approach for Japan.

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NOTE 7 INVESTMENTS (CONTINUED)

Investment income and net appreciation or depreciation in investments of agency depository funds and beneficiary endowments are recorded as additions or deductions to the agency deposit or beneficiary endowment liability. Investment income earned on the agency deposit and beneficiary endowments investments was \$1,243,428 and \$1,853,872 for the years ended June 30, 2009 and 2008, respectively. The market value of agency deposit and beneficiary endowments investments depreciated in value by \$19,446,576 and \$9,184,296 for the years ended June 30, 2009 and 2008, respectively.

The Foundation charges the various agency programs a quarterly management fee as reimbursement for certain administrative and investment costs. These fees are charged to the programs based on market value of their investments. In the accompanying statement of activities, management fees are as follows:

	2009	2008
Management Fees Charged on Agency and Beneficiary Endowments	\$ 411,069	\$ 101,084
Management Fees Charges on Trusts	74,498	92,998
Net Management Fee Income	\$ 485,567	\$ 194,082

Management fees charged on owned assets, other than trusts, were \$731,863 and \$996,402 as of June 30, 2009 and 2008, respectively. These fees have been eliminated from the revenue and expense in the statement of activities.

Investment fees charged on all funds were \$837,742 and \$949,336 for the years ended June 30, 2009 and 2008, respectively.

NOTE 8 SECURITIES LENDING

The Foundation participates in a securities lending program run by its custodial bank. Under the program the Foundation lends its investment securities to registered broker-dealers. Interest and dividends on the loaned securities revert to the Foundation. The borrower must provide collateral in the form of cash, U.S. Government securities or a bank letter of credit in an amount equal to or in excess of the loaned security's value. The cash collateral is then reinvested on behalf of the Foundation by the custodial bank.

The Foundation receives payment of a portion of earnings from the securities purchased with the cash-collateral. The amount of collateral held is adjusted daily based on market value changes of the loaned security. The borrower must return identical securities to close the loan at which time the collateral will be returned. Collateral is held by the investment custodian and is immediately available upon default. The custodial bank is responsible for the return of any borrowed securities. The Foundation is responsible for returning the amount of cash received as collateral and as such bears the market and credit risk for securities purchased with the cash received as collateral.

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NOTE 8 SECURITIES LENDING (CONTINUED)

The valuations of the collateral pool are provided to the Foundation by the custodial bank. For purposes of determining the values of collateral investments reflected on the consolidated statement of financial position the custodial bank uses financial models or other inputs where quoted prices in an active market are not available. Such valuations are estimates and are subject to uncertainties, and accordingly do not reflect the amounts that would necessarily be realized in a current sale.

As of June 30, 2009 and 2008 the Foundation had securities with a fair value of \$14,165,960 and \$19,397,832 on loan, respectively. The Foundation retains the market risk for all securities on loan which are reported within investments in the statement of financial position. At June 30, 2009, the fair value of the Foundation's portion of the collateral asset pool was \$14,339,030 compared with the Foundation's obligation to return collateral of \$14,895,510. At June 30, 2008, the fair value of the Foundation's portion of the collateral asset pool was \$20,084,687 compared with the Foundation's obligation to return collateral of \$20,385,502. As a result, the Foundation recorded an unrealized loss related to the securities lending program of \$255,665 and \$300,815 during the years ended June 30, 2009 and 2008, respectively. The fair value of the collateral asset pool is included as Level 3 assets described in the Fair Value Measurement footnote (see Note 16). Within the Asset Collateral Pool – Securities Lending 85% of the underlying assets are money market funds.

NOTE 9 SPLIT-INTEREST AGREEMENTS – CHARITABLE GIFT ANNUITY AND CHARITABLE REMAINDER TRUST OBLIGATIONS

The Foundation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Foundation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the general assets and liabilities of the Foundation. The Foundation's policy directs 100% of the asset value of annuities to be invested in a separate pool.

Assets received are recorded at fair value on the date the agreement or trust is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue, which totaled \$101,473 and \$134,973 in 2009 and 2008, respectively. The various deferred gift obligations have imputed interest rates between 5% and 10%.

