

Financial Statements and Report of
Independent Certified Public Accountants

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

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3-4
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6-7
Statement of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10-21

GRANT THORNTON LLP

1000 Wilson Boulevard
Suite 1400
Arlington, VA 22209

D +1 703 847 7500
F +1 703 848 9580
S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of The Catholic Community Foundation of the Archdiocese of Baltimore, Inc. ("CCF, Inc."), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CCF, Inc.'s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCF, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Community Foundation of the Archdiocese of Baltimore, Inc. as of June 30, 2019 and 2018, and the results of its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Arlington, Virginia
December 4, 2019

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

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 149,036	\$ 112,285
Investments	89,098,764	83,789,028
Other assets	587,679	573,426
Agency funds held for others	1,771,240	1,734,120
Contributions receivable, net of allowance and discount of \$264,215 and \$305,702 at June 30, 2019 and 2018, respectively	<u>626,004</u>	<u>821,082</u>
Total assets	<u>\$ 92,232,723</u>	<u>\$ 87,029,941</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued grant liabilities	\$ 4,078,992	\$ 3,994,567
Accrued expenses	625,513	531,375
Agency funds and liabilities to related entities	<u>1,771,240</u>	<u>1,734,120</u>
Total liabilities	6,475,745	6,260,062
NET ASSETS		
Without donor restrictions	7,156,874	6,963,364
With donor restrictions	<u>78,600,104</u>	<u>73,806,515</u>
Total net assets	85,756,978	80,769,879
Total liabilities and net assets	<u>\$ 92,232,723</u>	<u>\$ 87,029,941</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 54,461	\$ 2,901,629	\$ 2,956,090
Grant income	-	66,100	66,100
Other gains	695	13,559	14,254
Investment earnings, net	485,362	5,611,614	6,096,976
Net assets released from restrictions	<u>3,799,313</u>	<u>(3,799,313)</u>	<u>-</u>
Total revenue, gains and other support	4,339,831	4,793,589	9,133,420
Expenses:			
Management fees	941,394	-	941,394
Grant expense	<u>3,204,927</u>	<u>-</u>	<u>3,204,927</u>
Total grants and expenses	<u>4,146,321</u>	<u>-</u>	<u>4,146,321</u>
CHANGES IN NET ASSETS	193,510	4,793,589	4,987,099
Net assets beginning of year	<u>6,963,364</u>	<u>73,806,515</u>	<u>80,769,879</u>
Net assets end of year	<u>\$ 7,156,874</u>	<u>\$ 78,600,104</u>	<u>\$ 85,756,978</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 178,669	\$ 2,432,948	\$ 2,611,617
Grant income	-	-	-
Other gains (loss)	713	(53,028)	(52,315)
Investment earnings, net	549,306	6,026,412	6,575,718
Net assets released from restrictions	<u>3,519,003</u>	<u>(3,519,003)</u>	<u>-</u>
Total revenue, gains and other support	4,247,691	4,887,329	9,135,020
Expenses:			
Management fees	757,080	-	757,080
Grant expense	<u>3,142,357</u>	<u>-</u>	<u>3,142,357</u>
Total grants and expenses	<u>3,899,437</u>	<u>-</u>	<u>3,899,437</u>
CHANGES IN NET ASSETS	348,254	4,887,329	5,235,583
Net assets beginning of year	<u>6,615,110</u>	<u>68,919,186</u>	<u>75,534,296</u>
Net assets end of year	<u>\$ 6,963,364</u>	<u>\$ 73,806,515</u>	<u>\$ 80,769,879</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30,

	2019		
	<u>Program service</u>	<u>Management and general</u>	<u>Total expenses</u>
Grant expense	\$ 3,204,927	\$ -	\$ 3,204,927
Management and professional fees	43,970	789,701	833,671
Marketing expenses	<u>107,723</u>	<u>-</u>	<u>107,723</u>
Total expenses	<u>\$ 3,356,620</u>	<u>\$ 789,701</u>	<u>\$ 4,146,321</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ 4,987,098	\$ 5,235,583
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Realized gain on investments	(1,140,245)	(1,026,178)
Unrealized gain on investments	(4,956,730)	(5,663,717)
Change in operating assets and liabilities		
Agency funds held for others	37,120	(1,450,467)
Contributions receivable	195,078	273,466
Other assets	(14,253)	52,315
Accrued grant liabilities	84,425	1,091,342
Accrued expenses	94,139	271,194
Agency funds and liabilities to related entities	(37,120)	1,450,467
Net cash (used in) provided by operating activities	<u>(750,488)</u>	<u>234,005</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	21,122,050	15,939,451
Purchase of investments	<u>(20,334,811)</u>	<u>(16,269,615)</u>
Net cash provided by (used in) investing activities	<u>787,239</u>	<u>(330,165)</u>
NET INCREASE (DECREASE) IN CASH	36,751	(96,159)
Cash at beginning of year	<u>112,285</u>	<u>208,444</u>
Cash at end of year	<u>\$ 149,036</u>	<u>\$ 112,285</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, 2019 and 2018

