

Faith in the Future Fund, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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

March 8, 2018

Faith in the Future Fund, Inc.

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 394,329	\$ 139,782
Investments	24,688,104	23,124,631
Contributions receivable	728,050	975,491
Note receivable	1,389,124	300,000
Interest receivable	11,295	2,000
Total assets	<u>\$ 27,210,902</u>	<u>\$ 24,541,904</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	\$ 15,000	\$ -
Distributions payable	808,004	-
Obligations due under split interest agreement	365,860	-
Due to the Bridgeport Diocesan School Corporation	-	150,000
Total Liabilities	<u>1,188,864</u>	<u>150,000</u>
Net Assets:		
Unrestricted	-	(19,845)
Temporarily restricted	3,008,903	2,851,277
Permanently restricted	23,013,135	21,560,472
Total Net Assets	<u>26,022,038</u>	<u>24,391,904</u>
Total Liabilities and Net Assets	<u>\$ 27,210,902</u>	<u>\$ 24,541,904</u>

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

Statements of Activities

Year Ended June 30,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Contributions	\$ -	\$ 104,175	\$ 477,172	\$ 581,347	\$ -	\$ 975,491	\$ 1,341,469	\$ 2,316,960
Investment gain(loss), net	19,845	2,773,722	-	2,793,567	(19,845)	(460,395)	-	(480,240)
Total support and revenues	19,845	2,877,897	477,172	3,374,914	(19,845)	515,096	1,341,469	1,836,720
Net assets released from restrictions	1,744,780	(1,744,780)	-	-	1,621,880	(1,621,880)	-	-
Program Expenses:								
Scholarships	236,217	-	-	236,217	145,776	-	-	145,776
High school support and programs	1,000,000	-	-	1,000,000	598,040	-	-	598,040
Elementary school support and programs	196,258	-	-	196,258	200,000	-	-	200,000
Vocations and seminary education	120,000	-	-	120,000	60,000	-	-	60,000
Religious education	100,000	-	-	100,000	90,000	-	-	90,000
Retired priests	19,002	-	-	19,002	-	-	-	-
Trinity Catholic field improvements	24,297	-	-	24,297	499,213	-	-	499,213
Other programs	19,002	-	-	19,002	-	-	-	-
Total program expenses	1,714,776	-	-	1,714,776	1,593,029	-	-	1,593,029
Management and General Expenses:								
Professional fees	29,829	-	-	29,829	25,147	-	-	25,147
Administrative expenses	175	-	-	175	3,704	-	-	3,704
Total management and general expenses	30,004	-	-	30,004	28,851	-	-	28,851
Total expenses	1,744,780	-	-	1,744,780	1,621,880	-	-	1,621,880
Change in net assets before transfer	19,845	1,133,117	477,172	1,630,134	(19,845)	(1,106,784)	1,341,469	214,840
Transfer of net assets	-	(975,491)	975,491	-	-	-	-	-
Change in net assets after transfer	19,845	157,626	1,452,663	1,630,134	(19,845)	(1,106,784)	1,341,469	214,840
Net assets at the beginning of the year	(19,845)	2,851,277	21,560,472	24,391,904	-	3,958,061	20,219,003	24,177,064
Net assets at the end of the year	\$ -	\$ 3,008,903	\$ 23,013,135	\$ 26,022,038	\$ (19,845)	\$ 2,851,277	\$ 21,560,472	\$ 24,391,904

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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,630,134	\$ 214,840
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gain)loss on investments	(2,259,820)	1,081,055
Decrease(increase) in contribution receivable	247,441	(975,491)
Increase in note receivable	(1,089,124)	(300,000)
Increase in interest receivable	(9,295)	(2,000)
Increase(decrease) in accounts payable	15,000	(9,000)
Increase(decrease) in distributions payable	808,004	(27,080)
Increase in obligations due under split interest agreement	365,860	-
Net cash used in operating activities	<u>(291,800)</u>	<u>(17,676)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	6,419,911	6,630,847
Purchases of investments	(5,723,564)	(8,527,065)
(Repayment)advance from		150,000
Bridgeport Diocesan School Corporation	(150,000)	-
Repayment of amounts due from		1,859,010
Bridgeport Roman Catholic Diocesan Corporation	-	1,859,010
Net cash provided by investing activities	<u>546,347</u>	<u>112,792</u>
Net increase in cash	254,547	95,116
Cash and cash equivalents at beginning of year	139,782	44,666
Cash and cash equivalents at end of year	<u>\$ 394,329</u>	<u>\$ 139,782</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.