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTE 9 SPLIT-INTEREST AGREEMENTS – CHARITABLE GIFT ANNUITY AND CHARITABLE REMAINDER TRUST OBLIGATIONS (CONTINUED)

The loss in value of split interest agreements consists of the following for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Investment Income	\$ 344,039	\$ 399,884
Net Realized Gains (Losses) on Charitable Remainder Trusts	(816,918)	100,981
Net Unrealized Gains on Charitable Remainder Trusts	(670,735)	(1,224,163)
Amortization of Discount on Charitable Remainder Trusts and Charitable Gift Annuities	(580,137)	(623,981)
Management Fees	(74,498)	(92,998)
Actuarial Adjustment	(104,934)	(222,074)
Totals	<u>\$ (1,903,183)</u>	<u>\$ (1,662,351)</u>

NOTE 10 LIFE INSURANCE

The Foundation is owner and beneficiary of 37 life insurance policies at June 30, 2009 and 2008. These policies had a total face value at June 30, 2009 and 2008 of approximately \$16,564,800. Cash surrender values at June 30, 2009 and 2008 totaled \$2,326,202 and \$2,163,730, respectively.

NOTE 11 NOTES PAYABLE

The Foundation has a note payable requiring monthly payments of \$1,000 including interest at 4%. At June 30, 2009, there was \$89,733 owed under this agreement.

Maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 8,567
2011	8,916
2012	9,279
2013	9,657
2014	10,050
Thereafter	43,264
Total	<u>\$ 89,733</u>

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NOTE 12 LEASES

The Foundation is committed under long-term operating leases for the rental of office space and office equipment. The terms of the leases range from three to five years.

Future minimum lease payments required under the above-described warehouse facility lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 122,589
2011	130,800
2012	132,218
2013	134,289
2014	32,567
Total	<u>\$ 552,463</u>

Rent expense for the years ended June 30, 2009 and 2008 was \$90,680 and \$55,452, respectively. In fiscal year 2009, the Foundation doubled its rental space.

NOTE 13 NET ASSETS

Permanently restricted net assets are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities. Temporarily restricted net assets are limited by donor restrictions to support certain program activities and include the undistributed income from and net appreciation on the restricted endowment accounts. Unrestricted net assets have no donor-imposed restrictions.

Permanently restricted net assets represent endowment funds established for the following purposes at June 30:

	<u>Permanently Restricted</u>	
	<u>2009</u>	<u>2008</u>
Family of Faith Program	\$ 19,048,204	\$ 18,932,269
Seminary Program	4,386,755	4,386,755
Parish, School and Community Service	5,275,186	4,540,256
Donor Advised	287,761	287,761
Charitable Gift Annuities Contribution	909,634	897,294
Charitable Trusts	1,947,945	3,196,442
	<u>\$ 31,855,485</u>	<u>\$ 32,240,777</u>

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTE 13 NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes at June 30:

	Temporarily Restricted	
	2009	2008
Family of Faith Program	\$ 156,319	\$ 4,631,401
Seminary Program	1,700,655	4,312,483
Parish, School and Community Service	33,910	605,232
Donor Advised	7,218	88,852
Charitable Gift Annuities Contribution	332,458	875,022
Charitable Trusts	497,274	868,278
Growing in Faith Capital Campaign (Catholic Education)	8,158,599	11,656,843
	<u>\$ 10,886,433</u>	<u>\$ 23,038,111</u>

Unrestricted net assets, subject to the ultimate discretion of the Foundation's directors amounted to \$20,680,179 and \$30,106,533 for the years ended June 30, 2009 and 2008, respectively. Included in unrestricted net assets are approximately \$17,661,000 and \$23,647,000 of donor advised funds as of June 30, 2009 and 2008, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has ultimate discretion of these funds.

NOTE 14 SATISFACTION OF DONOR RESTRICTIONS

Temporarily restricted net assets of \$2,583,324 and \$2,501,061 were used in accordance with donor restrictions and recorded as program expenses for the years ended June 30, 2009 and 2008, respectively.

NOTE 15 RELATED-PARTY TRANSACTIONS

The Foundation, whose mission is to support the needs of the Catholic Community, is related to the Archdiocese of Saint Paul and Minneapolis through some common directors who are a minority of the Foundation board.

The Foundation distributed grants to specific programs of the Archdiocese of Saint Paul and Minneapolis totaling \$455,588 and \$404,235 from beneficiary endowments and net asset accounts in 2009 and 2008, respectively.