NOTE 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 ("Corporation Sole" or "Archdiocese"), to provide certain administration and development functions in exchange for administrative fees. There were 533 separate fund agreements in CCF, Inc. as of June 30, 2019. 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 donor-restricted funds may have several beneficiaries that will receive ongoing financial support. As required by CCF, Inc.'s Board of Trustees, 50% of the income and assets of a fund must be restricted 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 CCF, Inc.'s professional advice and management. Donors may suggest charitable distributions from funds they have established, although CCF, Inc.'s Board of Trustees is required to make final decisions on all grants.

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

Investments are managed by an external investment management firm.

NOTE 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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 fair value of investments is subject to fluctuations on a year-to-year basis, CCF, Inc. believes that its investment policies are prudent for the long-term welfare of the organization.

CCF, Inc.'s cash management policies limit its exposure to a concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash is maintained at one financial institution and at times, the total value of deposits maintained may exceed the FDIC insurable limit and, therefore, bears some risk. CCF, Inc. has not experienced any losses as a result of exceeding insured amounts. As of June 30, 2019, the balance held in excess of the FDIC limit was \$0.

Fair Value of Financial Instruments

• **Cash and Investments**

The carrying amount for cash and investments approximates fair value. The fair value of investments is based on quoted market prices as of the reporting date. Income from cash and investments are included in unrestricted investment income, unless the income is restricted by the donor.

• **Contributions Receivable**

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 using a risk-adjusted discount rate applicable to the years in which the promises were received. Discount rates utilized were derived utilizing the risk-adjusted rate and ranged from 1.01% to 4.30% at June 30, 2019 and 2018. Refer to Note 4, Contributions Revenue and Receivable, for details of amounts associated with contributions.

• **Charitable Gift Annuities**

The net fair value of gift annuities is determined annually by adjusting the annuity liability to reflect amortization of the discount and changes in the life expectancy of the donors/annuitants. 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**

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments - Continued

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Fair value is based on pricing inputs other than quoted prices in active markets and which are either directly or indirectly observable as of the reporting date. The nature of these securities includes investments for which quoted prices are available but traded less frequently than securities traded on what are deemed active markets.

Level 3 - Pricing of securities are unobservable as of the reporting date. The inputs used to determine fair value are not observable and require significant management judgment or estimation.

CCF, Inc. endeavors to utilize the best available information in measuring fair value. All investments are held and managed by Strategic Solutions of Commonfund. These investments include private capital, global hedged instruments, natural resources and real estate and generally have an illiquid status of five years or more.

The combined entities use the net asset value (“NAV”) to determine the fair value of all underlying investments which, (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables summarize the valuation of CCF, Inc.’s financial instruments by authoritative pricing levels as of June 30, 2019 and 2018:

	<u>Fair Value Measurements</u>		
	<u>Level 2</u>	<u>Net Asset Value</u>	<u>Total Fair Value</u>
June 30, 2019			
Cash equivalents	\$ 431,060	\$ -	\$ 431,060
Fixed income funds*	-	16,084,852	16,084,852
Private equity funds*	-	54,541,776	54,541,776
Alternative funds*	-	18,041,076	18,041,076
	<u>431,060</u>	<u>88,667,704</u>	<u>89,098,764</u>
Total investments			
Agency funds held for others*	-	1,771,240	1,771,240
	<u>431,060</u>	<u>1,771,240</u>	<u>1,771,240</u>
Total investments and agency funds held for others	<u>\$ 431,060</u>	<u>\$ 90,438,944</u>	<u>\$ 90,870,004</u>

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments - Continued

	Fair Value Measurements		Total Fair Value
	Level 2	Net Asset Value	
At June 30, 2018			
Cash equivalents	\$ 530,336	\$ -	\$ 530,336
Fixed income funds*	-	12,621,514	12,621,514
Private equity funds*	-	52,420,802	52,420,802
Alternative funds*	-	18,216,376	18,216,376
Total investments	530,336	83,258,692	83,789,028
Agency funds held for others*	-	1,734,120	1,734,120
Total investments and agency funds held for others	\$ 530,336	\$ 84,992,812	\$ 85,523,148

