

Foundations in Faith, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2018 and 2017

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6

Independent Auditor's Report

To the Board of Directors
Foundations in Faith, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Foundations in Faith, Inc., (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018 and 2017, 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 Foundations in Faith, Inc. as of June 30, 2018 and 2017, 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

May 13, 2019

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 290,260	\$ 394,329
Investments	25,904,166	24,688,104
Contributions receivable	488,971	728,050
Note receivable	1,389,124	1,389,124
Interest receivable	9,261	11,295
Total assets	<u>\$ 28,081,782</u>	<u>\$ 27,210,902</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	\$ 18,465	\$ 15,000
Distributions payable	957,088	808,004
Obligations due under split interest agreement	389,759	365,860
Total Liabilities	<u>1,365,312</u>	<u>1,188,864</u>
Net Assets:		
Unrestricted	-	-
Temporarily restricted	3,688,390	3,008,903
Permanently restricted	23,028,080	23,013,135
Total Net Assets	<u>26,716,470</u>	<u>26,022,038</u>
Total Liabilities and Net Assets	<u>\$ 28,081,782</u>	<u>\$ 27,210,902</u>

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

Statements of Activities

Year Ended June 30,

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Contributions	\$ -	\$ 50,000	\$ 14,945	\$ 64,945	\$ -	\$ 104,175	\$ 477,172	\$ 581,347
Investment gain(loss), net	-	1,593,862	-	1,593,862	19,845	2,773,722	-	2,793,567
Total support and revenues	-	1,643,862	14,945	1,658,807	19,845	2,877,897	477,172	3,374,914
Net assets released from restrictions	964,375	(964,375)	-	-	1,744,780	(1,744,780)	-	-
Program Expenses:								
Scholarships	10,000	-	-	10,000	236,217	-	-	236,217
High school support and programs	500,000	-	-	500,000	1,000,000	-	-	1,000,000
Elementary school support and programs	175,000	-	-	175,000	196,258	-	-	196,258
Vocations and seminary education	93,500	-	-	93,500	120,000	-	-	120,000
Religious education	106,494	-	-	106,494	100,000	-	-	100,000
Retired priests	37,792	-	-	37,792	19,002	-	-	19,002
Trinity Catholic field improvements	-	-	-	-	24,297	-	-	24,297
Other programs	6,298	-	-	6,298	19,002	-	-	19,002
Total program expenses	929,084	-	-	929,084	1,714,776	-	-	1,714,776
Management and General Expenses:								
Professional fees	27,920	-	-	27,920	29,829	-	-	29,829
Administrative expenses	7,371	-	-	7,371	175	-	-	175
Total management and general expenses	35,291	-	-	35,291	30,004	-	-	30,004
Total expenses	964,375	-	-	964,375	1,744,780	-	-	1,744,780
Change in net assets before transfer	-	679,487	14,945	694,432	19,845	1,133,117	477,172	1,630,134
Transfer of net assets	-	-	-	-	-	(975,491)	975,491	-
Change in net assets after transfer	-	679,487	14,945	694,432	19,845	157,626	1,452,663	1,630,134
Net assets at the beginning of the year	-	3,008,903	23,013,135	26,022,038	(19,845)	2,851,277	21,560,472	24,391,904
Net assets at the end of the year	\$ -	\$ 3,688,390	\$ 23,028,080	\$ 26,716,470	\$ -	\$ 3,008,903	\$ 23,013,135	\$ 26,022,038

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

Foundations in Faith, Inc.

Statements of Cash Flows

Year Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 694,432	\$ 1,630,134
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(895,856)	(2,259,820)
Decrease in contribution receivable	239,079	247,441
Increase in note receivable	-	(1,089,124)
Decrease (increase) in interest receivable	2,034	(9,295)
Increase in accounts payable	3,465	15,000
Increase in distributions payable	149,084	808,004
Increase in obligations due under split interest agreement	23,899	365,860
Net cash provided by (used in) operating activities	<u>216,137</u>	<u>(291,800)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,471,903	6,419,911
Purchases of investments	(4,792,109)	(5,723,564)
Repayment to Bridgeport Diocesan School Corporation	-	(150,000)
Net cash (used in) provided by investing activities	<u>(320,206)</u>	<u>546,347</u>
Net (decrease) increase in cash	(104,069)	254,547
Cash and cash equivalents at beginning of year	<u>394,329</u>	<u>139,782</u>
Cash and cash equivalents at end of year	<u><u>\$ 290,260</u></u>	<u><u>\$ 394,329</u></u>

