CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS

FINANCIAL STATEMENTS

DECEMBER 31, 2022

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Catholic Foundation for Brooklyn and Queens changed its accounting policy related to its recording of leases whereby it is recognizing a right-of-use asset and a lease liability for all lease agreements with a term greater than 12 months. The policy was adopted retrospectively effective January 1, 2022 with the cumulative effect of initially applying the policy recognized as of the date of application. Our opinion is not modified with respect to this matter.

Responsibility of Management 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.

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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' Responsibilities for the Audit of the Financial Statements

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
May 25, 2023

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Cash and cash equivalents	$	27,216,344
Investments		3,984,429
Restricted investments		50,549,219
Contributions and pledges receivable, net		662,878
Loan receivable, net		698,270
Due from Futures in Education		220,353
Prepaid expenses and other assets		451,316
Operating lease right-of-use assets		304,300
TOTAL ASSETS	$	84,087,109

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accrued expenses	$	544,796
Annual Catholic Appeal payable		8,014,373
Annuity payable		1,042,502
Grants payable		1,555,025
Operating lease liabilities		360,315
Funds held as agency endowments		7,657,421
TOTAL LIABILITIES		19,174,432
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating		3,698,871
Board designated		2,569,880
Total without donor restrictions		6,268,751
With donor restrictions:		
Purpose restricted		8,094,707
Endowments		50,549,219
TOTAL NET ASSETS		64,912,677
TOTAL LIABILITIES AND NET ASSETS	$	84,087,109

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, 2022

	Without Donor Restrictions		With Donor Restrictions		
	Operating	Board Designated	Purpose Restricted	Endowments	Total
REVENUE, (LOSSES) GAINS AND SUPPORT:					
Investment (loss) income, net	$ (41,361)	$ 57,588	$ 180,089	$ (9,837,939)	$ (9,641,623)
Contributions	1,420,652	-	207,952	312,988	1,941,592
Contributions - capital campaign	-	-	241,586	-	241,586
Contributions - Annual Catholic Appeal	-	-	10,969,477	-	10,969,477
Grant income	-	-	2,600,000	-	2,600,000
Fundraising events, net of direct costs of $88,738	124,787	-	100,000	-	224,787
Management fee income	1,180,133	-	-	-	1,180,133
Other fees	773,320	-	-	-	773,320
Net assets released from donor restrictions	16,909,413	-	(14,568,021)	(2,341,392)	-
Total Revenue, (Losses) Gains and Support	20,366,944	57,588	(268,917)	(11,866,343)	8,289,272
EXPENSES:					
Program Service - charitable grant making	15,930,460	1,679,712	-	-	17,610,172
Supporting Services:					
Management and general	967,548	-	-	-	967,548
Fundraising (including $241,586 of capital campaign)	1,533,067	-	-	-	1,533,067
Total Expenses	18,431,075	1,679,712	-	-	20,110,787
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	1,935,869	(1,622,124)	(268,917)	(11,866,343)	(11,821,515)
Board designation - grant making	(849,643)	849,643	-	-	-
CHANGE IN NET ASSETS	1,086,226	(772,481)	(268,917)	(11,866,343)	(11,821,515)
NET ASSETS:					
Beginning of year	2,676,013	3,342,361	8,363,624	62,415,562	76,797,560
CHANGE IN ACCOUNTING PRINCIPLE - Topic 842	(63,368)	-	-	-	(63,368)
End of year	$ 3,698,871	$ 2,569,880	$ 8,094,707	$ 50,549,219	$ 64,912,677

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, 2022

	Program Service	Supporting Services			
	Charitable Grant Making	Management and General	Fundraising	Direct Cost of Special Events	Total
Charitable grant making	$ 5,624,107	$ -	$ -	$ -	$ 5,624,107
Charitable grant making - Annual Catholic Appeal	9,496,792	-	-	-	9,496,792
Salaries	507,262	440,609	820,444	-	1,768,315
Fringe benefits	128,713	156,603	215,994	-	501,310
Professional fees	940,817	251,150	80,654	-	1,272,621
Occupancy	35,287	24,077	46,177	-	105,541
Printing and postage	678,838	1,704	61,346	-	741,888
Office expenses	25,607	86,810	9,743	-	122,160
Contribution expense	1,382	6,595	170,974	-	178,951
Advertising	101,900	-	81,014	-	182,914
Catering and facility rental	69,467	-	46,721	88,738	204,926
Total Expenses	17,610,172	967,548	1,533,067	88,738	20,199,525
Direct cost of special events	-	-	-	(88,738)	(88,738)
Total Expenses Reported by Function on the Statement of Activities	$ 17,610,172	$ 967,548	$ 1,533,067	$ -	$ 20,110,787