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NOTE 15 RELATED-PARTY TRANSACTIONS (CONTINUED)

The Foundation participates in the defined benefit pension plan sponsored by the Archdiocese and organized as a trust with an independent trustee board, for all lay employees of certain organizations related to the Archdiocese who are full-time and have completed one year of service, and are at least 21 years of age. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available on an individual organization participation basis. The contributions for the plan are expensed as incurred. Contributions to the pension plan in 2009 and 2008 were \$35,479 and \$35,445, respectively.

The Foundation also participates in a Medical Benefit Plan, sponsored by the Archdiocese and organized as a trust, which provides medical benefits for full-time employees of certain organizations related to the Archdiocese. Medical insurance expense was \$110,358 and \$93,920 in 2009 and 2008, respectively.

The Foundation has entered into agreements with parishes and schools within the Archdiocese for management of endowment and investment funds.

During the year ended June 30, 2006, the Foundation contracted with a company for construction of leasehold improvements. The President and CEO of this company is the spouse of a former Foundation board member. At June 30, 2009 and 2008, the Foundation had a note payable to the company with an outstanding balance of \$89,733 and \$97,964, respectively.

NOTE 16 FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$63,462,675	\$ 40,237,905	\$ 15,540,586	\$ 119,241,166
Collateral Asset Pool - Securites Lending (Note 8)	-	-	14,339,030	14,339,030
Assets Held in Charitable Remainder Trusts	6,772,836	-	629,626	7,402,462

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended June 30, 2009:

	<u>Investments</u>	<u>Collateral Asset Pool</u>	<u>Charitable Remainder Trusts</u>
Balances as of July 1, 2008	\$ 15,122,364	\$ 20,084,687	\$ 4,046,217
Net Realized and Unrealized Losses	(5,511,328)	(255,655)	(239,877)
Investment Income	106,147	-	40,792
Fees	(64,765)	-	(13,791)
Cash Receipts	3,078	-	-
Purchases of Investments	6,600,000	-	-
Proceeds from Sales of Investments	(714,910)	(5,490,002)	-
Withdrawals and Payments to Beneficiaries	-	-	(3,203,715)
Balances as of June 30, 2009	<u>\$ 15,540,586</u>	<u>\$ 14,339,030</u>	<u>\$ 629,626</u>

NOTE 17 ENDOWMENTS

The Foundation's endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State's 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 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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NOTE 17 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment net asset activity and type of fund for the years ended June 30, 2009 and 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2008	\$ 3,844,415	\$ 10,842,608	\$ 32,240,777	\$ 46,927,800
Earnings:				
Investment Expense	(62,828)	(425,925)	-	(488,753)
Realized and Unrealized Losses	<u>(1,130,920)</u>	<u>(9,005,478)</u>	<u>(1,248,496)</u>	<u>(11,384,894)</u>
Total Investment Returns	(1,193,748)	(9,431,403)	(1,248,496)	(11,873,647)
Contributions	11,554	-	863,204	874,758
Appropriations for Expenditure	(321,384)	(1,582,019)	-	(1,903,403)
Other Changes:				
Reclass of Donor-Restricted Endowment Funds with Deficiencies	<u>(2,745,570)</u>	<u>2,745,570</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, June 30, 2009	<u>\$ (404,733)</u>	<u>\$ 2,574,756</u>	<u>\$ 31,855,485</u>	<u>\$ 34,025,508</u>

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NOTE 17 ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2007	\$ 4,195,131	\$ 15,930,595	\$ 32,614,849	\$ 52,740,575
Earnings:				
Investment Income (Expense)	11,904	(141,532)	-	(129,628)
Realized and Unrealized Losses	(2,833)	(3,563,300)	(994,040)	(4,560,173)
Total Investment Returns	9,071	(3,704,832)	(994,040)	(4,689,801)
Contributions	10,603	-	619,968	630,571
Appropriations for Expenditure	(264,568)	(1,488,977)	-	(1,753,545)
Other Changes:				
Reclass of Donor-Restricted Endowment Funds with Deficiencies	(105,822)	105,822	-	-
Endowment Net Assets, June 30, 2008	<u>\$ 3,844,415</u>	<u>\$ 10,842,608</u>	<u>\$ 32,240,777</u>	<u>\$ 46,927,800</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Net Assets by Type of Fund as of June 30, 2009:				
Donor-Restricted Endowment Funds	\$ (3,161,439)	\$ 2,574,756	\$ 31,855,485	\$ 31,268,802
Board Restricted Endowment Funds	2,756,706	-	-	2,756,706
Total Endowment Funds	<u>\$ (404,733)</u>	<u>\$ 2,574,756</u>	<u>\$ 31,855,485</u>	<u>\$ 34,025,508</u>
Endowment Fund Net Assets by Type of Fund as of June 30, 2008:				
Donor-Restricted Endowment Funds	\$ (105,822)	\$ 10,842,608	\$ 32,240,777	\$ 42,977,563
Board Restricted Endowment Funds	3,950,237	-	-	3,950,237
Total Endowment Funds	<u>\$ 3,844,415</u>	<u>\$ 10,842,608</u>	<u>\$ 32,240,777</u>	<u>\$ 46,927,800</u>

