

FAITH IN THE FUTURE
FUND, INC.

Financial Statements

June 30, 2008 and 2007

Note

These financial statements have been included in the Bridgeport Roman Catholic Diocesan Corporation's audited combined financial statements. These financial statements have not been audited on a stand-alone basis.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE A - ORGANIZATION

Faith in the Future Fund, Inc. ('Faith in the Future') is a not-for-profit, non-stock corporation formed under the laws of the State of Connecticut by the Bridgeport Roman Catholic Diocesan Corporation (the 'Diocese'). Members of the Faith in the Future corporation are the Bishop, the three Vicars General and the Chancellor of the Diocese and it has a board consisting of those members, three additional priests and ten lay people. Administrative expenses of Faith in the Future are borne by the Diocese.

Faith in the Future was formed to receive, invest, manage and disburse funds raised by the 1996 Faith in the Future Endowment Campaign of the Diocese. The campaign was conducted primarily to create permanent endowments for each of the Diocese's five high schools and for the Diocese's elementary schools, vocations and seminary education, and religious education in parishes of the Diocese. Funds raised for endowments were allocated to accounts for each purpose in relation to the stated campaign goal for those purposes. The campaign resulted in three donors making contributions to establish individual permanent endowments specifically for high school scholarships and other programs at two Diocesan high schools and a donor making a contribution for a scholarship fund for all five Diocesan high schools to be expended over a ten year period.

The campaign also was conducted to raise funds for construction of a retirement home for Diocesan priests and for the 1996 Annual Bishops Appeal that funds a major portion of the Diocese's ongoing pastoral, other religious and educational services and charitable contributions. Funds raised for the retirement home for priests and the 1996 Annual Bishop's Appeal were fully disbursed in prior years.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The Faith in the Future financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Faith in the Future Fund, Inc.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE B (continued)

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Faith in the Future Fund, Inc.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed temporary or permanent restrictions. When temporary restrictions either expire by the passage of time or are fulfilled or otherwise removed by actions of the Faith in the Future Fund, Inc., the related net assets are reclassified to unrestricted net assets and any related expenses are reported as a decrease in unrestricted net assets. When contribution restrictions are fulfilled in the fiscal year in which the contribution is received, the contribution is reported as an increase in unrestricted net assets.

2. *Cash and Cash Equivalents*

Cash and cash equivalents include cash and money market funds held in banks as well as temporary cash investments with original maturities of 90 days or less. Cash and cash equivalents exclude such amounts held by financial institutions as part of the Faith in the Future investment portfolio.

3. *Contributions*

Gifts and pledges that represent unconditional promises to give are recorded when received or made, respectively. Pledges are recorded net of an allowance for uncollectible amounts.

Contributions of non-monetary assets are recorded at the estimated fair value of the assets contributed. Unpaid volunteers make significant contributions of time to various activities of the Diocese. The value of this contributed time is not reflected in the combined financial statements because the services did not require specialized skills or enhance assets to meet the criteria for recognition under GAAP.

4. *Investments and Investment Income*

Investments in debt and equity marketable securities are reported at fair value based on quoted market prices. Money market funds and other highly liquid investments with maturities of 90 days or less are reported at cost, which approximates fair value because of short maturities.

Securities transactions are recorded on a trade-date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income reported in the combined statements of activities includes interest, dividends and realized and unrealized appreciation and depreciation, and is reduced by investment management and transaction fees.

Hedge and futures funds and the real estate investment trust, are reported at fair values, as determined by the related investment manager or advisor. The Diocese reviews and evaluates the values provided by the investment managers or advisors and believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of fair value. Estimated values may differ significantly from the values that would have been reported had a ready market for these securities existed.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE C – RECEIVABLES FROM THE DIOCESE OF BRIDGEPORT

The cost of constructing the Catherine Dennis Keefe Queen of Clergy retirement home for Diocesan priests exceeded the funds raised for that purpose through the Faith in the Future Campaign. A portion, \$303, of the excess cost was effectively borrowed from Faith in the Future funds raised for other purposes and is secured by a note receivable from the Diocese, payable over ten years without interest. It is expected that the note will be repaid in full in fiscal 2009.

In addition, distributions were made in years prior to 2006 to two Diocesan high schools from Faith in the Future individual donor endowments when no investment income was available for distribution from those endowments. The Diocese is reimbursing those distributions effectively transforming those distributions into Diocesan contributions to those high schools.