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (11,821,515)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,714
Net unrealized and realized loss on investments	9,773,265
Contributions restricted for endowments	(312,988)
Amortization of operating lease expense	60,639
Changes in operating assets and liabilities:	
Contributions and pledges receivable	677,146
Due from Futures in Education	233,613
Prepaid expenses and other assets	(138,848)
Accrued expenses	(53,340)
Annual Catholic Appeal payable	3,590
Annuity payable	1,042,502
Grants payable	243,942
Operating lease liabilities	(67,992)
Funds held as agency endowments	(1,846,351)
NET CASH USED IN OPERATING ACTIVITIES	(2,203,623)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	237,110
NET CASH PROVIDED BY INVESTING ACTIVITIES	237,110
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for endowments	312,988
NET CASH PROVIDED BY FINANCING ACTIVITIES	312,988
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,653,525)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,869,869
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 27,216,344

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

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

Change in Accounting Principle

Adoption of ASU No. 2016-02

As of January 1, 2022, CFBQ adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842"). This ASU requires all lessees to recognize a right-of-use asset for the underlying leased asset and a lease liability for the corresponding lease liability for all lease agreements with a term greater than 12 months, initially measured at the present value of the lease payments. It also requires that initial direct costs (incremental costs of a lease that would not have been incurred if the lease had not been obtained) be assessed and added to the right-of-use asset and be included in its subsequent amortization.

In accordance with ASC 842, the modified retrospective method was applied to all lease agreements in effect at January 1, 2022. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. As a result of adopting ASC 842 effective January 1, 2022, CFBQ recorded right-of use assets and lease liabilities of $364,939 and $428,307, respectively, and a $(63,368) reduction to beginning net assets.

As of January 1, 2022 (the implementation date of ASC 842), right-of-use assets and the corresponding lease liabilities were recognized based on the present value of lease payments as of the application date over the remaining life of the lease term. Thereafter, right-of-use assets and the corresponding lease liabilities will be recognized as of the lease commencement date based on the present value of lease payments over the life of the lease term. To determine the present value of lease payments, CFBQ must use the rate implicit in the lease if it is readily determinable; otherwise, CFBQ may use either (a) a borrowing rate based on similar debt or (b) the practical expedient option provided by ASC 842, which allows an entity to use a risk-free rate for each class of underlying asset for a period comparable to the lease term to discount the lease payments to present value. CFBQ considers the lease term to be the non-cancellable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease, if CFBQ is reasonably certain to exercise the option, (2) terminate the lease if CFBQ is reasonably certain not to exercise that option, and (3) extend or not to terminate the lease, in which exercise of the option is controlled by the lessor. CFBQ has elected to use the practical expedient provided by ASC 842 to determine the present value of its lease payments. CFBQ's right-of-use assets and lease liabilities relate to office space.

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

Change in Accounting Principle (cont'd.)

Adoption of ASU No. 2016-02 (cont'd.)

CFBQ has also utilized the following practical expedients:

- Short-term leases – for leases that are for a period of 12 months or less, CFBQ will not apply the recognition requirements of ASC 842.
- For leases that contain related non-lease components, such as maintenance, CFBQ will account for these payments as a single lease component.

In addition, CFBQ has utilized transitional practical expedients as follows:

As of January 1, 2022, CFBQ has not reassessed –

- Whether any expired or existing contracts are or contain leases;
- The lease classification for any expired or existing leases; and
- Initial direct costs related to any expired or existing leases.

Leases are classified as either finance or operating leases. For operating leases, the lease liability is initially and subsequently measured at the present value of the future payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and is subsequently measured similar to financed purchases, with interest expense recorded in connection with the lease liability. The classification between operating and finance leases determines whether lease expenses are recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred and less any incentives received. Right-of-use assets under finance leases are amortized on a straight-line basis over the lease term. Right-of-use assets for operating and finance leases are periodically reduced by impairment losses.

CFBQ monitors for events or changes that could require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment will be made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero.

