

**THE FOUNDATION OF THE ROMAN CATHOLIC
DIOCESE OF ALBANY, NEW YORK, INC.**

**Financial Statements as of
June 30, 2018 and 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 12, 2019

To The Most Reverend Edward B. Scharfenberger
and the Board of Trustees of
The Foundation of the Roman Catholic
Diocese of Albany, New York, Inc.:

We have audited the accompanying financial statements of The Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (a New York State not-for-profit corporation), which comprise the statements 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 audits 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 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation of the Roman Catholic Diocese of Albany, New York, 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.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 233,072	\$ 29,292
Receivable from Diocesan Corporation	4,540	5,798
Investments	40,689,846	41,293,178
Accrued income	<u>164,315</u>	<u>168,511</u>
	<u>\$ 41,091,773</u>	<u>\$ 41,496,779</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 221,300	\$ 11,300
Donor funds	<u>34,915,077</u>	<u>35,643,224</u>
Total liabilities	<u>35,136,377</u>	<u>35,654,524</u>
NET ASSETS:		
Unrestricted	<u>5,955,396</u>	<u>5,842,255</u>
	<u>\$ 41,091,773</u>	<u>\$ 41,496,779</u>

The accompanying notes are an integral part of these statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUE, GAINS AND OTHER SUPPORT:		
In-kind contributions from Diocesan Corporation	\$ 30,820	\$ 30,817
Administrative fees	177,674	169,189
Interest and dividend income	129,098	120,263
Realized and unrealized gains on investments, net	330,189	495,156
Miscellaneous income	<u>44</u>	<u>-</u>
Total revenue, gains, and other support	<u>667,825</u>	<u>815,425</u>
EXPENSES:		
Program:		
Distribution to Diocesan Corporation	248,533	254,835
Other grants	<u>210,500</u>	<u>59,500</u>
Total program	459,033	314,335
General and administrative	<u>95,651</u>	<u>86,371</u>
Total expenses	<u>554,684</u>	<u>400,706</u>
CHANGE IN NET ASSETS	113,141	414,719
NET ASSETS - beginning of year	<u>5,842,255</u>	<u>5,427,536</u>
NET ASSETS - end of year	<u>\$ 5,955,396</u>	<u>\$ 5,842,255</u>

The accompanying notes are an integral part of these statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 113,141	\$ 414,719
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Gains on investments, net	(330,189)	(495,156)
Changes in:		
Receivable from Diocesan Corporation	1,258	(1,337)
Accrued income	4,196	(10,282)
Accounts payable and accrued expenses	<u>210,000</u>	<u>(397,686)</u>
Net cash flow from operating activities	<u>(1,594)</u>	<u>(489,742)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(127,763)	(120,193)
Proceeds from sales and maturities of investments	<u>333,137</u>	<u>371,329</u>
Net cash flow from investing activities	<u>205,374</u>	<u>251,136</u>
CHANGE IN CASH AND CASH EQUIVALENTS	203,780	(238,606)
CASH AND CASH EQUIVALENTS - beginning of year	<u>29,292</u>	<u>267,898</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 233,072</u>	<u>\$ 29,292</u>

The accompanying notes are an integral part of these statements.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. THE ORGANIZATION

The Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (the Foundation) was created in February 1995 by the Bishop of Albany. The Foundation's mission is to receive and administer gifts and bequests made for the benefit of the Roman Catholic Diocese of Albany, New York (Diocesan Corporation) and certain affiliates. In addition, the Foundation also acts as a long-term investment vehicle for various Catholic organizations within the geographical boundaries of the Roman Catholic Diocese of Albany by providing an opportunity for individuals and organizations to ensure the ongoing and long-term financial stability and vitality of the Diocese's various Catholic entities.

The Foundation fulfills its mission by:

- Seeking endowment funds, quasi-endowment funds, and current funds, which foster and support the programs, services, aims, and goals of the Church of Albany;
- Assisting parishes, schools, service organizations, and other Catholic organizations in meeting their ongoing and long-term financial needs;
- Assisting donors in achieving their charitable and financial goals;
- Providing responsible and effective financial management of Foundation investments, thus relieving leaders and administrators of a portion of their funding and funds management efforts; and
- Distributing net earnings and income according to the wishes of participating entities, donors, and the distribution policy of the Foundation.

