

FORWARD IN FAITH, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

**FORWARD IN FAITH, INC.
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YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

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 statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 3, 2018

FORWARD IN FAITH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,931,590	\$ 3,155,144
Notes receivable, net (note 3)	2,584,230	3,443,233
Funds held by others	35,526	45,933
Investments (note 2)	75,565,502	72,991,934
Total assets	\$ 81,116,848	\$ 79,636,244
LIABILITIES AND NET ASSETS		
LIABILITIES		
Funds held on behalf of others	\$ 1,565,900	\$ 1,766,317
Contributions payable (notes 4 and 8)	9,131	2,676,801
Due to others	11,440	13,817
Total liabilities	1,586,471	4,456,935
NET ASSETS		
Unrestricted	5,675,752	4,472,509
Temporarily restricted (notes 5 and 7)	9,049,183	5,901,761
Permanently restricted (notes 5 and 7)	64,805,442	64,805,039
Total net assets	79,530,377	75,179,309
Total liabilities and net assets	\$ 81,116,848	\$ 79,636,244

See accompanying Notes to Financial Statements.

FORWARD IN FAITH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT								
Gifts and other changes in pledges	\$ 25	\$ 78	\$ 403	\$ 506	\$ -	\$ 6,817	\$ 27,195	\$ 34,012
Investment income (note 2)	1,278,737	3,147,344	-	4,426,081	2,582,343	5,613,993	-	8,196,336
Net assets released from restrictions (note 6)	-	-	-	-	2,092,630	(2,092,630)	-	-
Total revenue, gains, and other support	1,278,762	3,147,422	403	4,426,587	4,674,973	3,528,180	27,195	8,230,348
EXPENSES								
Program services:								
Scholarships	-	-	-	-	1,331,000	-	-	1,331,000
St. Joseph's Lay Leadership Institute	-	-	-	-	1,325	-	-	1,325
Multicultural Apostolate	-	-	-	-	380,000	-	-	380,000
Seminarian expenses	-	-	-	-	115,000	-	-	115,000
Mission Seminary-Redemptoris	-	-	-	-	1,656	-	-	1,656
Needy parishes and schools	-	-	-	-	741,000	-	-	741,000
Howard University campus ministry	-	-	-	-	33,000	-	-	33,000
Women religious housing	-	-	-	-	33,000	-	-	33,000
Total program services	-	-	-	-	2,635,981	-	-	2,635,981
Management and general	75,519	-	-	75,519	75,590	-	-	75,590
Total expenses	75,519	-	-	75,519	2,711,571	-	-	2,711,571
CHANGE IN NET ASSETS	1,203,243	3,147,422	403	4,351,068	1,963,402	3,528,180	27,195	5,518,777
Net Assets, Beginning of Year	4,472,509	5,901,761	64,805,039	75,179,309	2,509,107	2,373,581	64,777,844	69,660,532
NET ASSETS, END OF YEAR	\$ 5,675,752	\$ 9,049,183	\$ 64,805,442	\$ 79,530,377	\$ 4,472,509	\$ 5,901,761	\$ 64,805,039	\$ 75,179,309

See accompanying Notes to Financial Statements.

FORWARD IN FAITH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,351,068	\$ 5,518,777
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized and realized investment gains, net	(4,304,833)	(8,105,087)
Contributions collected and revenues restricted for long-term investments	(403)	(27,195)
Decrease in assets:		
Due from others	10,407	41,794
Increase (decrease) in liabilities:		
Funds held on behalf of others	(200,417)	(471,030)
Contributions payable	(2,667,670)	13,994
Due to others	(2,377)	(16,055)
	(2,814,225)	(3,044,802)
Net cash used by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,222,557)	(1,594,744)
Proceeds from sale of investments	2,953,822	5,601,713
Note receivable disbursed	(1,000,000)	-
Principal payments received on notes receivable	1,859,003	482,460
	2,590,268	4,489,429
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revenue restricted for:		
Investment in endowment	403	27,195
	403	27,195
Net cash provided by financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(223,554)	1,471,822
Cash and Cash Equivalents, Beginning of Year	3,155,144	1,683,322
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,931,590	\$ 3,155,144

See accompanying Notes to Financial Statements.

FORWARD IN FAITH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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 fundraising 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, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017. 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, 2018 and 2017, the gross notes receivable balance relating to notes from parishes/schools was \$3,834,230 and \$4,693,233, 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, 2018 AND 2017

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, 2018, the amount held in excess of the insured limits was \$2,671,590.

(l) Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 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 3, 2018, 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, 2018 AND 2017

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 \$72,781,152 and \$70,227,342 at June 30, 2018 and 2017, 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, 2018 AND 2017

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, 2018 and 2017. The estimated values of domestic money market funds and the U.S. Treasury obligations are classified as 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 and corporate and foreign bonds, 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, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	NAV
Investment in CITW	\$ 72,781,152	\$ -	\$ -	\$ 72,781,152
Money market funds - domestic	2,784,350	2,784,350	-	-
	<u>\$ 75,565,502</u>	<u>\$ 2,784,350</u>	<u>\$ -</u>	<u>\$ 72,781,152</u>
	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>

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
JUNE 30, 2018 AND 2017

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, 2018 and 2017, because of the short maturity of these items.