Operating lease right-of-use assets are presented as "Operating lease right-of-use assets" on the balance sheet.

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.

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

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.

Included in investments and restricted investments are CFBQ's 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.

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, 2022 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, 2022. CFBQ has recorded an allowance for doubtful accounts of $2,566,183 on contributions and pledges receivable at December 31, 2022.

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, 2022, CFBQ has determined that a loan loss allowance of $949,166 is necessary.

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

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.

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 2.5%. The fair market value of the underlying asset is $2,443,962 at December 31, 2022, and is included in investments in the accompanying statement of financial position.

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 99 various agency endowment funds. At December 31, 2022, CFBQ had a remaining balance of $7,657,421, net of allowances, as funds held for agency endowments.

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, 2022, the board of directors designated $2,569,880 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:

Nature of the Gift	**Value Recognized**
Conditional gifts, with or without restriction	
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
Unconditional gifts, with or without restriction	
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.

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

Annual Catholic Appeal Contributions

CFBQ administers the Annual Catholic Appeal ("ACA"). 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.

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.

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.

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

New Accounting Pronouncement

ASU 2016-13

In June 2016, the FASB issued 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.

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

Note 3 - Investments

CFBQ maintains investments with an investment manager. The fair value of these investments at December 31, 2022 is $2,443,962.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022.

Cash and Cash Equivalents: Valued based on cash management funds whose underlying assets are valued at the net asset value ("NAV") of shares held by CFBQ. Cash and cash equivalents are categorized as Level 1 of the fair value hierarchy.

Preferred Stocks: Valued at the closing price reported on the active market on which the individual securities are traded and are categorized as Level 1 of the fair value hierarchy.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded. Equities are categorized as Level 1 of the fair value hierarchy.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by CFBQ are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by CFBQ are deemed to be actively traded and are categorized as Level 1 of the fair value hierarchy.

Note 3 - Investments (cont'd.)

Fair value of investments measured on a recurring basis at December 31, 2022 is as follows:

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 493,389	$ -	$ -	$ 493,389
Preferred Stocks	78,948	-	-	78,948
Equities	474,664	-	-	474,664
Mutual Funds	1,396,961	-	-	1,396,961
Total at Fair Value	$ 2,443,962	$ -	$ -	$ 2,443,962

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, 2022 is as follows:

Compostela Funds:	
Equities	$ 34,156,770
Bonds	17,932,916
	$ 52,089,686

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, 2022:

		Valuation Technique	Range of Inputs
Compostela Funds	$ 52,089,686	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.

Note 3 - Investments (cont'd.)

Investment Strategies, Liquidity and Risk (cont'd.)

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.

Note 4 - Loan Receivable

Effective May 18, 2022, CFBQ entered into a loan agreement with Futures in Education, a Diocesan entity, for $1,898,332. Effective September 1, 2024, monthly payments of $31,639 are due through maturity on August 31, 2029. Future minimum receivables are as follows:

Years Ending December 31:	
2023	$ -
2024	126,556
2025	379,666
2026	379,666
2027	379,666
Thereafter	632,778
	1,898,332
Less: Allowance for uncollectible amounts	(949,166)
Less: Discount to present value at 3.99%	(250,896)
Total	$ 698,270

Note 5 - Net Assets with Donor Restrictions

At December 31, 2022, purpose restricted net assets consist of the following:

Youth Ministry Initiative	$ 4,261,344
Other donor-restricted funds	3,833,363
	$ 8,094,707

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

At December 31, 2022, 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	6,476,507
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	11,757,855
Accumulated earnings	1,380,019
	$ 50,549,219

Net Assets Released from Restrictions

For the year ended December 31, 2022, net assets released from restrictions consist of the following:

	Purpose Restricted	Endowments
The Bishop John Loughlin Fund for Religious Education and Evangelization	$ -	$ 154,193
The Bishop Charles McDonnell Fund for Vocations	-	101,199
The Pope John Paul II for Lay Leadership Formation	-	175,899
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	-	282,915
The Bishop Francis J. Mugavero Fund for the Elderly	-	198,376
The Saint Charles Barromeo Fund for Training and Development of Priests	-	87,798
The Cathedral Preparatory Seminary Fund	-	11,881
The Catholic Charities, Diocese of Brooklyn Fund	-	9,328
The Bishop Loughlin Memorial High School Fund	-	5,774
The Bishop Thomas Daily Fund for Migration Affairs	-	66,274
Youth Ministry Initiative	1,170,554	-
The Archbishop Bryan J. McEntegart Fund for Catholic Education	-	421,598
Generation of Faith Campaign	241,586	-
Annual Catholic Appeal	11,080,001	-
Other restricted	2,075,880	826,157
	$ 14,568,021	$ 2,341,392

