

**FORWARD IN FAITH, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**FORWARD IN FAITH, INC.  
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## INDEPENDENT AUDITORS' REPORT

The Corporate Members and Board of Directors  
Forward in Faith, Inc.  
Hyattsville, Maryland

We have audited the accompanying financial statements of Forward in Faith, Inc., which comprise the statement of financial position as of June 30, 2017, the related statements of activities and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditors' 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.

Corporate Members and Board of Directors  
Forward in Faith, Inc.


**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forward in Faith, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Prior Year Financial Statements*

The financial statements of Forward in Faith, Inc. for the year ended June 30, 2016, were audited by other auditors whose report, dated November 29, 2016, expressed an unmodified opinion on those financial statements.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 4, 2017

**FORWARD IN FAITH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,155,144	\$ 1,683,322
Notes receivable, net (note 3)	3,443,233	3,925,693
Funds held by others	45,933	87,727
Investments (note 2)	72,991,934	68,893,816
Total assets	\$ 79,636,244	\$ 74,590,558
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Funds held on behalf of others	\$ 1,766,317	\$ 2,237,347
Contributions payable (notes 4 and 8)	2,676,801	2,662,807
Due to others	13,817	29,872
Total liabilities	4,456,935	4,930,026
<b>NET ASSETS</b>		
Unrestricted	4,472,509	2,509,107
Temporarily restricted (notes 5 and 7)	5,901,761	2,373,581
Permanently restricted (notes 5 and 7)	64,805,039	64,777,844
Total net assets	75,179,309	69,660,532
Total liabilities and net assets	\$ 79,636,244	\$ 74,590,558

See accompanying Notes to Financial Statements.

**FORWARD IN FAITH, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>								
Gifts and other changes in pledges	\$ -	\$ 6,817	\$ 27,195	\$ 34,012	\$ -	\$ 3,494	\$ 13,015	\$ 16,509
Investment income (loss) (note 2)	2,582,343	5,613,993	-	8,196,336	(733,049)	(1,773,676)	-	(2,506,725)
Net assets released from restrictions (note 6)	2,092,630	(2,092,630)	-	-	2,091,701	(2,091,701)	-	-
 Total revenue, gains, and other support	 4,674,973	 3,528,180	 27,195	 8,230,348	 1,358,652	 (3,861,883)	 13,015	 (2,490,216)
<b>EXPENSES</b>								
Program services:								
Scholarships	1,331,000	-	-	1,331,000	1,334,000	-	-	1,334,000
St. Joseph's Lay Leadership Institute	1,325	-	-	1,325	-	-	-	-
Multicultural Apostolate	380,000	-	-	380,000	380,000	-	-	380,000
Seminarian expenses	115,000	-	-	115,000	115,000	-	-	115,000
Mission Seminary-Redemptoris	1,656	-	-	1,656	-	-	-	-
Needy parishes and schools	741,000	-	-	741,000	729,000	-	-	729,000
Howard University campus ministry	33,000	-	-	33,000	33,000	-	-	33,000
Women religious housing	33,000	-	-	33,000	33,000	-	-	33,000
Total program services	2,635,981	-	-	2,635,981	2,624,000	-	-	2,624,000
Management and general	75,590	-	-	75,590	107,800	-	-	107,800
Total expenses	2,711,571	-	-	2,711,571	2,731,800	-	-	2,731,800
<b>CHANGE IN NET ASSETS</b>	1,963,402	3,528,180	27,195	5,518,777	(1,373,148)	(3,861,883)	13,015	(5,222,016)
Net Assets, Beginning of Year	2,509,107	2,373,581	64,777,844	69,660,532	3,882,255	6,235,464	64,764,829	74,882,548
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,472,509</b>	<b>\$ 5,901,761</b>	<b>\$ 64,805,039</b>	<b>\$ 75,179,309</b>	<b>\$ 2,509,107</b>	<b>\$ 2,373,581</b>	<b>\$ 64,777,844</b>	<b>\$ 69,660,532</b>

See accompanying Notes to Financial Statements.