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

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Foundations in Faith, Inc. ('Foundations'), formerly Faith in the Future Fund, Inc., is a Connecticut nonprofit, non-stock corporation formed in February 1996 by the Bridgeport Roman Catholic Diocesan Corporation, Inc. (the 'Diocese'). Members of Foundations shall include that person holding the office of the Bishop, or in the event of a vacancy of the office of the Bishop, the Administrator of the Diocese, and such other persons as may be appointed by the Bishop of the Diocese. The members of the corporation shall elect the Board of Directors.

Foundations was incorporated to raise, manage and administer funds, endowments and trusts to support and assist programs, operations and initiatives related to Diocesan pastoral needs. These needs include Catholic education, vocation and seminary education, priests' residence and retirement, faith formation and youth and young adult ministry, pastoral services for the elderly, parish evangelization efforts in parishes and schools, and individuals with disabilities.

The Foundations 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 Evangelization Fund – 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.

St. Catherine Center for Special Needs Fund – to support the mission of the Center as it provides pastoral and educational support for individuals with disabilities. This fund currently has no endowments and was created subsequent to year-end.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of Foundations have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foundations 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 Foundations' 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. Foundations 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 - Foundations holds assets under a split-interest agreement consisting of an irrevocable trust for which Foundations 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 and were initially recorded as contributions in the year ended June 30, 2017. As trustee, Foundations 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. The change in value of split-interest agreements for the current year is \$23,899 and is included in the investment return in the statement of activities for the year ended June 30, 2018. At June 30, 2018 and 2017, the amount of Foundations' obligations under this split-interest agreement totaled \$389,759 and \$365,860, respectively.

Income Taxes - Foundations is a nonprofit 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. Foundations recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. Foundations is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress and Foundations believes that it is no longer subject to audits for years prior to 2014.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through May 13, 2019, which represents the date the financial statements were available to be issued.

Notes to the Financial Statements (continued)

NOTE 3 - CONCENTRATION

Foundations' financial instruments that are exposed to a concentration of credit risk consist of investments.

Investments – Foundations' 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 Foundations 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 Foundations. Foundations 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 Foundation's perceived risk of that instrument.

Foundations' 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>2018</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	\$ 1,221,213	\$ -	\$ -	\$ 1,221,213
Fixed income funds	4,713,874	-	-	4,713,874
Common stocks	9,092,110	-	-	9,092,110
Mutual funds	10,761,476	-	-	10,761,476
Alternative investments	-	-	115,493	115,493
Total Fair Value Measurements	<u>\$ 25,788,673</u>	<u>\$ -</u>	<u>\$ 115,493</u>	<u>\$ 25,904,166</u>

<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>

There have been no changes in the methodologies used at June 30, 2018 and 2017.

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, 2017 and 2016	\$ 117,700	\$ 133,972
Total losses (realized and unrealized) included in the change in net assets	<u>(2,207)</u>	<u>(16,272)</u>
Balance at June 30, 2018 and 2017	<u>\$ 115,493</u>	<u>\$ 117,700</u>

Foundations uses, as a practical expedient for fair value, a 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, 2018:

Type	Strategy	NAV in Fund	# of Fund	Remaining Life	\$ Amount of unfunded Commitments	Redemption Terms	Redemption Restrictions
Limited Partnership	Generate long-term capital appreciation through investments in equity and debt obligations of undervalued entities.	\$ 115,493	1	February 2020	\$ 25,000	N/A	N/A
		<u>\$ 115,493</u>					

NOTE 5 - INVESTMENT INCOME

Investment income consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 841,242	\$ 657,693
Net realized gains	551,837	659,384
Net unrealized gains	<u>344,017</u>	<u>1,600,436</u>
Total investment gains	1,737,096	2,917,513
Less: investment expenses	<u>(143,234)</u>	<u>(123,946)</u>
Investment gain, net	<u>\$1,593,862</u>	<u>\$2,793,567</u>

