

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
FINANCIAL STATEMENTS
DECEMBER 31, 2021

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statement of Financial Position at December 31, 2021	3
Statement of Activities for the Year Ended December 31, 2021	4
Statement of Functional Expenses for the Year Ended December 31, 2021	5
Statement of Cash Flows for the Year Ended December 31, 2021	6
Notes to Financial Statements	7-19

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Catholic Foundation for Brooklyn and Queens
Brooklyn, New York

Opinion

We have audited the accompanying financial statements of Catholic Foundation for Brooklyn and Queens, which comprise the statement of financial position at December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Foundation for Brooklyn and Queens and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Foundation for Brooklyn and Queens' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Catholic Foundation for Brooklyn and Queens' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Foundation for Brooklyn and Queens' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
June 3, 2022

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 28,869,869
Investments	2,128,461
Restricted investments	62,415,562
Contributions and pledges receivable, net	1,340,024
Loan receivable, net	818,558
Due from Futures in Education	333,678
Prepaid expenses and other assets	312,468
Furniture and equipment, net	<u>2,714</u>
 TOTAL ASSETS	 <u><u>\$ 96,221,334</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accrued expenses	\$ 598,136
Annual Catholic Appeal payable	8,010,783
Grants payable	1,311,083
Funds held as agency endowments	<u>9,503,772</u>
 TOTAL LIABILITIES	 <u>19,423,774</u>
 COMMITMENTS AND CONTINGENCIES	
NET ASSETS:	
Without donor restrictions:	
Operating	2,676,013
Board designated	<u>3,342,361</u>
Total without donor restrictions	6,018,374
 With donor restrictions:	
Purpose restricted	8,363,624
Endowments	<u>62,415,562</u>
 TOTAL NET ASSETS	 <u>76,797,560</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 96,221,334</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, 2021

	Without Donor Restrictions		With Donor Restrictions		Total
	Operating	Board Designated	Purpose Restricted	Endowments	
REVENUE, GAINS AND SUPPORT:					
Investment income, net	\$ 98,196	\$ 120,028	\$ 469,066	\$ 6,649,364	\$ 7,336,654
Contributions	864,408	-	422,466	849,845	2,136,719
Contributions - capital campaign	-	-	319,954	-	319,954
Contributions - Annual Catholic Appeal	-	-	10,797,958	-	10,797,958
Grant income	-	-	1,988,775	-	1,988,775
Fundraising events, net of direct cost of \$105,757	112,163	-	100,000	-	212,163
Management fee income	1,297,230	-	-	-	1,297,230
Other fees	885,244	-	-	-	885,244
Net assets released from donor restrictions	17,118,461	-	(13,688,039)	(3,430,422)	-
Total Revenue, Gains and Support	20,375,702	120,028	410,180	4,068,787	24,974,697
EXPENSES:					
Program Service - charitable grant making	15,788,207	1,670,912	-	-	17,459,119
Supporting Services:					
Management and general	1,942,969	7,300	-	-	1,950,269
Fundraising (including \$319,954 of capital campaign)	1,678,947	-	-	-	1,678,947
Total Expenses	19,410,123	1,678,212	-	-	21,088,335
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	965,579	(1,558,184)	410,180	4,068,787	3,886,362
Board designation - grant making	(1,458,205)	1,458,205	-	-	-
CHANGE IN NET ASSETS	(492,626)	(99,979)	410,180	4,068,787	3,886,362
NET ASSETS:					
Beginning of year	3,168,639	3,442,340	7,953,444	58,346,775	72,911,198
End of year	\$ 2,676,013	\$ 3,342,361	\$ 8,363,624	\$ 62,415,562	\$ 76,797,560

