

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, 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, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' 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 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
April 29, 2024

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Cash and cash equivalents	\$ 23,547,997
Investments	3,467,547
Restricted investments	56,531,435
Contributions and pledges receivable, net	10,575
Grant receivable	2,600,000
Loan receivable	723,333
Due from Futures in Education	239,812
Prepaid expenses and other assets	515,462
Operating lease right-of-use assets	<u>242,526</u>
 TOTAL ASSETS	 <u>\$ 87,878,687</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accrued expenses	\$ 568,416
Annual Catholic Appeal payable	7,833,893
Annuity payable	1,265,217
Grants payable	1,399,249
Operating lease liabilities	289,650
Funds held as agency endowments	<u>6,527,852</u>
 TOTAL LIABILITIES	 <u>17,884,277</u>
 COMMITMENTS AND CONTINGENCIES	
NET ASSETS:	
Without donor restrictions:	
Operating	4,962,178
Board designated	<u>922,093</u>
Total without donor restrictions	5,884,271
 With donor restrictions:	
Purpose restricted	7,578,704
Endowments	<u>56,531,435</u>
 TOTAL NET ASSETS	 <u>69,994,410</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 87,878,687</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, 2023

	Without Donor Restrictions		With Donor Restrictions		Total
	Operating	Board Designated	Purpose Restricted	Endowments	
REVENUE, GAINS AND SUPPORT:					
Investment income, net	\$ 546,629	\$ 36,326	\$ 287,476	\$ 6,694,327	\$ 7,564,758
Contributions	159,525	-	410,391	332,425	902,341
Contributions - Annual Catholic Appeal	-	-	10,688,264	-	10,688,264
Grant income	-	-	2,600,000	-	2,600,000
Fundraising events, net of direct costs of \$91,060	120,290	-	100,000	-	220,290
Change in value of annuity payable	(439,616)	-	-	-	(439,616)
Management fee income	1,662,338	-	-	-	1,662,338
Recovery of bad debt	949,166	-	-	-	949,166
Other fees	759,666	-	-	-	759,666
Net assets released from donor restrictions	15,646,670	-	(14,602,134)	(1,044,536)	-
TOTAL REVENUE, GAINS AND SUPPORT	19,404,668	36,326	(516,003)	5,982,216	24,907,207
EXPENSES:					
Program service - charitable grant making	15,586,171	1,684,113	-	-	17,270,284
Supporting services:					
Management and general	922,571	-	-	-	922,571
Fundraising	1,632,619	-	-	-	1,632,619
TOTAL EXPENSES	18,141,361	1,684,113	-	-	19,825,474
CHANGE IN NET ASSETS	1,263,307	(1,647,787)	(516,003)	5,982,216	5,081,733
NET ASSETS:					
Beginning of year	3,698,871	2,569,880	8,094,707	50,549,219	64,912,677
End of year	\$ 4,962,178	\$ 922,093	\$ 7,578,704	\$ 56,531,435	\$ 69,994,410

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, 2023

	Program Service	Supporting Services		Direct Cost of Special Events	Total
	Charitable Grant Making	Management and General	Fundraising		
Charitable grant making	\$ 5,703,292	\$ -	\$ -	\$ -	\$ 5,703,292
Charitable grant making - Annual Catholic Appeal	9,132,112	-	-	-	9,132,112
Salaries	511,403	444,866	904,690	-	1,860,959
Fringe benefits	103,898	144,075	247,793	-	495,766
Professional fees	924,803	218,412	23,230	-	1,166,445
Occupancy	32,011	22,821	46,410	-	101,242
Printing and postage	637,934	450	27,977	-	666,361
Office expenses	23,146	91,872	27,575	-	142,593
Contribution expense	1,642	75	231,196	-	232,913
Advertising	86,915	-	71,234	-	158,149
Bad debt	-	-	500	-	500
Catering and facility rental	113,128	-	52,014	91,060	256,202
Total Expenses	17,270,284	922,571	1,632,619	91,060	19,916,534
Direct cost of special events	-	-	-	(91,060)	(91,060)
Total Expenses Reported by Function on the Statement of Activities	\$ 17,270,284	\$ 922,571	\$ 1,632,619	\$ -	\$ 19,825,474

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 5,081,733
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net unrealized and realized gain on investments	(6,962,080)
Contributions restricted for endowments	(332,425)
Amortization of operating lease expense	61,774
Change in value of annuity payable	439,616
Recovery of bad debt	(949,166)
Bad debt expense	500
Changes in operating assets and liabilities:	
Contributions and pledges receivable	651,803
Grant receivable	(2,600,000)
Due from Futures in Education	(270,356)
Prepaid expenses and other assets	(64,146)
Accrued expenses	23,620
Annual Catholic Appeal payable	(180,480)
Grants payable	(155,776)
Operating lease liabilities	(70,665)
Funds held as agency endowments	<u>(1,129,569)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,455,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	1,496,746
Collections of loan receivables	<u>1,175,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,671,746</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Annuity payments	(216,901)
Contributions restricted for endowments	<u>332,425</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>115,524</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,668,347)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,216,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,547,997</u>

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

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 contributions 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. 2016-13

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Management of Credit Losses on Financial Instruments*. This ASU revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU No. 2016-13.

