

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
FINANCIAL STATEMENTS
DECEMBER 31, 2018

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Catholic Foundation for Brooklyn and Queens

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Foundation for Brooklyn and Queens, which comprise the statement of financial position at December 31, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Catholic Foundation for Brooklyn and Queens adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14. Our opinion is not modified with respect to this matter.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
May 23, 2019

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$	33,083,448
Investments		1,695,766
Restricted investments		51,340,931
Contributions and pledges receivable, net		29,855,224
Prepaid expenses and other assets		1,023,310
Furniture and equipment, net		17,428
		117,016,107
	\$	117,016,107

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$	208,147
Annual Catholic Appeal payable		7,385,270
Grants payable		819,099
Annuity payable		956,896
Funds held as agency endowments		42,336,680
		51,706,092
TOTAL LIABILITIES		51,706,092
COMMITMENTS AND CONTINGENCIES		
Net assets:		
Without donor restrictions:		
Operating		2,936,663
Board designated		1,725,772
Total unrestricted		4,662,435
With donor restrictions:		
Purpose restricted		9,306,649
Endowments		51,340,931
		65,310,015
TOTAL NET ASSETS		65,310,015
	\$	117,016,107

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, 2018

	Without Donor Restrictions		With Donor Restrictions		Total
	Operating	Board Designated	Purpose Restricted	Endowments	
REVENUE, GAINS AND SUPPORT:					
Investment income (loss), net	\$ 252,801	\$ 59,570	\$ (86,893)	\$ (3,892,265)	\$ (3,666,787)
Contributions	813,459	-	652,811	273,285	1,739,555
Contributions - capital campaign	-	-	561,045	-	561,045
Contributions - Annual Catholic Appeal	-	-	10,421,063	-	10,421,063
Fundraising events, net of direct cost of \$39,126	217,249	-	-	-	217,249
Management fee income	885,249	-	-	-	885,249
Other fees	878,670	-	-	-	878,670
Net assets released from donor restrictions	26,589,732	-	(22,863,166)	(3,726,566)	-
Total Revenue, Gains and Support	<u>29,637,160</u>	<u>59,570</u>	<u>(11,315,140)</u>	<u>(7,345,546)</u>	<u>11,036,044</u>
EXPENSES:					
Program Service - charitable grant making	24,958,009	1,905,261	-	-	26,863,270
Supporting Services:					
Management and general	933,291	-	-	-	933,291
Fundraising (including \$561,045 of capital campaign)	1,239,141	-	-	-	1,239,141
Total Expenses	<u>27,130,441</u>	<u>1,905,261</u>	<u>-</u>	<u>-</u>	<u>29,035,702</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	2,506,719	(1,845,691)	(11,315,140)	(7,345,546)	(17,999,658)
Board designation - grant making	(1,887,811)	1,887,811	-	-	-
CHANGE IN NET ASSETS	618,908	42,120	(11,315,140)	(7,345,546)	(17,999,658)
NET ASSETS:					
Beginning of year	<u>2,317,755</u>	<u>1,683,652</u>	<u>20,621,789</u>	<u>58,686,477</u>	<u>83,309,673</u>
End of year	<u>\$ 2,936,663</u>	<u>\$ 1,725,772</u>	<u>\$ 9,306,649</u>	<u>\$ 51,340,931</u>	<u>\$ 65,310,015</u>

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, 2018

	Program Service	Supporting Services		Direct Cost of Special Events	Total
	Charitable Grant Making	Management and General	Fundraising		
Charitable grant making	\$ 15,190,780	\$ -	\$ -	\$ -	\$ 15,190,780
Charitable grant making - Annual Catholic Appeal	9,085,592	-	-	-	9,085,592
Salaries	407,125	412,925	393,106	-	1,213,156
Fringe benefits	95,527	113,113	105,173	-	313,813
Professional fees	1,202,797	275,366	28,244	-	1,506,407
Occupancy	33,554	32,885	31,307	-	97,746
Printing and postage	571,042	28,199	324,590	-	923,831
Office expenses	163,609	61,492	8,027	-	233,128
Contribution expense	8,633	337	271,381	-	280,351
Advertising	89,371	8,550	67,410	-	165,331
Other	15,240	424	-	-	15,664
Catering and facility rental	-	-	9,903	39,126	49,029
Total Expenses	26,863,270	933,291	1,239,141	39,126	29,074,828
Direct cost of special events	-	-	-	(39,126)	(39,126)
Total Expenses Reported by Function on the Statement of Activities	\$ 26,863,270	\$ 933,291	\$ 1,239,141	\$ -	\$ 29,035,702

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (17,999,658)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,979
Net unrealized and realized loss on investments	3,579,776
Contributions restricted for endowments	(273,285)
Change in operating assets and liabilities:	
Contributions and pledges receivable	17,640,816
Prepaid expenses and other assets	702,793
Accrued expenses	(6,673)
Annual Catholic Appeal payable	7,385,270
Grants payable	(606,636)
Annuity payable	956,896
Funds held as agency endowments	<u>(12,287,449)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(903,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	22,787,980
Purchase of investments	<u>(9,124,317)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>13,663,663</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for endowments	<u>273,285</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>273,285</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,033,777
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,049,671</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 33,083,448</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, 2018

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

Adoption of FASB ASU No. 2016-14 - Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*

Effective January 1, 2018, CFBQ adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14. The ASU provided for changes in financial statement presentation that affect classification of net assets and presentation of expenses. It also provided for enhanced disclosures of board designated funds, methods used to allocate costs among functions, and availability and liquidity of resources.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting 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 FASB Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurement*, which exempts investments measured using the net asset value (“NAV”) practical expedient in FASB ASC Topic 820, from categorization within the fair value hierarchy.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

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

Investments and Restricted Investments at Fair Value (cont'd.)