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

	2018	2017
Interest and dividends	\$ 127,440	\$ 123,969
Realized losses, net	(6,249)	(6,179)
Unrealized gains, net	4,311,082	8,111,266
Investment management fees	(6,192)	(32,720)
	\$ 4,426,081	\$ 8,196,336

NOTE 3 NOTES RECEIVABLE

Notes receivable are summarized as follows at June 30:

	2018	2017
Notes receivable from Parishes/Schools	\$ 3,834,230	\$ 4,693,233
Less allowance for uncollectible notes receivable	(1,250,000)	(1,250,000)
	\$ 2,584,230	\$ 3,443,233

The impaired loan had an outstanding balance of \$2,180,670 and \$2,279,650 at June 30, 2018 and 2017, respectively. Interest income is recognized on the loans at a rate of 2% per annum and totaled \$104,636 and \$97,724 for the years ended June 30, 2018 and 2017, 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
JUNE 30, 2018 AND 2017

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>2018</u>	<u>2017</u>
HU Campus Ministry Center	\$ 722,864	\$ 722,859
Archdiocesan Charitable Fund	2,025	2,009
Pro-Life Apostolate	1,865	1,859
Women Religious Housing	722,865	722,859
Cultural Diversity	20	-
Redemptoris Mater Seminary	26	-
Scholarships - Endowment Income	4,914,100	2,841,907
Needy Parish Fund - Endowment Income	849,970	545,118
Seminarian Education - Endowment Income	443,420	264,468
Multicultural Apostolate - Endowment Income	1,392,028	800,682
	<u>\$ 9,049,183</u>	<u>\$ 5,901,761</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>2018</u>	<u>2017</u>
Scholarships	\$ 29,640,263	\$ 29,640,082
Parish/School Building Fund	19,921,616	19,921,487
Needy Parish Endowment	4,234,323	4,234,297
Seminarian Education Endowment	2,540,594	2,540,578
Multicultural Apostolate	8,468,646	8,468,595
	<u>\$ 64,805,442</u>	<u>\$ 64,805,039</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>2018</u>	<u>2017</u>
Program services	\$ -	\$ 2,089,982
Passage of time	-	2,648
Net assets released from restrictions	<u>\$ -</u>	<u>\$ 2,092,630</u>

FORWARD IN FAITH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 7,599,519	\$ 44,883,826	\$ 52,483,345
Board designated*				
Parish/School Loan Fund	3,109,816	-	17,337,386	20,447,202
Other capital projects	574,859	1,445,729	-	2,020,588
	<u>\$ 3,684,675</u>	<u>\$ 9,045,248</u>	<u>\$ 62,221,212</u>	<u>\$ 74,951,135</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 4,452,175	\$ 44,883,552	\$ 49,335,727
Board designated*				
Parish/School Loan Fund	2,645,437	-	16,478,254	19,123,691
Other capital projects	479,756	1,445,719	-	1,925,475
	<u>\$ 3,125,193</u>	<u>\$ 5,897,894</u>	<u>\$ 61,361,806</u>	<u>\$ 70,384,893</u>

* Board designated for the Parish/School Loan Fund represents the portion of the permanently restricted revolving loan fund that is not outstanding as notes receivable and the net accumulated investment earnings on those funds. The Board determined that the best use of the unrestricted earnings on those funds would be to make grants to needy parishes for capital improvements or to subsidize operations.

Board designated for Other capital projects represents funds originally restricted to be expended for facilities for religious housing and campus ministry and the net accumulated investment earnings on those funds. 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 awards grants equal to the 4% spending rate annually.

FORWARD IN FAITH, INC.
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NOTE 7 ENDOWMENTS (CONTINUED)

Changes in endowment net assets are as follows for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 3,125,193	\$ 5,897,894	\$ 61,361,806	\$ 70,384,893
Net unrealized gains	1,105,482	3,147,344	-	4,252,826
Contributions	-	10	403	413
Board designation	-	-	859,003	859,003
Appropriation for expenditure	(546,000)	-	-	(546,000)
Balance, end of year	<u>\$ 3,684,675</u>	<u>\$ 9,045,248</u>	<u>\$ 62,221,212</u>	<u>\$ 74,951,135</u>

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	\$ 1,434,903	\$ 2,370,203	\$ 60,852,152	\$ 64,657,258
Net unrealized gains	2,223,290	5,613,993	-	7,837,283
Contributions	-	-	27,195	27,195
Board designation	-	698	482,459	483,157
Appropriation for expenditure	(533,000)	(2,087,000)	-	(2,620,000)
Balance, end of year	<u>\$ 3,125,193</u>	<u>\$ 5,897,894</u>	<u>\$ 61,361,806</u>	<u>\$ 70,384,893</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, 2018 or 2017.

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

	2018	2017
Permanently restricted endowment net assets	\$ 62,221,212	\$ 61,361,806
Revolving loan fund	2,584,230	3,443,233
	<u>\$ 64,805,442</u>	<u>\$ 64,805,039</u>

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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:

	2018	2017
Funds held by others	\$ 35,526	\$ 45,933
Note receivable, gross	3,834,230	4,693,233
Interest in CITW	72,781,152	70,227,342
Funds held on behalf of others	1,565,900	1,766,317
Due to St. Mary of the Mills	7,501	7,057
Contributions payable due to:		
CPA	-	1,304,982
Catholic Education Foundation	-	1,331,000
Catholic Charities	1,630	33,762
Expenses:		
Program services	-	2,635,981
Administrative cost incurred with CPA	65,004	65,000

A member of the board of FIF is also a member of the board of trustees of CITW, another FIF board member is a member of the Archdiocesan finance council and another FIF board member also serves on the board of the entity with the impaired loan (Note 3).