Currently, and as further described in Note 2, the Foundation's primary activity is to receive, invest, and disburse contributions received on behalf of various religious and nonprofit organizations in the Diocese, as a long-term investment vehicle for those organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Net assets and support, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are available for operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions 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 support, revenue and expenses during the reporting period. Items subject to such estimates and assumptions include the valuation of investments and accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all bank demand deposit accounts, money market funds and highly liquid debt instruments with an original maturity of less than three months to be cash equivalents. The Foundation's cash balances may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Due from Affiliates

Amounts due from affiliates are stated net of an allowance for doubtful accounts, when applicable. As of June 30, 2018 and 2017, an allowance for doubtful accounts was recorded for a promissory note receivable from one affiliate (see Note 3).

Investments

All investments have been reported in the financial statements at fair value, except for certain investments which are stated at Net Asset Value (NAV). Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

The Foundation's equities and money market funds are primarily valued utilizing Level 1 inputs.

- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

The Foundation's fixed income bonds and foreign bonds are valued utilizing Level 2 inputs.

- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

The Foundation does not have any Level 3 investments as of June 30, 2018 and 2017.

Fair values for securities, including mutual funds and corporate equity securities, are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, including fixed income and foreign bonds, fair values are based on quoted market prices of comparable instruments or, when necessary, the Foundation utilizes matrix pricing from a third-party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Net investment income earned on amounts received and invested on behalf of other organizations is recognized as an increase in investments with a corresponding increase in the donor funds liability. At June 30, 2018 and 2017, the Foundation held \$34,915,077 and \$35,643,224, respectively, in investments classified as donor funds. Income from investments other than donor funds, as well as realized and unrealized gains and losses on these investments is recognized in the accompanying statements of activities. The net increase or decrease in fair value during the year is included in net unrealized gains or losses on investments in the accompanying statements of activities, except those related to donor funds.

Investments are pooled and are assigned a unit value. Unit values are based on the market value of the investment to the total market value of the pool of investments held on behalf of the Foundation. Investment earnings are allocated between Foundation owned investments and managed donor funds on a monthly basis based on units held within the total pool of investments.

The Foundation utilizes the NAV reported by alternative investment fund managers, including common collective trust funds, as a practical expedient for determining the value of the investment (See Note 4). These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the recorded value of the Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the value of the Foundation's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Foundation were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material. The Foundation has no plans to sell a fund in a secondary market.

Donor Funds

The Foundation manages investments on behalf of various religious and nonprofit organizations within the Diocese. All contributions received and corresponding investment returns thereon from such organizations are ultimately payable to those organizations in accordance with the donor's intentions net of any distributions previously made.

Financial Reporting

In the accompanying financial statements, net assets that have similar characteristics have been combined into three net asset categories: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets include resources which are available for the support of the Foundation's operating activities.

As of June 30, 2018 and 2017, the Foundation did not have any temporarily or permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

The Foundation receives contributions of services from the Diocesan Corporation. Contributed services are recorded at cost as in-kind contributions and expense in the statements of activities.

Administrative Fees

The Foundation earns an administrative fee for managing the investments held for other organizations within the Diocese. The administrative fee is calculated as one-half of 1% of the investment value.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocation amongst the programs and supporting services benefited.

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

3. RELATED PARTY TRANSACTIONS

Certain services are provided to the Foundation by the Diocesan Corporation. The Foundation has recorded the cost of these services provided as in-kind contributions and expense in the statements of activities. Such amounts were \$30,820 and \$30,817 for the years ended June 30, 2018 and 2017, respectively.

