

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
FINANCIAL STATEMENTS
DECEMBER 31, 2016

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Catholic Foundation for Brooklyn and Queens

We have audited the accompanying financial statements of Catholic Foundation for Brooklyn and Queens, which comprise the statement of financial position at December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Foundation for Brooklyn and Queens at December 31, 2016, and the changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
June 30, 2017

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 24,013,300
Investments	14,657,637
Restricted investments	46,647,477
Contributions and pledges receivable, net	73,920,166
Prepaid expenses and other assets	1,449,956
Furniture and equipment, net	<u>3,067</u>
 TOTAL ASSETS	 <u><u>\$ 160,691,603</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued expenses	\$ 117,242
Grants payable	1,656,563
Funds held as agency endowments	<u>82,975,038</u>
 TOTAL LIABILITIES	 <u>84,748,843</u>
 COMMITMENTS AND CONTINGENCIES	
Net assets:	
Unrestricted	
Board designated	1,683,331
Operating	<u>2,073,671</u>
Total unrestricted	3,757,002
 Temporarily restricted	 25,538,281
Permanently restricted	<u>46,647,477</u>
 TOTAL NET ASSETS	 <u>75,942,760</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 160,691,603</u></u>

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated			
REVENUE, GAINS AND SUPPORT:					
Dividends and interest	\$ 121,654	\$ 15,607	\$ 173	\$ -	\$ 137,434
Net unrealized and realized gain on investments	-	5,066	4,054,154	-	4,059,220
Contributions	26,350	-	2,703,585	480,921	3,210,856
Contributions - capital campaign	-	-	7,679,852	-	7,679,852
Fundraising events, net of direct cost of \$50,191	255,197	-	-	-	255,197
Management fee income	926,306	-	-	-	926,306
Other fees	839,349	-	-	-	839,349
Net assets released from donor restrictions	10,953,663	-	(10,953,663)	-	-
Total Revenue, Gains and Support	13,122,519	20,673	3,484,101	480,921	17,108,214
EXPENSES:					
Program Service - charitable grant making	7,183,423	1,628,380	-	-	8,811,803
Supporting Services:					
Management and general	843,440	2,230	-	-	845,670
Fundraising (including \$3,062,023 of capital campaign)	3,241,061	-	-	-	3,241,061
Total Expenses	11,267,924	1,630,610	-	-	12,898,534
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	1,854,595	(1,609,937)	3,484,101	480,921	4,209,680
Board designation - grant making	(1,487,936)	1,487,936	-	-	-
CHANGE IN NET ASSETS	366,659	(122,001)	3,484,101	480,921	4,209,680
NET ASSETS:					
Beginning of year	1,707,012	1,805,332	22,054,180	46,166,556	71,733,080
End of year	\$ 2,073,671	\$ 1,683,331	\$ 25,538,281	\$ 46,647,477	\$ 75,942,760

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Service	Supporting Services		Direct Cost of Special Event	Total
	Charitable Grant Making	Management and General	Fundraising		
Charitable grant making	\$ 7,124,172	\$ -	\$ -	\$ -	\$ 7,124,172
Salaries	360,543	128,872	380,651	-	870,066
Fringe benefits	38,657	45,736	78,473	-	162,866
Investment fees	-	400,606	-	-	400,606
Professional fees	899,610	195,299	1,925,393	-	3,020,302
Occupancy	52,225	21,737	18,766	-	92,728
Printing and postage	15,481	5,011	600,553	-	621,045
Office expenses	261,130	34,335	161,957	-	457,422
Contribution expense	7,566	459	39,663	-	47,688
Advertising	50,040	-	29,629	-	79,669
Other	2,379	1,615	5,976	-	9,970
Bad debt	-	12,000	-	-	12,000
Catering and facility rental	-	-	-	50,191	50,191
Total Expenses	8,811,803	845,670	3,241,061	50,191	12,948,725
Less: Direct cost of special events	-	-	-	(50,191)	(50,191)
Total Expenses Reported by Function on the Statement of Activities	\$ 8,811,803	\$ 845,670	\$ 3,241,061	\$ -	\$ 12,898,534

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 4,209,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,067
Bad debt expense	12,000
Net unrealized and realized gain on investments	(4,059,220)
Permanently restricted contributions	(480,921)
Change in operating assets and liabilities:	
Contributions and pledges receivable	(22,714,934)
Prepaid expenses and other assets	(709,503)
Accrued expenses	44,761
Grants payable	4,185
Funds held as agency endowments	<u>27,369,787</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,678,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from investment transactions	51,827,535
Purchase of investments	<u>(46,643,834)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,183,701</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for endowment	<u>480,921</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>480,921</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,343,524
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,669,776</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 24,013,300</u></u>

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Nature of Organization

Catholic Foundation for Brooklyn and Queens (“CFBQ”) is the Catholic community foundation which supports the charitable works of the Roman Catholic Diocese of Brooklyn (“Diocese of Brooklyn”). CFBQ’s purpose is to support financially the spiritual, educational, and social needs of the Catholic community through the procurement and building of endowment funds while practicing responsible Christian stewardship for the preservation and promotion of the Diocese of Brooklyn. CFBQ’s primary sources of revenue are contribution and investment income.