Receivables from the Diocese of Bridgeport are as follows at June 30:

	<u>2008</u>	<u>2007</u>
Note receivable related to retirement home for Diocesan priests construction	\$ 14	\$ 23
Receivable for over distributions from individual donor endowments	<u>106</u>	<u>106</u>
	<u>\$ 120</u>	<u>\$ 129</u>

NOTE D - PLEDGES RECEIVABLE

Faith in the Future Campaign pledges were due over periods of up to 10 years. Pledges receivable, all of which are due, consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Pledges receivable	\$ 116	\$ 117
Allowance for uncollectible amounts	<u>-</u>	<u>-</u>
Pledges receivable, net	<u>\$ 116</u>	<u>\$ 117</u>

NOTE E - INVESTMENTS

Endowment and other assets are pooled and externally managed with the objectives being to provide distributions as discussed in Note H - Distributions, and to achieve a growth rate on the endowments over a market cycle (generally three to five years) of not less than the rate of inflation as measured by the consumer price index.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE E (continued)

Investments are attributable to:

	<u>2008</u>	<u>2007</u>
Permanently restricted assets	\$ 20,293	\$ 20,238
Temporarily restricted assets	<u>1,337</u>	<u>1,896</u>
Total investments	<u>\$ 21,630</u>	<u>\$ 22,134</u>

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

	<u>2008</u>	<u>2007</u>
Net appreciation in fair value of investments	\$ 114	\$ 2,512
Dividends and interest	<u>294</u>	<u>493</u>
	408	3,005
Less investment fees	<u>(170)</u>	<u>(183)</u>
Net investment income	<u>\$ 238</u>	<u>\$ 2,822</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Diocesan high schools:		
Immaculate	\$ 111	\$ 252
Kolbe Cathedral	6	-
Notre Dame	111	200
St. Joseph's	111	200
Trinity	226	240
Immaculate/Trinity, undivided interests	101	98
All five Diocesan high schools, undivided interests	<u>209</u>	<u>209</u>
Total all high schools	875	1,199
Diocesan elementary schools	516	697
Vocations and seminary education	163	217
Religious education in parishes	<u>113</u>	<u>149</u>
Total temporarily restricted net assets	<u>\$ 1,667</u>	<u>\$ 2,262</u>

All assets released from restrictions are for satisfaction of purpose restrictions.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consists of the following at June 30 :

	<u>2008</u>	<u>2007</u>
Endowment gifts received	\$ 20,292	\$ 20,238
Endowment pledges receivable, net	<u>116</u>	<u>117</u>
Total permanently restricted net assets	<u>\$ 20,408</u>	<u>\$ 20,355</u>

The net assets are permanently restricted for the benefit of the following at June 30:

	<u>2008</u>	<u>2007</u>
Common donor endowments		
Diocesan high schools		
Immaculate	\$ 2,506	\$ 2,503
Kolbe Cathedral	2,506	2,503
Notre Dame	2,506	2,503
St. Joseph's	2,506	2,503
Trinity	<u>2,506</u>	<u>2,503</u>
	<u>12,532</u>	<u>12,515</u>
Diocesan elementary schools	4,173	4,167
Vocations and seminary education	1,251	1,250
Religious education in parishes	<u>833</u>	<u>832</u>
	<u>6,257</u>	<u>6,249</u>
Total common donor endowments	<u>18,789</u>	<u>18,764</u>
Individual donor endowments		
Trinity	1,000	1,000
Immaculate	369	341
Immaculate/Trinity, undivided interest	<u>250</u>	<u>250</u>
Total individual donor endowments	<u>1,619</u>	<u>1,591</u>
Total permanently restricted net assets	<u>\$ 20,408</u>	<u>\$ 20,355</u>

The individual donor endowment for Immaculate High School requires that investment income to the extent of annual inflation be retained permanently as part of the endowment.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE H – DISTRIBUTIONS

Faith in the Future adopted a policy in fiscal 2006 of making annual distributions from the common donor endowments at a rate of 4.5% of the trailing, from December 31, twelve quarters average fair value of endowment assets. This rate has been established to preserve the earning power of the endowment investments and the ability to make distributions in years when investment losses are incurred. This policy was implemented in the fiscal year 2006 for the Diocesan high schools and in fiscal year 2007 for the other common donor endowments.

In previous years, distributions from common donor endowments have been made almost exclusively to Diocesan high schools. In fiscal years 2001 and 2002, investment losses were incurred and, in fiscal years 2002 through 2005, the distributions reflected the needs of individual schools rather than the availability of investment income to make distributions. These factors resulted in over distributions from the common donor endowments that were recorded, in conformity with GAAP, as unrestricted losses and subsequent investment income is recorded as unrestricted investment income to the extent of the previously recorded losses. To restore cumulative distributions to the individual Diocesan high schools to equal amounts, distributions in fiscal 2006 were made only to the three Diocesan high schools that had received lower distributions in fiscal years 2002 through 2005, but not in excess of the 4.5 % distribution rate applied to the total of the Diocesan high schools' common donor endowments. This continued through fiscal year 2008 when the cumulative distributions became approximately equal.