**FORWARD IN FAITH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,518,777	\$ (5,222,016)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized and realized investment (gains) losses, net	(8,105,087)	2,580,696
Contributions collected and revenues restricted for long term investments	(18,409)	(7,432)
Decrease (increase) in assets:		
Due from others	41,794	(39,900)
Increase (decrease) in liabilities:		
Funds held on behalf of others	(471,030)	(455,404)
Contributions payable	13,994	128,885
Due to others	(16,055)	(2,507)
	(3,036,016)	(3,017,678)
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(1,594,744)	(5,526,171)
Proceeds from sale of investments	5,601,713	9,140,035
Note receivable disbursed	-	(918,353)
Principal payments received on notes receivable	482,460	379,809
	4,489,429	3,075,320
Net cash provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from revenue restricted for:		
Investment in endowment	18,409	7,432
	18,409	7,432
Net cash provided by financing activities		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,471,822	65,074
Cash and Cash Equivalents, Beginning of Year	1,683,322	1,618,248
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 3,155,144	\$ 1,683,322

See accompanying Notes to Financial Statements.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Organization**

Forward in Faith, Inc. (FIF) was incorporated as a 501(c)(3) corporation on June 22, 2005, to further the educational, charitable, and religious works of the Archdiocese of Washington. FIF is governed by an independent board of directors, and the accounting for FIF is performed under a services agreement with the Central Pastoral Administration of the Archdiocese of Washington (CPA). Funds for this corporation were received as a result of the FIF campaign, which had a \$135 million goal. The FIF campaign raised funds for programs of the Archdiocese of Washington, including Catholic Charities, parishes and other entities within the Archdiocese. The funds raised for Catholic Charities and parishes are recorded as funds held on behalf of others in the statements of financial position. The FIF campaign was substantially completed December 31, 2010; however, some donors continue to make payments beyond the completion date. Going forward, FIF will focus on investment oversight and grant making.

**(b) Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting.

**(c) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires FIF to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(d) Cash Equivalents**

For financial statement purposes, FIF considers funds in money markets and overnight investments to be cash equivalents, except for money market funds held by investment managers, which are classified as investments.

**(e) Notes Receivable and Allowance**

Notes receivable represent loans to parishes with schools to be used for building, renovating, or maintaining school buildings. Loans must be approved by the FIF Board of Directors (the Board). Notes receivable are stated at the amount management expects to collect on the statements of financial position. FIF follows a policy to calculate the probable uncollectible amount reserving anywhere from 10% to 100% based on the borrower's ability to pay. This allowance for uncollectible notes receivable is adjusted through a provision for bad debt expense.

**(f) Funds Held by Others**

There are several charitable gifts annuity agreements for FIF. These are maintained within CPA. FIF receives contributed assets in exchange for a promise to pay the donor a fixed amount over a specified period of time, typically until the donor's death. An estimate of the related liability has been recorded on the books of CPA. The net receivable is recorded in FIF as funds held by others, based on the present value of future life expectancy of the donor.



**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Investments**

Investments are recorded at fair value, which is determined using quoted market prices or, with respect to investments without quoted market prices, at estimated fair values provided by external investment managers. Management reviews and evaluates the fair values provided by the external investment managers and believes that the valuation methods and assumptions used in determining their estimated fair values are reasonable.

FIF entered into a Trust Agreement with the Catholic Investment Trust of Washington (CITW) on March 29, 2012. Pursuant to this agreement, Forward in Faith transferred its long-term investments to CITW effective April 2, 2012.

Effective July 1, 2014, CITW entered into a limited partnership agreement with Cambridge Associates Resources, LLC, as General Partner, creating CITW Fund LP. CITW Fund LP invests in publicly traded stocks, exchange-traded funds, mutual funds, bonds, derivative contracts, unaffiliated limited partnerships, limited liability companies, private equity, and/or venture capital funds. CITW Fund LP generally seeks to achieve long-term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security.

The investment in CITW and CITW's investment in CITW Fund LP are reported at estimated fair values utilizing net asset value (NAV). Forward in Faith reviews and evaluates the NAVs provided by the general partner and fund managers and believes that the valuation methods and assumptions used in determining the NAVs are reasonable.

**(h) Funds Held on Behalf of Others**

FIF records amounts due to other organizations as funds held on behalf of others when the moneys are received. These amounts consist primarily of contributions received by the FIF's fund-raising campaign for the benefit of other Archdiocesan entities.

**(i) Revenue Recognition and Net Assets**

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of FIF and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. This category includes board-designated net assets, which are funds designated for specific purposes by the Board of Directors (see Note 7).