In July 2011, the Cathedral Restoration Corporation of Albany, New York entered into a promissory note with the Foundation for \$520,000, bearing interest at 4.75%, for the purpose of supporting the restoration of the Cathedral. During 2013, the agreement was amended to forgive future interest. During 2014, previously accrued interest and a principal payment of \$85,000 was received. The remaining balance on the promissory note is fully reserved as of June 30, 2018 and 2017.

4. INVESTMENTS (Continued)

Investments

The following tables set forth the Foundation's financial assets that were accounted for at fair value on a recurring basis at June 30, 2018 and 2017. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total June 30, 2018</u>
Money market funds	\$ 307,696	\$ -	\$ 307,696
Fixed income bonds	-	14,934,777	14,934,777
Equities	17,565,592	-	17,565,592
Foreign bonds	-	461,712	461,712
	<u>17,873,288</u>	<u>15,396,489</u>	<u>33,269,777</u>
Investments measured at fair value			
Investments measured at net asset value	-	-	7,420,069
	<u>\$ 17,873,288</u>	<u>\$ 15,396,489</u>	<u>\$ 40,689,846</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Total June 30, 2017</u>
Money market funds	\$ 1,038,952	\$ -	\$ 1,038,952
Fixed income bonds	-	15,004,262	15,004,262
Equities	18,426,322	-	18,426,322
Foreign bonds	-	488,964	488,964
	<u>19,465,274</u>	<u>15,493,226</u>	<u>34,958,500</u>
Investments measured at fair value			
Investments measured at net asset value	-	-	6,334,678
	<u>\$ 19,465,274</u>	<u>\$ 15,493,226</u>	<u>\$ 41,293,178</u>

There were no changes in valuation techniques during 2018 or 2017.

Investments at June 30, 2018 and 2017 are allocated between the following:

	<u>2018</u>	<u>2017</u>
Foundation investments	\$ 5,774,769	\$ 5,649,954
Donor funds	<u>34,915,077</u>	<u>35,643,224</u>
	<u>\$ 40,689,846</u>	<u>\$ 41,293,178</u>

4. INVESTMENTS (Continued)

Donor investments are subject to administrative and management fees by the Foundation and the Foundation's investment managers, respectively. Administrative fees are reported in the statements of activities. Investment management fees were \$17,195 and \$16,882 during 2018 and 2017, respectively, and are included in the statement of activities within general and administrative expenses.

The following investments are valued at net asset values per shared (unitized basis) as of June 30, 2018 and 2017:

	Fair Value at 6/30/18	Fair Value at 6/30/17	2018 Unfunded Commitments	2017 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments in international equity fund	<u>\$ 7,420,069</u>	<u>\$ 6,334,678</u>	<u>\$ -</u>	<u>\$ -</u>	Daily	7 days

Investment in International Equity Fund

This actively managed fund is a commingled trust which focuses on large and mid-cap equities across global growth industries. The value of this investment has been estimated using the daily net asset value per share of the investments.

5. DONOR FUNDS

Donor funds represent amounts held by the Foundation in its capacity as long-term investment vehicle for other organizations within the Diocese.

Donor funds activity for the years ended June 30, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Donor funds - beginning of year	\$ 35,643,224	\$ 32,603,875
Additions/Contributions	367,553	1,058,574
Net investment return	2,498,989	3,318,984
Withdrawals and distributions	<u>(3,594,690)</u>	<u>(1,338,209)</u>
Donor funds - end of year	<u>\$ 34,915,077</u>	<u>\$ 35,643,224</u>

Distributions are determined annually, subsequent to year-end, based upon the Investment and Distribution Policy and spending rate approved by the Trustees. Approved spending rates were 4.5% for the fiscal years ended June 30, 2018 and 2017. The distribution policy allows for a minimum distribution of the lesser of the earned income amount or the calculated distribution utilizing the previous three fiscal years average quarterly market values of the individual donor fund accounts for those accounts, which have been specified by the donor. Distributions are calculated utilizing these specified spending rates in conjunction with the general distribution policies set by the Foundation.

6. SUBSEQUENT EVENTS

The Foundation considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were available to be issued on February 12, 2019 and subsequent events have been evaluated through that date.