Notes to the Financial Statements (continued)

NOTE 6 - RELATED PARTY TRANSACTIONS

Foundations 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:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
Less than one year	\$ 250,000	\$ 250,000
One to three years	<u>250,000</u>	<u>500,000</u>
	500,000	750,000
Less: discount to net present value	<u>(11,029)</u>	<u>(21,950)</u>
Contributions receivable, net	<u>\$ 488,971</u>	<u>\$ 728,050</u>

Contributions receivable totaling \$488,971 and \$728,050 for 2018 and 2017, respectively, are 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, Foundations 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 Foundations. The outstanding balance is \$1,389,124 at June 30, 2018 and 2017, respectively. The Diocese of Bridgeport has guaranteed the repayment of this loan.

In May 2018, the Board of Directors approved extending the interest only period through July 1, 2019.

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>2018</u>	<u>2017</u>
Purposes:		
Scholarships	\$ 7,802	\$ 7,802
	<u>7,802</u>	<u>7,802</u>
Future periods:		
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
Diocesan High School Fund	1,863,088	1,512,343
St. Elizabeth Ann Seton Education Fund	685,235	553,219
St. Charles Borromeo Seminary Fund	524,030	456,567
St. John Vianney Retired Priest Fund	123,678	104,064
St. John Paul II Fund for Faith Formation	298,801	262,604
Board designated St. John Paul II Fund for Faith Formation	27,579	22,901
Scholarships	158,177	89,403
	<u>3,680,588</u>	<u>3,001,101</u>
	<u>\$ 3,688,390</u>	<u>\$ 3,008,903</u>

Net assets totaling \$964,375 and \$1,744,780 were released from restrictions by incurring expenses satisfying scholarship restrictions and professional fees for the years ended June 30, 2018 and 2017, respectively. At June 30, 2017, net assets related to contributions receivable 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 NET ASSETS

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

	<u>2018</u>	<u>2017</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	2,149,422
St. John Vianney Retired Priest Fund	764,208	764,208
St. John Paul II Fund for Faith Formation	1,842,162	1,827,217
Board designated St. John Paul II Fund for Faith Formation	274,066	274,066
Scholarships	1,126,507	1,126,507
	<u>\$ 23,028,080</u>	<u>\$ 23,013,135</u>

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT

Foundations 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 Foundations 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, Foundations 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 Foundations in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, Foundations 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 Foundations and the donor-restricted endowment fund
- The investment policies of Foundations
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Foundations

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

<u>2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,680,588	\$ 23,028,080	\$ 26,708,668
<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

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

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, 2016	\$ (19,845)	\$ 2,819,178	\$ 21,560,472	\$ 24,359,805
Investment return:				
Investment income	-	657,692	-	657,692
Investment gains, net	19,845	2,116,029	-	2,135,874
Total investment return, net	<u>19,845</u>	<u>2,773,721</u>	<u>-</u>	<u>2,793,566</u>
Other changes:				
Contributions	-	104,175	477,172	581,347
Appropriation of endowment assets	-	(1,720,482)	-	(1,720,482)
Transfer from temporarily restricted	<u>-</u>	<u>(975,491)</u>	<u>975,491</u>	<u>-</u>
Endowment net assets - June 30, 2017	<u>-</u>	<u>3,001,101</u>	<u>23,013,135</u>	<u>26,014,236</u>
Investment return:				
Investment income	-	841,242	-	841,242
Investment gains, net	<u>-</u>	<u>752,620</u>	<u>-</u>	<u>752,620</u>
Total investment return, net	<u>-</u>	<u>1,593,862</u>	<u>-</u>	<u>1,593,862</u>
Other changes:				
Contributions	-	50,000	14,945	64,945
Appropriation of endowment assets	<u>-</u>	<u>(964,375)</u>	<u>-</u>	<u>(964,375)</u>
Endowment net assets - June 30, 2018	<u>\$ -</u>	<u>\$ 3,680,588</u>	<u>\$ 23,028,080</u>	<u>\$ 26,708,668</u>

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 Foundations 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, 2018 and June 30, 2017.

Return Objectives and Risk Parameters - Foundations 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, Foundations 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, Foundations 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 - Foundations 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 Foundations 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.