On January 1, 2023, CFBQ adopted the new accounting standard and all of the related amendments using the modified retrospective method. There was no impact in initially applying the new credit loss standard to its accounts receivables and to the opening balance of net assets.

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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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 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, Pledges, and Grants 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. Receivables at December 31, 2023 are due within one year.

Allowance for Doubtful Accounts

CFBQ determines whether an allowance for doubtful accounts should be provided for contributions, pledges, and grants receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Receivables 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, 2023. CFBQ has recorded an allowance for doubtful accounts of \$2,500,000 on contributions and pledges receivable at December 31, 2023.

Credit Quality of Loan Receivables

CFBQ carries its loan receivable at the principal amount due reduced by an allowance for credit losses. CFBQ's assessment of the allowance for credit losses includes consideration of past payment history, the creditworthiness and financial condition of the borrower and current and expected economic conditions. CFBQ may also establish an allowance for credit losses when it is probable that the receivable will not be collected in accordance with the terms of the loan agreement, and the loss can be reasonably estimated. Amounts receivable will be charged off against the allowance only if all reasonable attempts at collection fail. At December 31, 2023, CFBQ has determined that no allowance for credit losses is necessary.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

Annuity 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 \$2,406,445 at December 31, 2023, 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 98 various agency endowment funds. At December 31, 2023, CFBQ had a remaining balance of \$6,527,852, net of allowances, as funds held for agency endowments.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

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, 2023, the board of directors designated \$922,093 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 and Grants

Contributions and grants 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 and grant 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, 2023

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.

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.

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, 2023

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

Leases

Under FASB ASC Topic 842, *Leases*, CFBQ applies a two-model approach to all leases in which CFBQ is a lessee and classifies leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by CFBQ. Lease classification is evaluated at the inception of the lease agreement. Regardless of classification, CFBQ records a right-of-use asset and a lease liability for all leases with a term greater than 12 months.

In order to calculate the lease liability, certain assumptions related to lease terms and discount rates are made. Renewal options are evaluated in the determination of lease terms. When available, CFBQ uses the rate implicit in the lease or a borrowing rate based on similar debt to discount lease payments to present value. However, when a lease does not provide a readily determinable implicit rate, and CFBQ's existing debt does not have similar terms, CFBQ uses the U.S. Treasury rate constant maturity at each lease commencement date to discount lease payments. At December 31, 2023, CFBQ applied discount rates of 1.64%.

CFBQ recognizes amortization of the right-of-use assets separately from interest on the lease liability for all finance leases. Operating lease expense is recognized on a straight-line basis over the term of the lease.

Note 3 - Investments

CFBQ maintains investments with an investment manager. The fair value of these investments at December 31, 2023 is \$2,406,445.

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, 2023.

Cash and Cash Equivalents: Valued based on cash management funds whose underlying assets are valued at the NAV of shares held by CFBQ.

U.S. Treasury Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Value estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 - Investments (cont'd.)

Municipal Bonds: Value estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs.

Preferred Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

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.

The fair value of investments measured on a recurring basis at December 31, 2023 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 188,410	\$ -	\$ -	\$ 188,410
U.S. Treasury Securities	705,923	-	-	705,923
Corporate Bonds	-	346,689	-	346,689
Municipal Bonds	-	162,408	-	162,408
Preferred Stocks	96,714	-	-	96,714
Equities	466,994	-	-	466,994
Mutual Funds	439,307	-	-	439,307
Total at Fair Value	<u>\$ 1,897,348</u>	<u>\$ 509,097</u>	<u>\$ -</u>	<u>\$ 2,406,445</u>

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, 2023 is as follows:

Compostela Funds:

Equities	\$ 38,119,852
Bonds	19,472,685
	<u>\$ 57,592,537</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, 2023

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, 2023:

		<u>Valuation Technique</u>	<u>Range of Inputs</u>
Compostela Funds	<u>\$ 57,592,537</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.

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. The loan bears interest at an annual rate of 1% and matures on August 31, 2029. The outstanding balance of the loan receivable at December 31, 2023 is \$723,333 and is expected to be collected in full in 2024.

