

Faith in the Future Fund, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Faith in the Future Fund, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Faith in the Future Fund, Inc., (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith in the Future Fund, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Nanavaty, Nanavaty & Davenport, LLP

December 27, 2016

Faith in the Future Fund, Inc.

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 139,782	\$ 44,666
Investments	23,124,631	22,309,468
Contributions receivable	975,491	-
Note receivable	300,000	-
Interest receivable	2,000	-
Due from the Bridgeport Roman Catholic Diocesan Corporation	-	1,859,010
Total assets	<u>\$ 24,541,904</u>	<u>\$ 24,213,144</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	\$ -	\$ 9,000
Scholarships payable	-	27,080
Due to the Bridgeport Diocesan School Corporation	150,000	-
Total Liabilities	<u>150,000</u>	<u>36,080</u>
Net Assets:		
Unrestricted	(19,845)	-
Temporarily restricted	2,851,277	3,958,061
Permanently restricted	21,560,472	20,219,003
Total Net Assets	<u>24,391,904</u>	<u>24,177,064</u>
Total Liabilities and Net Assets	<u>\$ 24,541,904</u>	<u>\$ 24,213,144</u>

The accompanying notes are an integral part of this financial statement.

Faith in the Future Fund, Inc.

Statements of Activities

Year Ended June 30,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Contributions	\$ -	\$ 975,491	\$ 1,341,469	\$ 2,316,960	\$ -	\$ -	\$ 95,358	\$ 95,358
Investment loss, net	(19,845)	(460,395)	-	(480,240)	-	(169,529)	-	(169,529)
Total support and revenues	(19,845)	515,096	1,341,469	1,836,720	-	(169,529)	95,358	(74,171)
Net assets released from restrictions	1,621,880	(1,621,880)	-	-	997,504	(997,504)	-	-
Program Expenses:								
Scholarships	145,776	-	-	145,776	27,080	-	-	27,080
High school support and programs	598,040	-	-	598,040	500,000	-	-	500,000
Elementary school support and programs	200,000	-	-	200,000	311,145	-	-	311,145
Vocations and Seminary education	60,000	-	-	60,000	60,000	-	-	60,000
Religious education	90,000	-	-	90,000	40,000	-	-	40,000
Trinity Catholic field improvements	499,213	-	-	499,213	-	-	-	-
Total program expenses	1,593,029	-	-	1,593,029	938,225	-	-	938,225
Management and General Expenses:								
Professional fees	25,147	-	-	25,147	59,279	-	-	59,279
Administrative expenses	3,704	-	-	3,704	-	-	-	-
Total management and general expenses	28,851	-	-	28,851	59,279	-	-	59,279
Total expenses	1,621,880	-	-	1,621,880	997,504	-	-	997,504
Change in net assets	(19,845)	(1,106,784)	1,341,469	214,840	-	(1,167,033)	95,358	(1,071,675)
Net assets at the beginning of the year	-	3,958,061	20,219,003	24,177,064	-	5,125,094	20,123,645	25,248,739
Net assets at the end of the year	<u>\$ (19,845)</u>	<u>\$ 2,851,277</u>	<u>\$ 21,560,472</u>	<u>\$ 24,391,904</u>	<u>\$ -</u>	<u>\$ 3,958,061</u>	<u>\$ 20,219,003</u>	<u>\$ 24,177,064</u>

The accompanying notes are an integral part of this financial statement.

Faith in the Future Fund, Inc.

Statements of Cash Flows

Year Ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 214,840	\$ (1,071,675)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized loss/(gain) on investments	1,081,055	1,150,396
Increase in contribution receivable	(975,491)	-
Increase in note receivable	(300,000)	-
Increase in interest receivable	(2,000)	-
(Decrease) increase in accounts payable	(9,000)	9,000
Decrease in scholarships payable	(27,080)	(4,873)
Net cash (used in) provided by operating activities	<u>(17,676)</u>	<u>82,849</u>
Cash flows from investing activities:		
Proceeds from sale of investments	6,630,847	3,928,469
Purchases of investments	(8,527,065)	(3,977,741)
Advance from Bridgeport Diocesan School Corporation	150,000	-
Repayment of amounts due from Bridgeport Roman Catholic Diocesan Corporation	1,859,010	7,678
Net cash provided by (used in) investing activities	<u>112,792</u>	<u>(41,594)</u>
Net increase in cash	95,116	41,255
Cash and cash equivalents at beginning of year	44,666	3,411
Cash and cash equivalents at end of year	<u>\$ 139,782</u>	<u>\$ 44,666</u>

The accompanying notes are an integral part of this financial statement.

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Faith in the Future Fund, Inc. ("Faith in the Future") is a Connecticut not-for-profit, non-stock corporation formed in February 1996 by the Bridgeport Roman Catholic Diocesan Corporation (the "Diocese"). Members of Faith in the Future are the individuals holding the title of the Bishop, Vicar General, Chancellor and the Chief Financial Officer of the Diocese. The Bishop appoints the Faith in the Future Board of Directors.