Funds with Deficiencies

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$3,161,439 and \$105,822 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTE 17 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowed assets to provide a predictable stream of funding for programs supported by its endowments, while seeking to maintain the purchasing power of gifts values at the time they are received. Endowed assets include donor restricted funds that the Foundation will hold in perpetuity or for a donor specified period, as well as Board designated funds. Endowed assets are invested in a manner that achieves a return over a rolling 10-year period which exceeds the rate of inflation by 5% to 7%, while outperforming a passive market index portfolio consisting of similar asset allocations over a rolling 5-year period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation'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.

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NOTE 18 GRANTS AND EXPENSES

The Foundation's grants and expenses were classified as follows for the years ended June 30, 2009 and 2008:

	Year Ended June 30, 2009						
	Program Grants and Expenses				Operating Expenses		Total
	Family of Faith	Seminary	Parish and School	Community Service	Development	Management and General	
PROGRAM GRANTS	\$ 1,599,304	\$ 466,139	\$ 3,570,664	\$ 1,303,464	\$ -	\$ -	\$ 6,939,571
OPERATING EXPENSES							
Professional Fees	10,907	-	-	-	45,184	93,131	149,222
Salaries and Benefits	-	-	85,304	85,304	503,186	343,497	1,017,291
Publications and Marketing	-	-	-	-	269,755	-	269,755
Life Insurance Payments	65,810	-	-	-	-	-	65,810
Office Supplies and Services	23,005	-	-	-	87,288	46,806	157,099
Occupancy	13,602	-	-	-	45,340	31,738	90,680
Miscellaneous	-	-	-	2,206	24,261	35,397	61,864
Total Operating Expenses	<u>113,324</u>	<u>-</u>	<u>85,304</u>	<u>87,510</u>	<u>975,014</u>	<u>550,569</u>	<u>1,811,721</u>
TOTAL EXPENSES	<u>\$ 1,712,628</u>	<u>\$ 466,139</u>	<u>\$ 3,655,968</u>	<u>\$ 1,390,974</u>	<u>\$ 975,014</u>	<u>\$ 550,569</u>	<u>\$ 8,751,292</u>
	Year Ended June 30, 2008						
	Program Grants and Expenses				Operating Expenses		
	Family of Faith	Seminary	Parish and School	Community Service	Development	Management and General	Total
PROGRAM GRANTS	\$ 1,465,758	\$ 434,875	\$ 3,325,532	\$ 1,413,648	\$ -	\$ -	\$ 6,639,813
OPERATING EXPENSES							
Professional Fees	17,701	-	-	-	76,772	137,946	232,419
Salaries and Benefits	-	-	80,009	80,009	483,864	271,799	915,681
Publications and Marketing	-	-	-	-	278,960	-	278,960
Life Insurance Payments	62,800	-	-	-	-	-	62,800
Office Supplies and Services	17,469	-	-	-	73,307	36,139	126,915
Occupancy	8,318	-	-	-	27,726	19,408	55,452
Miscellaneous	-	-	-	2,957	31,428	35,493	69,878
Total Operating Expenses	<u>106,288</u>	<u>-</u>	<u>80,009</u>	<u>82,966</u>	<u>972,057</u>	<u>500,785</u>	<u>1,742,105</u>
TOTAL EXPENSES	<u>\$ 1,572,046</u>	<u>\$ 434,875</u>	<u>\$ 3,405,541</u>	<u>\$ 1,496,614</u>	<u>\$ 972,057</u>	<u>\$ 500,785</u>	<u>\$ 8,381,918</u>