Note 5 - Net Assets with Donor Restrictions

At December 31, 2023, purpose restricted net assets consist of the following:

Youth Ministry Initiative	\$	3,968,468
Other donor-restricted funds		<u>3,610,236</u>
	\$	<u>7,578,704</u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

At December 31, 2023, 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		6,670,107
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		11,896,680
Accumulated earnings		<u>7,029,810</u>
	<u>\$</u>	<u>56,531,435</u>

Net Assets Released from Restrictions

For the year ended December 31, 2023, net assets released from restrictions consist of the following:

	Purpose Restricted	Endowments
The Bishop John Loughlin Fund for Religious Education and Evangelization	\$ -	\$ 65,127
The Bishop Charles McDonnell Fund for Vocations	-	42,749
The Pope John Paul II for Lay Leadership Formation	-	74,403
The Archbishop Thomas E. Molloy Fund for Senior and Infirm Priests	-	121,301
The Bishop Francis J. Mugavero Fund for the Elderly	-	83,675
The Saint Charles Barromeo Fund for Training and Development of Priests	-	37,051
The Cathedral Preparatory Seminary Fund	-	11,872
The Catholic Charities, Diocese of Brooklyn Fund	-	9,321
The Bishop Loughlin Memorial High School Fund	-	5,525
The Bishop Thomas Daily Fund for Migration Affairs	-	28,038
The Archbishop Bryan J. McEntegart Fund for Catholic Education	-	177,952
Youth Ministry Initiative	960,566	-
Annual Catholic Appeal	10,811,782	-
Other restricted	<u>2,829,786</u>	<u>387,522</u>
	<u>\$ 14,602,134</u>	<u>\$ 1,044,536</u>

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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. At December 31, 2023, and from time to time during the year then ended, CFBQ’s balances exceeded these limits.

Note 7 - Grant Expense

The following grants were awarded for the year ended December 31, 2023:

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	311,926
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	480,136
Other donor-restricted funds	<u>4,019,179</u>
	<u>\$ 5,703,292</u>

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, 2023, conditional grants awards not included in the statement of financial position totaled \$1,790,592. This amount is estimated to be paid over the next five years to the parishes within the Diocese of Brooklyn.

The following represents the anticipated future commitment at December 31, 2023:

<u>Distribution Period</u>	<u># of Parishes</u>	<u>Amount</u>
2023-2024	57	\$ 574,967
2024-2025	50	651,250
2025-2026	29	335,000
2026-2027	16	165,625
2027-2028	8	<u>63,750</u>
		<u>\$ 1,790,592</u>

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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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
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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, 2023:

	Accumulated Earnings	Original Donor Gift	Total
Balance, January 1, 2023	\$ 1,380,019	\$ 49,169,200	\$ 50,549,219
Net unrealized gains	7,038,219	-	7,038,219
Investment management fees	(343,892)	-	(343,892)
Contributions	-	332,425	332,425
Appropriations	(1,044,536)	-	(1,044,536)
Balance, December 31, 2023	<u>\$ 7,029,810</u>	<u>\$ 49,501,625</u>	<u>\$ 56,531,435</u>

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, 2023, 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, 2023 was as follows:

Operating lease cost	<u>\$ 67,156</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 76,047</u>
Weighted-average remaining lease term - operating leases	<u>3.75 years</u>
Weighted-average discount rate - operating leases	<u>1.64%</u>

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Note 10 - Lease Commitments (cont'd.)

Future minimum lease payments as of December 31, 2023 are as follows:

<u>Years Ending December 31:</u>	
2024	\$ 77,559
2025	79,142
2026	80,761
2027	61,496
Total minimum lease payments	298,958
Less: amount representing interest	(9,308)
Total lease liabilities	<u>\$ 289,650</u>

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, 2023, 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 2023 and 2022 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.

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Note 11 - Retirement Plans (cont'd.)

Multiemployer Plan (cont'd.)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions for the Year Ended December 31, 2023	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Roman Catholic Diocese of Brooklyn Lay Employee Pension Plan	13-3795042	N/A	N/A	\$ 38,380	N/A	N/A

Defined Contribution Plan

CFBQ has a federally qualified Internal Revenue Code Section 403(b) defined contribution plan covering substantially all employees who meet certain eligibility requirements. All employees 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 \$46,935 for the year ended December 31, 2023.

Note 12 - Availability and Liquidity

The following represents CFBQ's financial assets available to meet cash needs for general expenditures within one year at December 31, 2023, reduced by amounts not available for general use within one year:

Financial assets at year-end:

Cash and cash equivalents	\$ 23,547,997
Investments	59,998,982
Contributions and pledges receivable, net	10,575
Grant receivable	2,600,000
Total financial assets	<u>86,157,554</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(64,110,139)
Funds held as agency endowments	(6,527,852)
Board designations	(922,093)
Total amounts not available to be used within one year	<u>(71,560,084)</u>

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

\$ 14,597,470

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.

CATHOLIC FOUNDATION FOR BROOKLYN AND QUEENS
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Note 13 - Subsequent Events

CFBQ has evaluated all events or transactions that occurred after December 31, 2023 through April 29, 2024, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.