CFBQ is listed in the Official Catholic Directory and is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code as an integrated auxiliary of the Roman Catholic Church, Diocese of Brooklyn.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments and Restricted Investments at Fair Value

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements*.

Investments consist of interests in the Compostela Fund of the Diocese of Brooklyn (the “Fund”) (see Notes 3 and 4). Interest, dividend income, realized and unrealized gains and losses are allocated monthly to CFBQ based on pro-rata participation in the Fund.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts has been included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions and pledges receivable have been discounted over the payment period using a discount rate of 1.93%. Contributions receivable are due at December 31, 2016 as follows:

Less than one year	\$ 22,237,906
One to five years	88,461,628
	110,699,534
Less: Discount to present value	1,668,155
Less: Allowance for uncollectible amounts	35,111,213
	\$ 73,920,166
 Total	 \$ 73,920,166

Allowance for Doubtful Accounts

CFBQ determines whether an allowance for doubtful accounts should be provided for contributions and pledges receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Contributions and pledges receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. CFBQ has recorded an allowance for doubtful accounts of \$35,111,213 at December 31, 2016.

Grants Payable

Grant distributions authorized but unpaid at year-end are reported as liabilities and are expected to be paid in the next year.

Funds Held as Agency Endowments

CFBQ receives and distributes assets under certain agency arrangements. When CFBQ accepts a contribution from a non-for-profit organization to establish a fund that specifies itself or other unaffiliated beneficiary of that fund, CFBQ will account for that transfer of such assets as a liability. The liability is valued at fair value of the funds received, adjusted for investment earnings, fees, gains and losses. CFBQ maintains legal ownership of agency endowment funds, and as such, continues to report the funds as assets of CFBQ. At December 31, 2016, CFBQ has raised a total of \$108,106,418 through the capital campaign, of which \$16,794,788 represents temporarily restricted contributions, and \$91,311,630 represents 123 various agency endowment funds. During 2016, \$8,336,592 of the endowment funds was distributed to the Diocese of Brooklyn, leaving a remaining amount of \$82,975,038 as funds held at December 31, 2016.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Board designated funds are amounts designated by the board of directors for a specific grant making purpose. During the year ended December 31, 2016, the Board of Directors designated \$1,487,936 for the purpose of future grant applications. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes. Permanently restricted net assets are those which are established by donor restricted gifts and bequests to provide a permanent endowment.

Contributions

Contributions received and unconditional promises to give are recorded as public support at fair value in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

CFBQ records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. buildings and improvements, furniture, fixtures and equipment) are reported as temporarily restricted. Once the long-lived assets have been acquired or constructed, it is CFBQ's policy to reflect the contribution or donation of the long-lived asset in its unrestricted net assets through a reclassification of net assets.

Contributions of donated services are reported as revenue and expenses at fair value if such services create or enhance nonfinancial assets, or require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by CFBQ if they had not been donated. At December 31, 2016, there was no contribution of donated services.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting CFBQ's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2016, the cost basis of CFBQ's financial instruments, including cash and cash equivalents, contributions and pledges receivable, accrued expenses, grants payable and funds held as agency endowments, approximated fair value due to the short maturity of these instruments.

Refer to Note 4 - Fair Value Measurements for assets measured at fair value.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense in the period incurred.

Depreciation of furniture and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Furniture and equipment	3 to 5 years
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Accumulated depreciation is \$12,268 at December 31, 2016.

Accounting for Uncertainty in Income Taxes

CFBQ has adopted the provisions pertaining to uncertain tax provisions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncements

ASU No. 2016-14

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Non-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Non-for-Profit Entities*. This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-14 (cont'd.)

The ASU provides for changes in financial statement presentation that effect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2015-07

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value ("NAV") practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016, with early adoption permitted.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods.

CFBQ has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Investments

CFBQ is an investor in the Fund, which is a separately incorporated, nonregulated investment fund of equities and bonds. The fair value of CFBQ's investment in the Fund at December 31, 2016 is as follows:

Compostela Funds:	
Equities	\$ 44,388,945
Bonds	<u>16,916,169</u>
	<u>\$ 61,305,114</u>

These funds are comprised of equities and fixed income investments. Redemptions are made on the valuation date (monthly) immediately following the date the Fund receives all documentation necessary to process the redemption order.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the net assets of CFBQ.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4 - Fair Value Measurements

CFBQ measures its investments at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect CFBQ's own assumptions of market participant valuation (unobservable inputs).