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, 2021

	Program Service	Supporting Services		Direct Cost of Special Events	Total
	Charitable Grant Making	Management and General	Fundraising		
Charitable grant making	\$ 4,973,974	\$ -	\$ -	\$ -	\$ 4,973,974
Charitable grant making - Annual Catholic Appeal	9,582,109	-	-	-	9,582,109
Salaries	419,703	416,911	698,809	-	1,535,423
Fringe benefits	113,092	175,048	198,670	-	486,810
Professional fees	1,087,670	265,728	124,021	-	1,477,419
Occupancy	35,827	27,558	45,636	-	109,021
Printing and postage	819,162	8,387	69,582	-	897,131
Office expenses	15,493	95,033	9,430	-	119,956
Contribution expense	306,666	4,454	160,040	-	471,160
Advertising	80,423	1,750	98,333	-	180,506
Interest expense	-	5,774	-	-	5,774
Bad debt	-	949,166	-	-	949,166
Other	-	460	-	-	460
Catering and facility rental	25,000	-	274,426	105,757	405,183
Total Expenses	17,459,119	1,950,269	1,678,947	105,757	21,194,092
Direct cost of special events	-	-	-	(105,757)	(105,757)
Total Expenses Reported by Function on the Statement of Activities	<u>\$ 17,459,119</u>	<u>\$ 1,950,269</u>	<u>\$ 1,678,947</u>	<u>\$ -</u>	<u>\$ 21,088,335</u>

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 3,886,362
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Bad debt	949,166
Depreciation	4,979
Net unrealized and realized gain on investments	(7,283,502)
Contributions restricted for endowments	(849,845)
Forgiveness of debt	(747,764)
Changes in operating assets and liabilities:	
Contributions and pledges receivable	6,765,489
Due from Futures in Education	(748,864)
Prepaid expenses and other assets	223,577
Accrued expenses	303,366
Annual Catholic Appeal payable	1,434,805
Grants payable	(336,160)
Funds held as agency endowments	<u>(9,409,773)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(5,808,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	<u>3,853,571</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,853,571</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from refundable advance	367,555
Contributions restricted for endowments	<u>849,845</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,217,400</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(737,193)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,607,062</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 28,869,869</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	<u><u>\$ 5,774</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Advances on loan receivable	<u><u>\$ 1,898,332</u></u>
Forgiveness of debt	<u><u>\$ 747,764</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, 2021

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 financially support 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 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 Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurement*, which exempts investments measured using the net asset value (“NAV”) practical expedient from categorization within the fair value hierarchy.

Investments consist of interests in the Compostela Fund of the Diocese of Brooklyn (the “Fund”). Restricted investments represent donor-restricted endowment funds. Interest, dividend income, and 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, 2021

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 receivable at December 31, 2021 are due within one year.

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 adjusted based upon management's estimate of future credit losses as of December 31, 2021. CFBQ has recorded an allowance for doubtful accounts of \$2,707,507 on contributions and pledges receivable at December 31, 2021.

Credit Quality of Loan Receivables

CFBQ carries its loan receivable at the principal amount due reduced by a loan loss allowance. CFBQ evaluates its loan receivable based on past payment history and the creditworthiness of the borrower, and establishes, as necessary, a loan loss allowance during the year when it determines that contractual payments of interest and principal on the loan will not be collected in accordance with terms of the loan agreement. Amounts receivable will be charged off against the allowance only if all reasonable attempts at collection fail. At December 31, 2021, CFBQ has determined that a loan loss allowance of \$949,166 is necessary.

Grants Payable

Unconditional grant distributions authorized but unpaid at year-end are reported as liabilities and are expected to be paid in the next year. Conditional grant distributions are not included in grants payable until conditions are substantially met.

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. Total amounts raised cumulatively through the campaign represent 119 various agency endowment funds. At December 31, 2021, CFBQ had a remaining balance of \$9,503,772, net of allowances, as funds held for agency endowments.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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

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, 2021, the board of directors designated \$3,342,361 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 are provided to CFBQ either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<u>Conditional gifts, with or without restriction</u>	
Gifts that depend on CFBQ overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<u>Unconditional gifts, with or without restriction</u>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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

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, net of related expenses, 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 \$37,742 at December 31, 2021.

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.

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 technology	Full-time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

Accounting for Uncertainty in Income Taxes

CFBQ has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Management Fee and Other Income

CFBQ receives funding from the provision of management services to an unrelated organization. Revenue is reported at the amount that reflects the consideration CFBQ expects to receive in exchange for providing the support and services. CFBQ bills for the services as they are performed or when it has completed its portion of the contract, on a monthly basis. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by CFBQ in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided.