The Faith in the Future board approved the following funds to fulfill its mission:

Diocesan High School Fund – To provide scholarships and financial stability to the five diocesan high schools.

St. Elizabeth Ann Seton Education Fund – to provide special resources and help keep tuition affordable within elementary schools.

The St. Charles Borromeo Seminary Fund – to support the cost of educating and forming young men for the Catholic priesthood.

St. John Vianney Retired Priest Fund – to meet the future care needs of retired priests who have faithfully served the people of God within the Diocese.

St. John Paul II Fund for Faith Formation – to support the work of faith formation and youth and young adult ministry, including parish religious education throughout the Diocese.

The Lourdes Pastoral Care Fund – to meet the growing need for pastoral care services for the elderly within the nursing homes of St. Joseph Center, St. Camillus Center and St. John Paul II Center. This fund currently has no endowments.

The Saint Therese Fund for Evangelization – to increase participation in parish life and support the ongoing evangelization efforts on both the parish and Diocesan level. This fund currently has no endowments.

Notes to the Financial Statements (continued)

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.

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.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Split-Interest Agreement - Faith in the Future holds assets under a split-interest agreement consisting of an irrevocable trust for which Faith in the Future serves as the trustee. The agreement provides for annual payments to the stipulated beneficiaries of all income earned on related investments. Assets held under this agreement are included in investments. A portion of the assets received in the current year is recognized within contribution revenues. As trustee, Faith in the Future has recorded a liability for the present value of the estimated future obligations to the beneficiaries which approximates the fair value of the trust assets. The liability is adjusted during the term of the agreement for changes in the estimates of future payments. Such adjustments are reported as a change in value of split-interest agreements on the statement of activities. At June 30, 2017, the amount of Faith in the Future's obligations under this split-interest agreement totaled \$365,860.

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 2013.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through March 8, 2018, 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, fixed income 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 includes 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>2017</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money-market funds	\$ 2,359,073	\$ -	\$ -	\$ 2,359,073
Fixed income funds	287,724	-	-	287,724
Common stocks	7,041,041	-	-	7,041,041
Mutual funds	14,882,566	-	-	14,882,566
Alternative investments	-	-	117,700	117,700
Total Fair Value Measurements	<u>\$ 24,570,404</u>	<u>\$ -</u>	<u>\$ 117,700</u>	<u>\$ 24,688,104</u>

<u>2016</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money-market funds	\$ 2,753,462	\$ -	\$ -	\$ 2,753,462
Common stocks	7,120,655	-	-	7,120,655
Mutual funds	13,116,542	-	-	13,116,542
Alternative investments	-	-	133,972	133,972
Total Fair Value Measurements	<u>\$ 22,990,659</u>	<u>\$ -</u>	<u>\$ 133,972</u>	<u>\$ 23,124,631</u>

There have been no changes in the methodologies used at June 30, 2017 and 2016.

Notes to the Financial Statements (continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

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, 2016 and 2015	\$ 133,972	183,702
Total losses (realized and unrealized) included in the change in net assets	<u>(16,272)</u>	<u>(49,730)</u>
Balance at June 30, 2017 and 2016	<u>\$ 117,700</u>	<u>\$ 133,972</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, 2017:

<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.	\$ 117,700	1	February 2020	\$ 25,000	N/A	N/A
		<u>\$ 117,700</u>					

Notes to the Financial Statements (continued)**NOTE 5 - INVESTMENT INCOME**

Investment income consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 657,693	\$ 715,706
Net realized gains(losses)	659,384	(282,038)
Net unrealized gains(losses)	<u>1,600,436</u>	<u>(799,017)</u>
Total investment gains(losses)	2,917,513	(365,349)
Less: investment expenses	<u>(123,946)</u>	<u>(114,891)</u>
Investment gain(loss), net	<u><u>\$2,793,567</u></u>	<u><u>\$(480,240)</u></u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Faith in the Future made an advance to the Diocese totaling \$-0- and \$150,000 at June 30, 2017 and 2016, respectively. The amount was repaid in full in July 2016.