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

The following tables list investments valued using the NAV as a practical expedient for fair value reporting by major category:

2019								
Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Private Equity Funds	These funds invest in global venture capital and private equity securities	\$55,631,312	9	\$5,649,981	1 fund is scheduled to terminate in 4 years; 2 in 7 years; 1 in 8 years; 1 in 9 years; 1 in 10 years; 3 funds open ended	No liquidity until end of term for 6 funds; daily for 1 fund; monthly for 2 funds	No liquidity for 6 funds until end of term; 1 fund no partial redemption if remaining value is less than \$100,000; 2 funds no restrictions	No liquidity for 6 funds until end of term; 1 fund 5 business days prior written notice, 2 remaining funds monthly
Fixed Income Fund	This fund invests in a variety of US corporate, US treasury and global debt securities	16,406,164	1	\$0	Monthly	Monthly	Minimum withdrawal of \$100,000	5 business days prior written notice
Commingled Funds	These funds invest in a portfolio of underlying hedge funds which use a variety of investment strategies	15,533,954	8	\$2,842,475	1 fund is scheduled to terminate in 4 years; 1 in 7 years; 1 in 11 years; 5 remaining funds open ended	No liquidity until end of term for 3 funds; 3 funds quarterly; 2 funds daily	No liquidity until end of term for 3 funds; 3 funds maximum withdrawal up to 25% of shares; 2 fund no restrictions	No liquidity until end of term for 3 funds; 3 funds 65 days prior written notice; 2 funds no restrictions
Real Estate Funds	These funds invest in non-traded REITs	2,867,514	4	\$3,235,129	1 fund to terminate in 14 years, 3 funds open ended	No liquidity until end of term for 3 funds; 1 fund quarterly	No liquidity until end of term for 3 funds; 1 fund quarterly	No liquidity until end of term for 3 funds; 1 fund 90 days
Total		\$90,438,944	22					

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments - Continued

Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	2018			
					Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Private Equity Funds	These funds invest in global venture capital and private equity securities	\$53,512,627	9	\$6,920,350	1 fund is scheduled to terminate in 5 years; 2 in 8 years; 1 in 9 years; 1 in 10 years; 1 in 11 years; 3 funds open ended	No liquidity until end of term for 6 funds; daily for 2 fund; monthly for 1 remaining fund	No liquidity until end of term for 6 funds; 1 fund no partial redemption if remaining value is less than \$100,000; 2 funds no restrictions	No liquidity until end of term for 6 funds; 1 fund 5 business days prior written notice, 2 remaining funds monthly
Fixed Income Fund	This fund invests in a variety of US corporate, US treasury and global debt securities	12,884,396	1	\$0	Monthly	Monthly	Minimum withdrawal of \$100,000	5 business days prior written notice
Commingled Funds	These funds invest in a portfolio of underlying hedge funds which use a variety of investment strategies	15,904,983	13	\$5,861,563	1 fund is scheduled to terminate in 5 years; 1 in 8 years; 1 in 12 years; 1 in 15 years; 9 remaining funds open ended	No liquidity until end of term for 4 funds; 7 funds; 7 funds quarterly; 2 funds daily	No liquidity until end of term for 4 funds; 7 funds maximum withdrawal up to 25% of shares; 2 fund no restrictions	No liquidity until end of term for 4 funds; 7 funds 95 days prior written notice; 2 funds no restrictions
Real Estate Funds	These funds invest in non-traded REITs	2,690,806	3	\$534,973	3 funds are open ended	No liquidity until end of term for 2 funds; 1 fund quarterly	No liquidity until end of term for 2 funds; 1 fund no restrictions	No liquidity until end of term for 2 funds; 1 fund 120 days
Total		\$84,992,812	26					

CCF, Inc. uses investment advisors to assist in managing its investment portfolio. This full discretionary investment account, guided by a Board approved Investment Policy Statement, was transitioned in May 2011. CCF, Inc.'s Investment Committee of the Board of Trustees meets regularly with advisors to discuss operations and performances of the investment portfolio.

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

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 its fair value, or has been in CCF, Inc.'s portfolio for less than 12 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 fair value of the fund measured by a trailing market average over the past 12 quarters. The spending rate shall never be less than 3% or higher than 5%.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grant Expense - Continued

The spending rate calculated and applied to applicable fund balances was 4.21% and 4.22% for years ended June 30, 2019 and 2018.