New Accounting Pronouncements

ASU 2016-13

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU modifies the measurement of expected credit losses on certain financial instruments and broadens the information that an entity must consider in developing its expected credit loss estimate to include such factors as current market conditions. Under current guidance, recognition of the full amount of credit losses generally is delayed until the loss is probable of occurring.

The amendments in ASU No. 2016-13 are effective for nonpublic entities for fiscal years beginning after December 15, 2022, and interim periods within that year, based on the update in ASU No. 2019-10 to defer the implementation date.

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, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates.

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 is as follows:

Compostela Funds:	
Equities	\$ 45,717,033
Bonds	<u>18,826,990</u>
	<u>\$ 64,544,023</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.

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, 2021:

		<u>Valuation Technique</u>	<u>Range of Inputs</u>
Compostela Funds	<u>\$ 64,544,023</u>	NAV	N/A

Investment 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, 2021

Note 4 - Loan Receivable

On August 31, 2021, CFBQ entered into a loan agreement with Futures in Education, a Diocesan entity, for \$1,898,332. Effective September 1, 2025, annual payments of \$379,666 are due through maturity on August 31, 2029. Future minimum receivables are as follows:

Years Ending December 31:

2022	\$	-
2023		-
2024		-
2025		379,666
2026		379,666
Thereafter		1,139,000
		1,898,332
Less: Allowance for uncollectible amounts		(949,166)
Less: Discount to present value		(130,608)
		\$ 818,558
		\$ 818,558

Note 5 - Net Assets with Donor Restrictions

At December 31, 2021, purpose restricted net assets consist of the following:

Youth Ministry Initiative	\$	5,103,756
Other donor-restricted funds		3,259,868
		\$ 8,363,624
		\$ 8,363,624

At December 31, 2021, 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		6,297,194
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		9,602,705
Other funds		11,624,180
Accumulated earnings		13,559,350
		\$ 62,415,562
		\$ 62,415,562

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5 - Net Assets with Donor Restrictions (cont'd.)

Net Assets Released from Restrictions

For the year ended December 31, 2021, net assets released from restrictions consist of the following:

	Purpose Restricted	Endowments
The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ -	\$ 227,404
The Bishop Charles McDonnell Fund for Vocations	-	149,244
The Pope John Paul II for Lay Leadership Formation	-	259,344
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	-	407,006
The Bishop Francis J. Mugavero Fund for the Elderly	-	293,982
The Saint Charles Barromeo Fund for Training and Development of Priests	-	129,505
The Cathedral Preparatory Seminary Fund	-	363,418
The Catholic Charities, Diocese of Brooklyn Fund	-	10,158
The Bishop Loughlin Memorial High School Fund	-	98,091
The Bishop Thomas Daily Fund for Migration Affairs	-	97,710
Youth Ministry Initiative	1,085,719	-
The Archbishop Bryan J. McEntegart Fund for Catholic Education	-	620,504
Generation of Faith Campaign	319,954	-
Annual Catholic Appeal	11,085,207	-
Other restricted	1,197,159	774,056
	<u>\$ 13,688,039</u>	<u>\$ 3,430,422</u>

Note 6 - Concentration of Credit Risk

CFBQ maintains cash balances in several financial institutions. Such balances 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.

Note 7 - Contingencies

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the valuation of investments, contribution income, special events income and collections of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 8 - Refundable Advance

In April 2020, CFBQ received a \$380,209 conditional payment from a financial institution under the Paycheck Protection Program (“PPP”), established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the Small Business Administration (“SBA”) with support from the Department of the Treasury. Under the terms of the CARES Act and the PPP, CFBQ can apply for and be granted forgiveness for all or a portion of the proceeds issued to the extent they are used in accordance with the PPP. CFBQ believes that its use of the proceeds during 2020 met the conditions for forgiveness under the PPP and expects that the funds derived from the PPP will be recorded as income when it is probable that forgiveness conditions have been met and upon approval from the SBA that the proceeds have been forgiven. In March 2021, the loan was fully forgiven by the SBA.