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of FIF and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they are maintained permanently by FIF. Generally, the donors of these assets permit FIF to use all or part of the income earned on related investments for general or specific purposes.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Revenue Recognition and Net Assets (Continued)**

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Expirations of temporary restrictions on net assets (i.e., the donor's stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**(j) Income Taxes**

FIF is exempt from federal income tax, except on unrelated activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision has been made for income taxes during the fiscal years ended June 30, 2017 and 2016, as FIF had no significant unrelated business income.

Tax positions are recognized or derecognized based on a more-likely than-not threshold. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which change in judgment occurs. This applies to positions taken or expected to be taken in a tax return. FIF recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and accrued liabilities, if assessed. No interest expense or penalties have been recognized as of and for the years ended June 30, 2017 and 2016. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**(k) Concentration of Credit Risk**

Financial instruments that potentially subject FIF to concentrations of credit risk consist primarily of notes receivable. At June 30, 2017 and 2016, the gross notes receivable balance relating to notes from parishes/schools was \$4,693,233 and \$5,175,693, respectively (Note 3).

FIF invests in various investment securities. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Concentration of Credit Risk (Continued)**

FIF holds cash and cash equivalents with balances which at times exceed the amount guaranteed by the Federal Deposit Insurance Corporation (\$250,000). FIF has neither experienced nor anticipates any losses on its funds. As of June 30, 2017, the amount held in excess of the insured limits was \$3,155,186.

**(l) Reclassifications**

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the change in net assets previously reported.

**(m) Subsequent Events**

In preparing these financial statements, FIF has evaluated events and transactions for potential recognition or disclosure through December 4, 2017, the date that the financial statements were available to be issued.

**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

**Fair Value Measurements**

Fair value refers to the price that would be received upon selling an asset or the price paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the reporting date.

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, as a practical expedient, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, is permitted to measure the fair value of such investments on the basis of that NAV per share or its equivalent without adjustment.

Management uses its best judgment in estimating the fair value of FIF's investments including its consideration of the use of NAV as a practical expedient. There are inherent limitations in any estimation technique. Because of the inherent uncertainty of valuation, this estimated fair value may differ significantly from the value that would have been used had a ready market for the investments existed, and the difference could be significant.

Fair Value Measurements and Disclosures, under FASB Accounting Standards Codification Topic 820 (ASC 820), prioritizes within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

FIF's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy and its applicability to the portfolio investments are described below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that FIF has the ability to access at the measurement date

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 – Inputs that are unobservable.

An individual investment'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 management.

Observable data is that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the perceived risk of that investment.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Assumptions used due to lack of observable inputs may significantly impact the resulting fair value, and therefore, the results of operations.

FIF transferred a majority of its investments, effective April 2, 2012, to CITW. Pursuant to this agreement, legal title of the assets was transferred to CITW and FIF holds an interest in the NAVs of the investments in CITW. FIF owns only its interest in CITW and has no claim on the interest held by other participants in CITW and no other participants have a claim on FIF's interest in CITW. Effective July 1, 2014, CITW entered into a limited partnership agreement with Cambridge Associates Resources, LLC, as General Partner, creating CITW Fund LP. FIF continues its ownership in CITW while CITW is the limited partner in CITW Fund LP.

FIF used the NAV or its equivalent as a practical expedient to determine the fair value of its underlying 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. The fair value of the investment in CITW of \$70,227,342 and \$66,138,145 at June 30, 2017 and 2016, respectively, is estimated using the NAV as a practical expedient. There are no unfunded commitments for this investment.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

CITW Fund LP maintains two portfolios, Liquid and Illiquid. The investment objective of each portfolio, consistent with the Investment Policy Statement approved by CITW's Board of Trustees, is long-term total return that net of fees exceeds the aggregate Portfolio benchmark's total return with less risk.

Redemptions from CITW Fund LP are permitted upon written notice received by the General Partner at least 90 days prior to the end of any fiscal year and 60 days prior to the end of any fiscal quarter. The General Partner has the discretion to suspend withdrawals if considered necessary to prevent an adverse impact on CITW Fund LP.

FIF also held investments outside of CITW as of June 30, 2017 and 2016. The estimated values of the U.S. Treasury obligations are disclosed in Level 1 as the values are based on unadjusted market prices. The other investments held outside of CITW included U.S. government and agency securities, corporate and foreign bonds, and domestic money market funds and are included in Level 2 of the fair value hierarchy as values are based on the observable market information.