Faith in the Future has a participation agreement with the Diocese to provide accounting, legal, human resources, and other services for \$15,000 per year.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, net, consist of the following unconditional promises to give at June 30, 2017:

Amounts expected to be collected in:

Less than one year	\$ 250,000
One to three years	<u>500,000</u>
	750,000
Less: discount to net present value	<u>(21,950)</u>
Contributions receivable, net	<u><u>\$ 728,050</u></u>

Contributions receivable totaling \$728,050 is included within Permanently Restricted Net Assets based on the donor's pledge agreement to support The St. John Paul II Fund for Faith Formation. 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.

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 \$1,389,124 and \$300,000 at June 30, 2017 and 2016, respectively. The Diocese of Bridgeport has guaranteed the repayment of this loan.

Notes to the Financial Statements (continued)

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Purposes:		
Trinity Catholic High School field improvements	\$ -	\$ 24,297
Scholarships	7,802	7,802
	<u>7,802</u>	<u>32,099</u>
Future periods:		
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
Diocesan High School Fund	1,512,343	986,333
St. Elizabeth Ann Seton Education Fund	553,219	445,001
St. Charles Borromeo Seminary Fund	456,567	241,346
St. John Vianney Retired Priest Fund	104,064	14,860
St. John Paul II Fund for Faith Formation	262,604	1,131,352
Board designated St. John Paul II Fund for Faith Formation	22,901	286
Scholarships	89,403	-
	<u>3,001,101</u>	<u>2,819,178</u>
	<u>\$ 3,008,903</u>	<u>\$ 2,851,277</u>

Net assets totaling \$1,744,780 and \$1,621,880 were released from restrictions by incurring expenses satisfying scholarship restrictions and professional fees for the years ended June 30, 2017 and 2016, respectively. Net assets totaling \$975,491 were transferred to Permanently Restricted Net Assets to support The St. John Paul II Fund for Faith Formation.

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>2017</u>	<u>2016</u>
Diocesan High School Fund	\$ 12,549,923	\$ 12,549,923
St. Elizabeth Ann Seton Education Fund	4,321,792	4,321,792
St. Charles Borromeo Seminary Fund	2,149,422	1,917,921
St. John Vianney Retired Priest Fund	764,208	661,256
St. John Paul II Fund for Faith Formation	1,827,217	836,947
Board designated St. John Paul II Fund for Faith Formation	274,066	171,114
Scholarships	1,126,507	1,101,519
	<u>\$ 23,013,135</u>	<u>\$ 21,560,472</u>

Notes to the Financial Statements (continued)

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

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

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,001,101	\$ 23,013,135	\$ 26,014,236
<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

Faith in the Future Fund, Inc.

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - June 20, 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 return, 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 20, 2016	(19,845)	2,819,178	21,560,472	24,359,805
Investment return:				
Investment income	-	657,693	-	657,693
Investment gains, net	19,845	2,116,029	-	2,135,874
Total investment return, net	19,845	2,773,722	-	2,793,567
Other changes:				
Contributions	-	104,175	477,172	581,347
Appropriation of endowment assets	-	(1,720,483)	-	(1,720,483)
Transfer from temporarily restricted	-	(975,491)	975,491	-
Endowment net assets - June 20, 2017	\$ -	\$ 3,001,101	\$ 23,013,135	\$ 26,014,236

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 no funds with deficiencies as of June 30, 2017, and two funds with deficiencies as of June 30, 2016.

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.

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

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 EVENT

During November 2017, the Board of Trustees voted to change the name of Faith in the Future Fund, Inc. to Foundations in Faith, Inc.