CFBQ's does not have any Level 1 investments which would have inputs consisting of quoted market prices of identical securities.

Level 2 inputs are carried at fair value based on net asset values calculated by the Fund at the financial statement date.

The fair value of the investment in the Fund is measured by utilizing the authoritative guidance under U.S. GAAP for estimating the fair value of investment in the Fund that has calculated net asset value ("NAV") per share. Accordingly, CFBQ estimates the fair value of the investment in the Fund using the NAV of the investment (or its equivalent) without further adjustment. The investment in the Fund is classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which CFBQ investments have been classified, CFBQ has assessed factors including, but not limited to price transparency, the ability to redeem at NAV at year-end and the existence or absence of certain restrictions at year-end. If CFBQ has the ability to redeem from the investment at year-end or in the near-term (within three months of the year-end) at net asset value, the investment is classified as a Level 2 fair value measurement.

Items Measured at Fair Value on a Recurring Basis

The following table presents CFBQ's assets that are measured at fair value on a recurring basis at December 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Compostela Funds:				
Equities	\$ 44,388,945	\$ -	\$ 44,388,945	\$ -
Bonds	16,916,169	-	16,916,169	-
	<u>\$ 61,305,114</u>	<u>\$ -</u>	<u>\$ 61,305,114</u>	<u>\$ -</u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4 - Fair Value Measurements (cont'd.)

Fund's Investment Strategies and Liquidity

The Fund pursues multiple strategies to diversify risks and reduce volatility. The investment objective of the Fund is maximizing total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, income. The Bond Fund's composite portfolio for this class includes investments in investment grade fixed income securities, high yield fixed income securities, and cash. The Equities Fund's composite portfolio for this class includes investments of U.S. large-cap, mid-cap, and small-cap stocks, international stocks, real estate equities (real estate investment trust securities), and cash.

The Fund has a redemption notice period of 90 days and is redeemable on a semi-annual basis. The Fund's composite portfolio for this class includes investments in U.S. equities and bonds.

Note 5 - Temporarily Restricted Net Assets

At December 31, 2016, temporarily restricted net assets consist of the following:

The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ 278,287
The Bishop Charles McDonnell Fund for Vocations	140,580
The Pope John Paul II for Lay Leadership Formation	514,728
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	86,887
The Bishop Francis J. Mugavero Fund for the Elderly	169,155
The Saint Charles Barromeo Fund for Training and Development of Priests	32,311
The Cathedral Preparatory Seminary Fund	25,062
The Catholic Charities, Diocese of Brooklyn Fund	233,058
The Bishop Loughlin Memorial High School Fund	20,221
The Bishop Thomas Daily Fund for Migration Affairs	380,187
The Archangel Fund	8,551,914
Youth Ministry Initiative	209,600
The Archbishop Bryan J. McEntegart Fund for Catholic Education	239,585
Other donor restricted funds	4,844,637
Generation of Faith Campaign	9,812,069
	<hr/>
	<u>\$ 25,538,281</u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5 - Temporarily Restricted Net Assets (cont'd.)

Net Assets Released from Restrictions

For the year ended December 31, 2016, net assets released from restrictions consist of the following:

The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ 259,071
The Bishop Charles McDonnell Fund for Vocations	169,317
The Pope John Paul II for Lay Leadership Formation	298,532
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	398,622
The Bishop Francis J. Mugavero Fund for the Elderly	327,464
The Saint Charles Barromeo Fund for Training and Development of Priests	143,589
The Cathedral Preparatory Seminary Fund	93,831
The Catholic Charities, Diocese of Brooklyn Fund	10,292
The Bishop Loughlin Memorial High School Fund	12,458
The Bishop Thomas Daily Fund for Migration Affairs	46,860
The Archangel Fund	96,034
The St. James Basilica Fund	3,196,775
Youth Ministry Initiative	787,437
The Archbishop Bryan J. McEntegart Fund for Catholic Education	749,975
Other donor restricted funds	1,301,383
Generation of Faith Campaign	<u>3,062,023</u>
	<u><u>\$ 10,953,663</u></u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 6 - Permanently Restricted Net Assets

At December 31, 2016, permanently restricted assets consist of the following:

The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ 3,510,200
The Bishop Charles McDonnell Fund for Vocations	2,303,600
The Pope John Paul II for Lay Leadership Formation	4,000,000
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	5,437,527
The Bishop Francis J. Mugavero Fund for the Elderly	4,520,345
The Saint Charles Barromeo Fund for Training and Development of Priests	2,000,000
The Cathedral Preparatory Seminary Fund	1,800,080
The Catholic Charities, Diocese of Brooklyn Fund	690,878
The Bishop Loughlin Memorial High School Fund	1,000,150
The Bishop Thomas Daily Fund for Migration Affairs	1,506,880
The Archbishop Bryan J. McEntegart Fund for Catholic Education	9,602,580
Other donor restricted funds	<u>10,275,237</u>
	<u><u>\$ 46,647,477</u></u>

Note 7 - Concentration of Credit Risk

CFBQ maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, CFBQ's balances may exceed these limits.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8 - Grants

The following grants were awarded for the year ended December 31, 2016:

The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ 175,010
The Bishop Charles McDonnell Fund for Vocations	115,026
The Pope John Paul II for Lay Leadership Formation	200,000
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	256,860
The Bishop Francis J. Mugavero Fund for the Elderly	226,017
The Saint Charles Barromeo Fund for Training and Development of Priests	100,000
The Bishop Thomas Daily Fund for Migration Affairs	75,339
The Archbishop Bryan J. McEntegart Fund for Catholic Education	480,129
Other donor restricted funds	<u>5,495,791</u>
	<u><u>\$ 7,124,172</u></u>

Note 9 - Endowment Funds

Endowment

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). New York State's version of UPMIFA is known as NYPMIFA. NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

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DECEMBER 31, 2016

Note 9 - Endowment Funds (cont'd.)

Interpretation of Relevant Law

The Board of Directors of CFBQ has interpreted NYPMIFA 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, CFBQ 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 CFBQ in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate objectives within the established risk parameters, CFBQ's assets are divided into asset classes consisting of cash, equities and fixed income investments.

Return Objectives and Risk Parameters

CFBQ's endowment investment policy is to invest in a multi-asset class portfolio based on an asset allocation to satisfy overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. CFBQ 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).

Spending Policy

Spending will be at the discretion of the Board of Directors of CFBQ as determined by the governing documents for the various restricted funds that make up the portfolio and applicable federal and state laws.

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Note 9 - Endowment Funds (cont'd.)

Spending Policy

The following is a reconciliation of the activity in the donor-restricted endowment funds for the year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2016	\$ 4,735,344	\$ 46,166,556	\$ 50,901,900
Net unrealized gains	3,161,409	-	3,161,409
Net realized losses	(72,721)	-	(72,721)
Dividends and interest, net of management fees of \$304,824	(200,250)	-	(200,250)
Contributions	-	480,921	480,921
Appropriations	(4,708,355)	-	(4,708,355)
Balance, December 31, 2016	<u>\$ 2,915,427</u>	<u>\$ 46,647,477</u>	<u>\$ 49,562,904</u>

Note 10 - Lease Commitments

CFBQ leases space starting October 1, 2012 for its Brooklyn, New York office with an expiration date of September 30, 2027. The commitments are as follows:

Years Ending December 31:

2017	\$ 56,391
2018	57,659
2019	58,957
2020	60,283
2021	61,640
Thereafter	<u>382,173</u>
	<u>\$ 677,103</u>

Rent expense was \$55,149 for the year ended December 31, 2016.

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Note 11 - Multiemployer Plans

CFBQ contributes to the Diocese of Brooklyn Pension Plan, a multiemployer defined benefit pension plan, under the terms of a participation agreement for its employees. The risks of participating in this multiemployer plan are different from a single-employer plan in the following aspects.

- a. Assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If CFBQ chooses to stop participating in its multiemployer plan, then it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

CFBQ's participation in this plan for the annual period ended December 31, 2016, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN"). There have been no significant changes that affect the comparability of 2015 and 2016 contributions.

Plan information for Diocese of Brooklyn Pension Plan is not publicly available. Diocese of Brooklyn Pension Plan provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase and may be used to fund retirement benefits for employees related to other employers who have ceased operations. CFBQ could be assessed a withdrawal liability in the event that it decides to cease participating in the plan. Diocese of Brooklyn Pension Plan's actuarial valuation report for the year ended December 31, 2015 indicated total assets of approximately \$522,000,000; total actuarial present value of accumulated plan benefits of approximately \$685,000,000; and total contributions for all participating employers of approximately \$16,000,000. The plan's actuarial valuation report for the plan year ended December 31, 2015 indicates that the plan was between 65 percent and 80 percent funded.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions for the Year Ended December 31, 2016	Surcharge Imposed	Expiration Date of Collective - Bargaining Agreement
Roman Catholic Diocese of Brooklyn Lay Pension Plan	13-3795042	N/A	N/A	\$ 31,136	N/A	N/A

Note 12 - Subsequent Events

CFBQ has evaluated all events or transactions that occurred after December 31, 2016 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.