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 - Grant Expense

The following grants were awarded for the year ended December 31, 2022:

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		307,526
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		3,944,395
	$	5,624,107

Note 8 - 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, 2022, conditional grants awards not included in the statement of financial position totaled $2,680,190. This amount is estimated to be paid over the next six years to the parishes within the Diocese of Brooklyn.

The following represents the anticipated future commitment at December 31, 2022:

Distribution Period	# of Parishes		Amount
2022-2023	88	$	812,065
2023-2024	51		707,500
2024-2025	44		547,500
2025-2026	32		362,500
2026-2027	17		174,375
2027-2028	10		76,250
		$	2,680,190

Note 9 - 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.

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.

Note 9 - Endowment Funds (cont'd.)

Spending Policy (cont'd.)

The following is a reconciliation of the activity in the donor-restricted endowment funds for the year ended December 31, 2022:

	Accumulated Earnings	Original Donor Gift	Total
Balance, January 1, 2022	$ 13,559,350	$ 48,856,212	$ 62,415,562
Net unrealized losses	(9,495,236)	-	(9,495,236)
Investment management fees	(342,703)	-	(342,703)
Contributions	-	312,988	312,988
Appropriations	(2,341,392)	-	(2,341,392)
Balance, December 31, 2022	$ 1,380,019	$ 49,169,200	$ 50,549,219

Note 10 - Lease Commitments

CFBQ's right-of-use assets and lease liabilities primarily relate to office space.

Lease components in CFBQ's leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At December 31, 2022, the lease liability is equal to the present value of the remaining lease payments, discounted using the U.S. Treasury rate constant maturity at each lease commencement date.

Lease activity for the year ended December 31, 2022 was as follows:

Operating lease cost	$ 60,639
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 67,992
Weighted-average remaining lease term - operating leases	5 years
Weighted-average discount rate - operating leases	1.64%

Note 10 - Lease Commitments (cont'd.)

Future minimum lease payments as of December 31, 2022 are as follows:

Years Ending December 31:		
2023	$	76,047
2024		77,559
2025		79,142
2026		80,761
2027		61,496
Total minimum lease payments		375,005
Less: amount representing interest		(14,690)
Present value of future payments		360,315
Less: current obligations		(70,665)
Long-term obligations	$	289,650

Note 11 - Retirement Plans

Multiemployer Plan

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, 2022, 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 2022 and 2021 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.

Benefits under the plan were frozen on December 31, 2021, and employees are not accruing additional benefits.

Note 11 - Retirement Plans (cont'd.)

Multiemployer Plan (cont'd.)

Employer contributions decreased from 2021 by approximately 18% as a result of the multi-employer plan being frozen as of 12/31/21. Beginning in 2022, CFBQ began maintaining a 403b plan for all employees.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions for the Year Ended December 31, 2022	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Roman Catholic Diocese of Brooklyn Lay Employee Pension Plan	13-3795042	N/A	N/A	$ 37,263	N/A	N/A

Defined Contribution Plan

CFBQ has a federally qualified Internal Revenue Code Section 403(b) plan defined contribution plan covering substantially all employees who meet certain eligibility requirements. All employes are eligible to participate in this plan but must have been employed with CFBQ for at least one year, be 21 years of age and work a minimum of 17.5 hours weekly in order to receive employer-based contributions. The amount contributed to the plan is a fixed percentage of participants' compensation. The plan expense amounted to $42,113 for the year ended December 31, 2022.

Note 12 - Availability and Liquidity

The following represents CFBQ's financial assets as of December 31, 2022, 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, 2022, are as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 27,216,344
Investments	54,533,648
Contributions and pledges receivable, net	662,878
Total financial assets	82,412,870
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(58,643,926)
Funds held as agency endowments	(7,657,421)
Board designations	(2,569,880)
Total amounts not available to be used within one year	(68,871,227)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,541,643

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 13 - Subsequent Events

CFBQ has evaluated all events or transactions that occurred after December 31, 2022 through May 25, 2023, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.