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

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 2.51%. Contributions receivable are due at December 31, 2018 as follows:

Less than one year	\$ 23,514,625
One to five years	47,046,900
	70,561,525
Less: Discount to present value	1,151,531
Less: Allowance for uncollectible amounts	39,554,770
 Total	 \$ 29,855,224

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 \$39,554,770 at December 31, 2018.

Grants Payable

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Funds Held as Agency Endowments

CFBQ receives and distributes assets under certain agency arrangements. When CFBQ accepts a contribution from a not-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, 2018, CFBQ cumulatively raised \$110,687,899, net of allowances and discounts, through the capital campaign, of which \$18,204,788 represents purpose restricted contributions, and \$92,483,111 represents 119 various agency endowment funds. As of December 31, 2018, CFBQ cumulatively disbursed \$50,146,431 to parishes and others (including campaign expenses) from inception of the capital campaign, leaving a remaining balance of \$42,336,680, net of allowances and discounts, as funds held for agency endowments.

Net Assets

Net assets without donor restrictions include operating activities, which are amounts that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CFBQ, and board designated activities that are amounts designated by the board of directors for a specific grant making purpose. During the year ended December 31, 2018, the Board of Directors designated \$1,887,811 for the purpose of future grant applications.

Net assets with donor restrictions are amounts that are restricted by donors for specific purposes (purpose restricted) or are those which are established by donor restricted gifts and bequests to provide an endowment (endowments).

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 purpose 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, purpose 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 purpose 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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Contributions (cont'd.)

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, 2018, there was no contribution of donated services.

Annual Catholic Appeal Contributions

Beginning January 1, 2018, the administration of the Annual Catholic Appeal (“ACA”) was transferred from the Diocese of Brooklyn to CFBQ. This includes both the collection of pledges and the distribution of the amount collected. Contributions received are restricted for purpose and released in the same year for charitable grant making.

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 their estimated useful lives of three to five years.

Accumulated depreciation is \$22,804 at December 31, 2018.

Annuities Payable

Contributions of charitable gift annuities are recorded at the date the assets are received after recording liabilities for the actuarial present value of the estimated payments to be made to the donors and/or other beneficiaries. Such contributions are recorded as increases in net assets without donor restrictions, unless otherwise specified by the donor. The liabilities are adjusted annually for accretion of the discount and other changes in the estimates of future benefits. The adjustments are recorded as change in value of annuity obligations and included in contributions in the accompanying statement of activities. The discount rate used in calculating the actuarial present value is 3.75%. The fair market value of the underlying asset is \$1,571,033 at December 31, 2018, and is included in cash and cash equivalents in the accompanying statement of financial position.

Functional Expenses

The costs of providing the various programs and other activities of CFBQ have been summarized on a functional basis in the accompanying statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program service and supporting services benefitted. Such allocations are determined by management on an equitable basis.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

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

Functional Expenses (cont'd.)

The expenses that are allocated include the following:

Expense	Method of Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Education and awareness	Time and effort
Occupancy	Square footage
Professional fees	Full-time equivalent
Printing	Full-time equivalent
Information technologies	Full-time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

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. 2016-02

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 FASB ASC 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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 beginning after December 15, 2019.

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, 2018 is as follows:

Compostela Funds:	
Equities	\$ 32,713,518
Bonds	<u>20,323,179</u>
	<u>\$ 53,036,697</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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

Note 3 - Investments (cont'd.)

In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2018:

	<u>Valuation Technique</u>	<u>Range of Inputs</u>
Compostela Funds <u>\$ 53,036,697</u>	NAV	N/A

Investments Strategies, Liquidity and Risk

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.

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, 2018

Note 4 - Net Assets with Donor Restrictions

At December 31, 2018, purpose restricted net assets consist of the following:

Youth Ministry Initiative	\$ 8,477,482
Other donor restricted funds	<u>829,167</u>
	<u>\$ 9,306,649</u>

At December 31, 2018, endowment 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	5,769,194
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	10,587,935
Accumulated earnings	<u>4,049,089</u>
	<u>\$ 51,340,931</u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 - Net Assets with Donor Restrictions (cont'd.)