Faith in the Future was established to raise, manage and disburse funds from the Faith in the Future Endowment Campaign of the Diocese. The campaign purposes were to create a permanent endowment to support Catholic education, vocation and seminary education, priests' residence and retirement fund and Diocesan ministries and programs, having goals of assuring the viability of secondary and elementary Diocesan schools; continuing to develop priestly vocations and to fund seminary education; providing appropriate support and facilities for its retired clergy and enhancing the religious education programs in its parishes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of Faith in the Future have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Faith in the Future are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated gains and investment income on donor-restricted endowment assets.

Permanently Restricted Net Assets - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for use.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates

Cash and Cash Equivalents - Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Faith in the Future's gains and losses on investments bought and sold as well as held during the year.

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. Faith in the Future reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Income Taxes - Faith in the Future is a not-for-profit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Faith in the Future recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. Faith in the Future is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress and Faith in the Future believes that it is no longer subject to audits for years prior to 2012.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through December 27, 2016, which represents the date the financial statements were available to be issued.

Notes to the Financial Statements (continued)

NOTE 3 - CONCENTRATION

Faith in the Future's financial instruments that are exposed to a concentration of credit risk consist of investments.

Investments - Faith in the Future's investments are comprised of various common stocks, mutual funds, exchange-traded funds, closed-end funds, alternative investments, and money market funds. The money market funds are not protected by federal depository insurance. The value of these investments is subject to fluctuations due to general market conditions and interest rates.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which Faith in the Future has determined to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Notes to the Financial Statements (continued)**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Faith in the Future. Faith in the Future considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Faith in the Future's perceived risk of that instrument.

Faith in the Future's policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Assets Measured at Fair-value on a Recurring Basis - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of June 30:

<u>2016</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money-market funds	\$ 2,753,462	\$ -	\$ -	\$ 2,753,462
Common stocks	7,120,655	-	-	7,120,655
Bond mutual funds	4,659,953	-	-	4,659,953
Equity mutual funds	3,804,510	-	-	3,804,510
Exchange-traded funds	2,045,937	-	-	2,045,937
Multi-strategy mutual funds	1,911,491	-	-	1,911,491
Closed-end funds	694,651	-	-	694,651
Alternative investments	-	-	133,972	133,972
Total	<u>\$ 22,990,659</u>	<u>\$ -</u>	<u>\$ 133,972</u>	<u>\$ 23,124,631</u>

<u>2015</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money-market funds	\$ 429,126	\$ -	\$ -	\$ 429,126
Common stocks	7,308,562	-	-	7,308,562
Equity mutual funds	5,401,115	-	-	5,401,115
Bond mutual funds	3,557,030	-	-	3,557,030
Exchange-traded funds	1,940,492	-	-	1,940,492
Multi-strategy mutual funds	1,470,284	-	-	1,470,284
Alternative investments	-	1,120,991	183,702	1,304,693
Closed-end funds	898,166	-	-	898,166
Total	<u>\$ 21,004,775</u>	<u>\$ 1,120,991</u>	<u>\$ 183,702</u>	<u>\$ 22,309,468</u>

Notes to the Financial Statements (continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

There have been no changes in the methodologies used at June 30, 2016 and 2015.

Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for June 30:

	<u>Level 3 Investments</u>	
Balance at July 1, 2015 and 2014	\$ 183,702	179,595
Total gains (realized and unrealized) included in the change in net assets	(49,730)	(25,893)
Purchases	<u>-</u>	<u>30,000</u>
Balance at June 30, 2016 and 2015	<u>\$ 133,972</u>	<u>\$ 183,702</u>

Faith in the Future uses, as a practical expedient for fair value, an NAV per share or its equivalent for purposes of valuing certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 740. The following table lists such investments by major category as of June 30, 2016:

<u>Type</u>	<u>Strategy</u>	<u>NAV in Fund</u>	<u># of Fund</u>	<u>Remaining Life</u>	<u>\$ Amount of unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Limited Partnership	Generate long-term capital appreciation through investments in equity and debt obligations of undervalued entities.	\$ 133,972	1	Subject to the determination of the respective fund manager.	\$ -	N/A	N/A
		<u>\$ 133,972</u>					

Notes to the Financial Statements (continued)

NOTE 5 - INVESTMENT INCOME

Investment income consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 715,706	\$1,126,945
Net realized (losses)gains	(282,038)	236,923
Net unrealized loss	<u>(799,017)</u>	<u>(1,387,319)</u>
Total investment loss	(365,349)	(23,451)
Less: investment expenses	<u>(114,891)</u>	<u>(146,078)</u>
Investment loss, net	<u><u>\$ (480,240)</u></u>	<u><u>\$ (169,529)</u></u>

NOTE 6 - DUE FROM THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION

Faith in the Future has made advances to the Diocese totaling \$-0- and \$1,859,010 at June 30, 2016 and 2015, respectively. The amount was repaid in full by August 31, 2015.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, net, consist of the following unconditional promises to give at June 30, 2016:

Amounts expected to be collected in:	
Less than one year	\$ 250,000
One to four years	<u>750,000</u>
	1,000,000
Less: discount to net present value	<u>(24,509)</u>
Contributions receivable, net	<u><u>\$ 975,491</u></u>

Contributions that are expected to be collected after one year have been discounted at 1.5% and are reflected in the financial statements at their net present value.