The following is a summary of the fair value measurements of FIF's investments within the fair value hierarchy with a disclosure of the investments measured at NAV to allow reconciliation to the statements of financial position for the years ended June 30, 2017 and 2016:

	2017			
	Total	Level 1	Level 2	NAV
Investment in CITW	\$ 70,227,342	\$ -	\$ -	\$ 70,227,342
U.S. Treasury obligations	599,860	599,860	-	-
Corporate and foreign bonds	601,220	-	601,220	-
Money market funds - domestic	1,563,512	1,563,512	-	-
	<u>\$ 72,991,934</u>	<u>\$ 2,163,372</u>	<u>\$ 601,220</u>	<u>\$ 70,227,342</u>
	2016			
	Total	Level 1	Level 2	NAV
Investment in CITW	\$ 66,138,145	\$ -	\$ -	\$ 66,138,145
U.S. Treasury obligations	1,505,751	1,505,751	-	-
Corporate and foreign bonds	1,207,295	-	1,207,295	-
Money market funds - domestic	42,625	42,625	-	-
	<u>\$ 68,893,816</u>	<u>\$ 1,548,376</u>	<u>\$ 1,207,295</u>	<u>\$ 66,138,145</u>

In accordance with subtopic 820-10, the investments measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

The fair value of other financial instruments, principally cash and cash equivalents, receivables, and payables, approximates their carrying value at June 30, 2017 and 2016, because of the short maturity of these items.

Investment income (loss) consists of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 123,969	\$ 146,644
Realized losses, net	(6,179)	(37,021)
Unrealized gains (losses), net	8,111,266	(2,543,675)
Investment management fees	(32,720)	(72,673)
	\$ 8,196,336	\$ (2,506,725)

**NOTE 3 NOTES RECEIVABLE**

Funds held on behalf of others are summarized as follows at June 30:

	2017	2016
Notes receivable from Parishes/Schools	\$ 4,693,233	\$ 5,175,693
Less allowance for uncollectible notes receivable	(1,250,000)	(1,250,000)
Funds held on behalf of others	\$ 3,443,233	\$ 3,925,693

The impaired loan had an outstanding balance of \$2,279,650 and \$2,372,571 at June 30, 2017 and 2016, respectively.

**NOTE 4 CONTRIBUTIONS PAYABLE**

Contributions payable represent amounts pledged to certain organizations primarily within the Archdiocese. All amounts are expected to be disbursed in less than one year. See Note 8 for related party information.

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

The following summarizes the nature of the temporarily restricted net assets at June 30 and the purposes for which such net assets may be used:

	<u>2017</u>	<u>2016</u>
HU Campus Ministry Center	\$ 722,859	\$ 755,511
Archdiocesan Charitable Fund	2,009	963
Pro-Life Apostolate	1,859	1,511
Women Religious Housing	722,859	755,511
Ministry Enhancement Fund	-	904
Scholarships - Endowment Income	2,841,907	476,608
Needy Parish Fund - Endowment Income	545,118	196,357
Seminarian Education - Endowment Income	264,468	60,281
Multicultural Apostolate - Endowment Income	800,682	125,935
	<u>\$ 5,901,761</u>	<u>\$ 2,373,581</u>

The following summarizes the nature of the permanently restricted net assets at June 30 and the purposes for which the income or a portion of the income on such net assets may be used:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 29,640,082	\$ 29,627,879
Parish/School Building Fund	19,921,487	19,912,771
Needy Parish Endowment	4,234,297	4,232,554
Seminarian Education Endowment	2,540,578	2,539,532
Multicultural Apostolate	8,468,595	8,465,108
	<u>\$ 64,805,039</u>	<u>\$ 64,777,844</u>

**NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Program services	\$ 2,089,982	\$ 2,091,000
Passage of time	2,648	701
Net assets released from restrictions	<u>\$ 2,092,630</u>	<u>\$ 2,091,701</u>

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 7    ENDOWMENTS**

Effective April 14, 2009, the State of Maryland enacted the Uniform Prudent Management of Institutional Funds Act (the Act), the provisions of which apply to funds existing on or established after that date.

The Board of Directors of FIF has interpreted the Act as allowing FIF to spend or accumulate the amount of an endowment fund that FIF determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. For accounting and reporting purposes, FIF classifies as permanently restricted net assets 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 the organization in a manner consistent with the standard of prudence prescribed by the Act. If the disbursements under the spending rate policy exceed accumulated earnings, the deficiency is classified as an offset to unrestricted net assets until such time as it is recovered by future earnings.