In March 2021, CFBQ entered into a \$367,555 agreement with a financial institution under a second draw PPP, established by the CARES Act and administered by the SBA with support from the Department of the Treasury. In November 2021, CFBQ was granted forgiveness for the full amount.

The loan forgiveness of the first and second draw PPP loans is recognized as contributions on the statement of activities for the year ended December 31, 2021.

Note 9 - Grant Expense

The following grants were awarded for the year ended December 31, 2021:

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	298,726
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	75,344
The Archbishop Bryan J. McEntegart Fund for Catholic Education	480,135
Other donor-restricted funds	<u>3,303,062</u>
	<u>\$ 4,973,974</u>

Note 10 - Youth Ministry Grants Payable

CFBQ provides grants to various parishes within the Diocese of Brooklyn through its Catholic Youth Ministry Initiative program. The grant awards are paid over time, as conditions outlined in the grant award are met. The conditions are reviewed by CFBQ semi-annually. As the conditions are met, CFBQ releases funds from purpose restricted net assets to provide funding to the parishes. At December 31, 2021, conditional grants awards not included in the statement of financial position totaled \$3,336,527. This amount is estimated to be paid over the next six years to the parishes within the Diocese of Brooklyn.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 10 - Youth Ministry Grants Payable (cont'd.)

The following represents the anticipated future commitment at December 31, 2021:

<u>Distribution Period</u>	<u># of Parishes</u>	<u>Amount</u>
2021-2022	89	\$ 985,277
2022-2023	86	1,028,750
2023-2024	47	617,500
2024-2025	37	425,000
2025-2026	23	220,000
2026-2027	7	60,000
		<u>\$ 3,336,527</u>

Note 11 - 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.

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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 11 - Endowment Funds (cont'd.)

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, 2021:

	<u>Accumulated Earnings</u>	<u>Original Donor Gift</u>	<u>Total</u>
Balance, January 1, 2021	\$ 10,340,408	\$ 48,006,367	\$ 58,346,775
Net unrealized gains	7,048,903	-	7,048,903
Investment management fees	(399,539)	-	(399,539)
Contributions	-	849,845	849,845
Appropriations	<u>(3,430,422)</u>	<u>-</u>	<u>(3,430,422)</u>
Balance, December 31, 2021	<u>\$ 13,559,350</u>	<u>\$ 48,856,212</u>	<u>\$ 62,415,562</u>

Note 12 - 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>	
2022	\$ 70,226
2023	71,645
2024	73,095
2025	74,577
2026	76,093
Thereafter	<u>57,937</u>
	<u>\$ 423,573</u>

Rent expense was \$80,222 for the year ended December 31, 2021.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 13 - Multiemployer Plans

CFBQ contributes to the Roman Catholic Diocese of Brooklyn Lay Employee 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 year ended December 31, 2021, 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 2021 and 2020 contributions.

Plan information for the Plan is not publicly available. The 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 stop participating in the Plan. The Plan’s assets as of January 1, 2021 indicated total assets of approximately \$450,000,000 and total actuarial present value of accumulated plan benefits of approximately \$695,000,000. The Plan’s actuarial valuation report indicates that the Plan was between 65% and 80% funded at December 31, 2021.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions for the Year Ended December 31, 2021	Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
Roman Catholic Diocese of Brooklyn Lay Employee Pension Plan	13-3795042	N/A	N/A	<u>\$ 97,719</u>	N/A	N/A

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 14 - Availability and Liquidity

The following represents CFBQ's financial assets as of December 31, 2021, 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, 2021, are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 28,869,869
Investments	64,544,023
Contributions and pledges receivable, net	<u>1,340,024</u>
Total financial assets	<u>94,753,916</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(70,779,186)
Funds held as agency endowments	(9,503,772)
Board designations	<u>(3,342,361)</u>
Total amounts not available to be used within one year	<u>(83,625,319)</u>

Financial assets available to meet cash needs for
general expenditures within one year

\$ 11,128,597

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

Note 15 - Subsequent Events

CFBQ has evaluated all events or transactions that occurred after December 31, 2021 through June 3, 2022, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.