Notes to the Financial Statements (continued)**NOTE 8 - NOTE RECEIVABLE**

During January 2016, Faith in the Future approved a loan to Trinity Catholic High School for field and capital improvements not to exceed \$1.9 million. Repayments of interest only at 4% on the outstanding balance is payable during the initial two years of the loan. Thereafter, annual interest and principal payments will be \$150,000 plus the amount distributed annually from Faith in the Future. The outstanding balance is \$300,000 at June 30, 2016. Subsequent to year-end an additional \$1,306,006 was borrowed for the field improvement project. The Diocese of Bridgeport has guaranteed the repayment of this loan.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Purposes:		
Trinity Catholic High School field improvements	\$ 24,297	\$ 523,510
Scholarships	7,802	7,802
	<u>32,099</u>	<u>531,312</u>
Future periods:		
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
Catholic education	1,431,621	2,854,254
Vocation and seminary education	256,206	323,836
Parish religious education programs	155,860	220,864
Scholarships	-	27,795
Pledges, net - St. John Paul II Fund	975,491	-
	<u>2,819,178</u>	<u>3,426,749</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,851,277</u>	<u>\$ 3,958,061</u>

Net assets totaling \$1,621,880 and \$997,504 were released from restrictions by incurring expenses satisfying scholarship restrictions and professional fees for the years ended June 30, 2016 and 2015, respectively.

Notes to the Financial Statements (continued)

NOTE 10 - PERMANENTLY RESTRICTED NETS ASSETS

Permanently restricted net assets, income of which is restricted for the following purposes, consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Catholic education	\$ 17,042,828	\$ 17,042,159
Vocations and seminary education	2,579,177	1,256,665
Religious education	836,948	836,947
Scholarships	1,101,519	1,083,232
Total	<u>\$ 21,560,472</u>	<u>\$ 20,219,003</u>

NOTE 11 - ENDOWMENT

Faith in the Future's endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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 Faith in the Future has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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, Faith in the Future classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Faith in the Future in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, Faith in the Future considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Faith in the Future and the donor-restricted endowment fund
- The investment policies of Faith in the Future
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Faith in the Future

Faith in the Future Fund, Inc.

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (Continued)

Net Assets - Endowment net asset composition by type of fund is as follows as of June 30:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (19,845)	\$ 2,819,178	\$ 21,560,472	\$ 24,359,805

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,426,749	\$ 20,219,003	\$ 23,645,752

Changes in endowment net assets for the year ended June 30 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - June 30, 2014	\$ -	\$ 4,593,782	\$ 20,123,645	\$24,717,427
Investment return:				
Investment income	-	1,126,945	-	1,126,945
Investment losses, net	-	(1,296,474)	-	(1,296,474)
Total investment returns, net	-	(169,529)	-	(169,529)
Other changes:				
Contributions	-	-	95,358	95,358
Appropriation of endowment assets	-	(997,504)	-	(997,504)
Endowment net assets - June 30, 2015	-	3,426,749	20,219,003	23,645,752
Investment return:				
Investment income	-	715,706	-	715,706
Investment losses, net	(19,845)	(1,176,101)	-	(1,195,946)
Total investment returns, net	(19,845)	(460,395)	-	(480,240)
Other changes:				
Contributions	-	975,491	1,341,469	2,316,960
Appropriation of endowment assets	-	(1,122,667)	-	(1,122,667)
Endowment net assets - June 30, 2016	\$ (19,845)	\$ 2,819,178	\$ 21,560,472	\$24,359,805

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

Funds with Deficiencies - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires Faith in the Future to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were two funds with deficiencies as of June 30, 2016, and no such deficiencies as of June 30, 2015.

Return Objectives and Risk Parameters – Faith in the Future has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Faith in the Future engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, Faith in the Future targets a diversified asset allocation emphasizing long-term investment performance and targets 55% to equity-type investments, 14% to fixed income, 23% to alternatives and 8% to real assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Faith in the Future's Board of Directors has approved a spending policy that evaluates an annual spending target of 4.00% of the average quarterly ending market value over the preceding twelve quarters. This is consistent with Faith in the Future's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 12 - SUBSEQUENT EVENTS

During August 2016, the Faith in the Future Board of Directors approved a distribution of \$810,000 to various programs supported by the endowment. The Board anticipates that more distributions will be made during December 2016.