In accordance with the Act, FIF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of FIF and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of FIF, and (7) the investment policies of FIF.

FIF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FIF must hold in perpetuity or for a donor-specified period(s) as well as designated funds. FIF expects its endowment funds, over time, to provide an average rate-of-return of that, net of fees, exceeds the aggregate benchmark's total return with less risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, FIF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FIF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 7 ENDOWMENTS (CONTINUED)**

FIF's policy includes the following: the classification of restricted gifts, the investment of restricted gifts, the definition of income earned, and the calculation of annual distributions. Gifts are pooled and invested to ensure assets increase over time thereby enhancing the funds' long-term health and fiscal viability. Income earned includes interest, dividends, and realized/unrealized gains and losses unless otherwise specified by the donor. Distributions can be made annually at a rate not to exceed 4% of the sum of the fair market value of the permanently restricted net assets and the income earned (which are classified as temporarily restricted net assets) using a three-year rolling average.

Endowment net assets' composition by type of fund as of June 30 were as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 4,452,175	\$ 44,883,552	\$ 49,335,727
Board-designated*	479,756	1,445,719	-	1,925,475
	<u>\$ 479,756</u>	<u>\$ 5,897,894</u>	<u>\$ 44,883,552</u>	<u>\$ 51,261,202</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 859,181	\$ 44,865,074	\$ 45,724,255
Board-designated*	225,850	1,511,022	-	1,736,872
	<u>\$ 225,850</u>	<u>\$ 2,370,203</u>	<u>\$ 44,865,074</u>	<u>\$ 47,461,127</u>

\* Board designated endowment net assets represent funds originally restricted to be expended for facilities for religious housing and campus ministry. The Board determined that it could best meet the donor intent through subsidizing rental or facility maintenance costs rather than through new construction. Therefore it designated the funds to function as endowments and appropriate and release from restriction an amount equal to the 4% spending rate annually.

Changes in endowment net assets are as follows for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 225,850	\$ 2,370,203	\$ 44,865,074	\$ 47,461,127
Net unrealized gains	253,906	5,613,993	-	5,867,899
Contributions	-	-	18,478	18,478
Board designation	-	698	-	698
Appropriation for expenditure	-	(2,087,000)	-	(2,087,000)
Balance, end of year	<u>\$ 479,756</u>	<u>\$ 5,897,894</u>	<u>\$ 44,883,552</u>	<u>\$ 51,261,202</u>

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 7 ENDOWMENTS (CONTINUED)**

Changes in endowment net assets are as follows for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 305,415	\$ 6,234,237	\$ 44,856,230	\$ 51,395,882
Net unrealized losses	(79,565)	(1,773,676)	-	(1,853,241)
Contributions	-	-	8,844	8,844
Board designation	-	642	-	642
Appropriation for expenditure	-	(2,091,000)	-	(2,091,000)
Balance, end of year	<u>\$ 225,850</u>	<u>\$ 2,370,203</u>	<u>\$ 44,865,074</u>	<u>\$ 47,461,127</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the states' enacted legislation requires FIF to retain as a fund for the perpetual duration. There are no deficiencies at June 30, 2017 or 2016.

Permanently restricted net assets on the statements of financial position are made up of the following at June 30:

	2017	2016
Permanently restricted endowment net assets	\$ 44,883,552	\$ 44,865,073
Revolving loan fund	19,921,487	19,912,771
	<u>\$ 64,805,039</u>	<u>\$ 64,777,844</u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

FIF has significant transactions with related entities of the Archdiocese of Washington. Below is a summary of the impact of these transactions with related parties on the statements of financial position and the statements of activities as of and for the years ended June 30:

	2017	2016
Funds held by others	\$ 45,933	\$ 87,727
Note receivable, gross	4,693,233	5,175,693
Interest in CITW	70,227,342	66,138,145
Funds held on behalf of others	1,766,317	2,237,347
Due to St. Mary of the Mills	7,057	-
Contributions payable due to:		
CPA	1,304,982	1,290,000
Catholic Education Foundation	1,331,000	1,334,000
Catholic Charities	33,762	38,807
Expenses:		
Program services	2,635,981	2,624,000
Administrative cost incurred with CPA	65,000	83,000

**FORWARD IN FAITH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 8    RELATED PARTY TRANSACTIONS (CONTINUED)**

A member of the Board of FIF is also a member of the board of trustees of CITW, and another member of the board of FIF is a member of the Archdiocesan finance council.