Investment Income

Investment income is presented net of investment advisory/management fees in the accompanying statements of activities and changes in net assets.

Income Taxes

CCF, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), except for those activities which constitute unrelated business income, 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.

CCF, Inc. follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or not recognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. CCF, Inc. does not believe its financial statements include any uncertain tax positions. CCF, Inc. is no longer subject to U.S. federal and state tax examinations for years prior to the year ended June 30, 2015.

CCF, Inc. has processes presently in place to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. CCF, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adoption of New Accounting Pronouncement

CCF, Inc. adopted Accounting Standards Update (“ASU”) 2014-16, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* for the year ended June 30, 2019. This standard was issued by the FASB to improve the previous net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. ASU 2016-14 reduces the number of net asset classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements or accompanying disclosures, and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, CCF, Inc. applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as “Unrestricted net assets” have been reclassified to be presented as “Net assets without donor restrictions.” Similarly, all amounts previously reported as “Temporarily restricted net assets” and “Permanently restricted net assets” have been reclassified to be presented as “Net assets with donor restrictions.” The changes in net assets have similarly been reclassified. There was no change in total net assets or total change in net assets as result of the adoption of ASU 2014-16 during 2019.

<u>Net Assets Classifications</u>	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As previously presented:			
Unrestricted	\$ 6,963,394	\$ -	\$ 6,963,364
Temporarily restricted	-	73,741,887	73,741,887
Permanently restricted	-	64,628	64,628
Total expenses	\$ 6,963,394	\$ 73,806,515	\$ 80,769,879

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, follow:

Financial assets:	
Cash	\$ 149,036
Accounts receivable, net	626,004
Less collectibles greater than one year	(483,400)
Investments and agency funds	90,870,004
Less investments held for others	(2,904,966)
Less assets with donor restrictions	<u>(78,600,104)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,656,574</u>

The purpose of the Catholic Community Foundation is to hold all investments in perpetuity to financially support the spiritual, educational and social needs of the Catholic community within the Archdiocese of Baltimore. A suitable proportion of CCF's investment balances are held in Board approved instruments that can be converted to cash if needed.

NOTE 4 - INVESTMENTS

Investments are stated at fair value. CCF, Inc. maintains master investment accounts. Realized and unrealized gains and losses are allocated monthly to the accounts. Dividends and interest are recognized as earned. The master investments are managed by an independent professional investment management firm and are diversified among a variety of investment products. The fair values of the master investment accounts held as of June 30, 2019 and 2018 are:

	2019	2018
Cash equivalents	\$ 431,060	\$ 530,336
Fixed income funds	16,084,852	12,621,514
Private equity funds	54,541,776	52,420,802
Alternative funds	<u>18,041,076</u>	<u>18,216,376</u>
	<u>\$ 89,098,764</u>	<u>\$ 83,789,028</u>

Agency Funds

CCF, Inc. applies *Transfers of Assets to Not-for-Profit Organizations or Charitable Trust that Raises or Holds Contributions for Others* guidance, 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. At June 30, 2019 and 2018, the balance of these funds was \$1,771,240 and \$1,734,120, respectively. The change in value is related to an additional agency fund being set up as well as an increase in fair value. There were no distributions from agency funds for the years ended June 30, 2019 or 2018.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 4 - INVESTMENTS - Continued

Investment Income

The following schedule summarizes investment earnings for the year ending June 30:

	<u>2019</u>	<u>2018</u>
Return on investments, net	\$ 6,211,391	\$ 6,689,895
Less: investment expenses	<u>(114,415)</u>	<u>(114,177)</u>
	<u>\$ 6,096,976</u>	<u>\$ 6,575,718</u>

NOTE 5 - CONTRIBUTIONS REVENUE AND RECEIVABLE

Contributions, including unconditional promises to give, are recognized as revenue in the period the pledge is 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 net assets with donor restrictions in the financial statements. Allowance of uncollectable pledges is estimated at 7.5% of pledges received unless circumstances dictate otherwise.

Contributions receivable are summarized as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected:		
Less than one year	\$ 406,819	\$ 424,509
One to five years	454,400	672,954
Over five years	<u>29,000</u>	<u>29,321</u>
	890,219	1,126,784
Less:		
Unamortized discount	(35,686)	(60,480)
Allowance for uncollectible receivables	<u>(228,529)</u>	<u>(245,222)</u>
Net contributions receivable	<u>\$ 626,004</u>	<u>\$ 821,082</u>

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 6 - OTHER ASSETS

The 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 respective 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(s). All changes to the present value of the estimated future payments are recorded as a gain or loss and included in other loss on the statement of activities and changes in net assets. The Corporation Sole has specific segregated assets for annuity payments and assumes all liabilities associated with future payments. As of June 30, 2019 and 2018, CCF, Inc. had \$490,874 and \$482,155, respectively, in other assets on the Statements of Financial Position representing CCF, Inc.'s beneficial interest in split-interest agreements.