Net Assets Released from Restrictions

For the year ended December 31, 2018, net assets released from restrictions consist of the following:

	<u>Restricted</u>	<u>Endowments</u>
The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ -	\$ 251,978
The Bishop Charles McDonnell Fund for Vocations	-	164,450
The Saint John Paul II for Lay Leadership Formation	-	312,078
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	-	397,241
The Bishop Francis J. Mugavero Fund for the Elderly	-	320,382
The Saint Charles Barromeo Fund for Training and Development of Priests	-	165,459
The Cathedral Preparatory Seminary Fund	-	319,920
The Catholic Charities, Diocese of Brooklyn Fund	-	8,005
The Bishop Loughlin Memorial High School Fund	-	166,861
The Bishop Thomas Daily Fund for Migration Affairs	-	223,104
The Archangel Fund	9,969,659	-
Youth Ministry Initiative	806,239	-
The Archbishop Bryan J. McEntegart Fund for Catholic Education	-	677,988
Generation of Faith Campaign	561,042	-
Annual Catholic Appeal - 2018	10,310,270	-
Other donor restricted funds	1,215,956	719,100
	<u>\$ 22,863,166</u>	<u>\$ 3,726,566</u>

Note 5 - 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, 2018

Note 6 - Grant Expense

The following grants were awarded for the year ended December 31, 2018:

The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ 175,510
The Bishop Charles McDonnell Fund for Vocations	115,180
The Pope John Paul II for Lay Leadership Formation	200,000
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	273,876
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	187,246
The Archbishop Bryan J. McEntegart Fund for Catholic Education	602,332
The Archangel Fund	9,969,659
Other donor restricted funds	3,340,960
	<u>\$ 15,190,780</u>

Note 7 - Endowment Funds

Endowment

CFBQ's endowment consists of various individual donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of CFBQ interprets New York State law, the New York Prudent Management of Institutional Funds Act ("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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 endowments is classified as purpose restricted net assets until those amounts are appropriated for expenditure by CFBQ in a manner consistent with the standard of prudence prescribed by NYPMIFA.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 - Endowment Funds (cont'd.)

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.

The following is a reconciliation of the activity in the donor-restricted endowment funds for the year ended December 31, 2018:

	<u>Accumulated Earnings</u>	<u>Original Donor Gift</u>	<u>Total</u>
Balance, January 1, 2018*	\$ 11,667,920	\$ 47,018,557	\$ 58,686,477
Net unrealized losses	(3,530,445)	-	(3,530,445)
Dividends and interest, net of management fees of \$361,927	(361,820)	-	(361,820)
Contributions	-	273,285	273,285
Appropriations	<u>(3,726,566)</u>	<u>-</u>	<u>(3,726,566)</u>
Balance, December 31, 2018	<u>\$ 4,049,089</u>	<u>\$ 47,291,842</u>	<u>\$ 51,340,931</u>

*A portion of investment income previously allocated among the restricted funds (including endowment funds) through December 31, 2017 has been reclassified as of January 1, 2018, and accordingly, for footnote disclosure purposes only, the opening balance as noted in the chart above has been increased and restated by approximately \$2.7 million. This adjustment has no impact on prior years' change in net assets or classifications.

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Note 8 - Lease Commitments

CFBQ leases space for its Brooklyn, New York office under a lease that is due to expire on September 30, 2027. The commitments are as follows:

<u>Years Ending December 31:</u>	
2019	\$ 58,957
2020	60,283
2021	61,640
2022	63,026
2023	64,445
Thereafter	<u>254,702</u>
	<u><u>\$ 563,053</u></u>

Rent expense was \$67,652 for the year ended December 31, 2018.

Note 9 - Multiemployer Plans

CFBQ contributes to the Diocese of Brooklyn Pension Plan (the "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, 2018, 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 2017 and 2018 contributions.

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Note 9 - Multiemployer Plans (cont'd.)

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 assets as of December 31, 2018 indicated total assets of approximately \$453,000,000; total actuarial present value of accumulated plan benefits of approximately \$700,000,000; and total contributions for all participating employers of \$12,705,402. The Plan's actuarial valuation report indicates that the Plan was 64.7 percent funded at December 31, 2018.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions for the Year Ended December 31, 2018	Surcharge Imposed	Expiration Date of Collective - Bargaining Agreement
Roman Catholic Diocese of Brooklyn Lay Pension Plan	13-3795042	N/A	N/A	\$ 63,390	N/A	N/A

Note 10 - Availability and Liquidity

The following represents CFBQ's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 33,083,448
Investments	53,036,697
Contributions and pledges receivable, net	29,855,224
Total financial assets	<u>115,975,369</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(60,647,580)
Funds held as agency endowments	(42,336,680)
Board designations	(1,725,772)
Receivables scheduled to be collected in more than one year	(6,340,599)
Total amounts not available to be used within one year	<u>(111,050,631)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,924,738</u>

CFBQ's goal is to maintain financial assets to meet one year of operating expenses. As part of its liquidity management, CFBQ management has a policy to structure financial assets to be available as general expenditures, liabilities and other obligations come due.

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Note 11 - Subsequent Events

CFBQ has evaluated all events or transactions that occurred after December 31, 2018 through May 23, 2019, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.