The following tables summarize the changes in CCF, Inc.'s beneficial interest under split-interest agreements for the years ended June 30, 2019 and 2018:

	2019		
	Charitable Remainder Trust	Annuity Agreements	Total
Balance at June 30, 2018	\$ 127,221	\$ 354,934	\$ 482,155
Beneficial interest in new split-interest agreements	-	-	-
Change in value of split-interest agreements	2,662	6,057	8,719
Balance at June 30, 2019	<u>\$ 129,883</u>	<u>\$ 360,991</u>	<u>\$ 490,874</u>
	2018		
	Charitable Remainder Trust	Annuity Agreements	Total
Balance at June 30, 2017	\$ 125,086	\$ 453,621	\$ 578,707
Beneficial interest in new split-interest agreements	-	-	-
Change in value of split-interest agreements	2,135	(98,687)	(96,552)
Balance at June 30, 2018	<u>\$ 127,221</u>	<u>\$ 354,934</u>	<u>\$ 482,155</u>

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 7 - NET ASSETS

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

Without Donor Restrictions

Net assets that are not considered not restricted through time or purpose or donor-restricted are classified as without donor restrictions. Revenues are reported as increases in net assets without donor restrictions unless they are limited by express donor-imposed restrictions. Expirations of time and purpose 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 time and purpose restricted net assets to without donor restricted net assets. For the years ended June 30, 2019 and 2018, CCF, Inc. has a balance of \$7,156,874 and \$6,963,394, respectively, of net assets without donor restrictions.

With Donor Restrictions

Restricted for Time or Purpose

Net assets subject to donor-imposed stipulations that may or will be met by the passage of time or by actions of CCF, Inc. pursuant to those stipulations are classified as time and purpose restricted. Most of the Organizational and Individual Community investment funds are classified as with donor restrictions due to time or purpose. For the years ended June 30, 2019 and 2018, CCF, Inc. has a balance of \$78,535,476 and \$73,741,887, respectively, of net assets with donor restrictions due to time and purpose.

Restricted in Perpetuity

Net assets subject to donor-imposed stipulations that they be maintained in perpetuity are classified as with donor restrictions. 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. For each of the years ended June 30, 2019 and 2018, CCF, Inc. has a balance of \$64,628 of net assets with donor restrictions permanently restricted.

NOTE 8 - RELATED PARTY TRANSACTIONS

In exchange for administrative services, CCF, Inc. provides a management fee that is calculated monthly on investment values and paid to the Archdiocese. Management fees for the years ended June 30, 2019 and 2018 totaled \$806,554 and \$666,765, respectively, and are recorded in Management fees on the statements of activities and changes in net assets. Additionally, CCF, Inc. received a grant of \$66,100 and \$-0- for the years ended June 30, 2019 and 2018, respectively, from the Archdiocese to fully provide for operating expenses which is recorded as Grant Income in the statements of activities and changes in net assets. Included in grant expense in the statements of activities and changes in net assets is \$1,139,976 and \$1,251,443 of grants awarded to the Corporation Sole for the years ended June 30, 2019 and 2018, respectively.

The Corporation Sole has traditionally allocated a portion of its campaign contributions towards Mustard Seed Match donor incentive programs, specifically for new funds added to CCF, Inc. for the purpose of assisting families with the cost of Catholic education. During the year ended June 30, 2015, as part of the *Embracing Our Mission—Shaping Our Future* capital campaign, the Corporation Sole established a \$1 for every \$2 match towards Archdiocesan Catholic School's that established or added to their tuition assistance scholarships endowments. Included in Contributions on the statements of activities and changes in net assets were Mustard Seed contributions of \$143,500 and \$49,127 for the years ended June 30, 2019 and 2018, respectively.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2019 and 2018

NOTE 9 - LITIGATIONS

CCF, Inc. is not a party to any litigation or threatened litigation that is expected to have an adverse material impact on the accompanying 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.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 4, 2019, which is the date the financial statements were available to be issued.

CCF, Inc. is not aware of any subsequent events which would require additional recognition or disclosure in the accompanying financial statements as of June 30, 2019.