Because distributions in prior years from the common donor endowments to Diocesan elementary Schools, vocations and seminary education, and religious education in parishes have been minimal (\$56,000 in total in 2004), in fiscal year 2007, distribution to these participants included a catch-up distribution for the fiscal years 1997 through 2006 as well as a distribution for fiscal year 2007. The amounts were determined using the 4.5% distribution rate.

Distributions from individual donor endowments and the individual donor (non-endowment) scholarship fund are made in accordance with the donors' stipulations.

FAITH IN THE FUTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007
(Amounts in Thousands)

NOTE H (continued)

Distributions consisted of the following:

	<u>Years ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Common donor endowments:		
High Schools		
Immaculate	\$118	\$175
Kolbe Cathedral	-	-
Notre Dame	118	175
St. Joseph's	118	175
Trinity Catholic	<u>50</u>	<u>-</u>
	<u>404</u>	<u>525</u>
Diocesan elementary schools	233	1,487
Vocations and seminary education	70	450
Religious education in parishes	<u>47</u>	<u>300</u>
	<u>350</u>	<u>2,237</u>
Total distributions from common donor endowments	754	2,762
Individual donor endowments:		
Immaculate	52	-
Trinity Catholic	<u>4</u>	<u>50</u>
Total distributions from endowments	<u>810</u>	<u>2,812</u>
Individual donor scholarship fund:		
Immaculate	-	8
Kolbe Cathedral	-	6
Notre Dame	-	17
St. Joseph's	-	8
Trinity Catholic	<u>-</u>	<u>8</u>
Total scholarship fund	<u>-</u>	<u>47</u>
Total all distributions	<u>\$810</u>	<u>\$2,860</u>

NOTE I – SUBSEQUENT EVENTS

Marketable equity securities have experienced significant declines in value since June 30, 2008. Faith in the Future investments have experienced decreases in value approximating 27% from July 1, 2008 through December 31, 2008. Unless the market value of the investments recovers, the decreases will impact future distributions to Faith in the Future beneficiaries because the market value of its investments is less than the original endowment contributions (Note G).

Faith in the Future Fund, Inc.
Statement of Financial Position
(Amounts in Thousands)

	June 30	
	2008	2007
Assets		
Investments		
Marketable securities		
Equity securities		
Domestic	\$ 10,604	\$ 11,833
International	2,321	2,566
Emerging markets	687	-
Total equity securities	13,612	14,399
Debt securities mutual fund	5,112	7,102
Total marketable securities	18,724	21,501
Hedge funds	1,412	-
Futures fund	364	-
Real estate investment trust	454	-
Money market funds	674	632
Total Investments	21,628	22,133
Receivables from Diocese of Bridgeport	120	129
Pledges receivable, net	116	117
Cash and cash equivalents	211	217
Total assets	\$ 22,075	\$ 22,596
Net assets:		
Unrestricted	\$ -	\$ (21)
Temporarily restricted	1,667	2,262
Permanently restricted	20,408	20,355
Total net assets	\$ 22,075	\$ 22,596

Faith in the Future Fund, Inc.

Statement of Activities

(Amounts in Thousands)

	<u>For the years ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Net Assets		
Investment income	\$ 21	\$ 480
Net assets released from restrictions	810	2,860
Total revenues and other support	<u>831</u>	<u>3,340</u>
Expenses:		
Distribution of endowment investment income		
Diocesan high schools	460	575
Diocesan elementary schools	233	1,487
St. John Fisher Seminary/Vocations	70	450
Religious education in parishes	47	300
Distribution of contribution designated by a donor for Diocesan high school scholarships	-	47
Total expenses	<u>810</u>	<u>2,860</u>
Increase in unrestricted net assets	<u>21</u>	<u>480</u>
Changes in Temporarily Restricted Net Assets		
Investment income	215	2,333
Net assets released from restrictions	(810)	(2,860)
(Decrease) in temporarily restricted net assets	<u>(595)</u>	<u>(527)</u>
Changes in Permanently Restricted Net Assets		
Contributions	51	59
Allowance for uncollectible pledges	-	(59)
Investment income	2	9
Increase in permanently restricted net assets	<u>53</u>	<u>9</u>
(Decrease) in net assets	<u>(521)</u>	<u>(38)</u>
Net assets at beginning of year:	22,596	22,634
Net assets at end of year	<u>\$ 22,075</u>	<u>\$ 22,596</u>

FAITH IN THE FUTURE FUND, INC.
STATEMENT OF CASH FLOWS

(Amounts in Thousands)

	For the years ended June 30	
	2008	2007
Cash flows from operating activities:		
Decrease in net assets	\$ (521)	\$ (38)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Endowment contributions	(51)	(59)
Increase in allowance for uncollectible endowment contribution receivable	-	59
Net appreciation in fair value of investments	(114)	(2,512)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable from Diocese of Bridgeport	10	280
	(676)	(2,270)
Cash flows from investing activities:		
Proceeds from sales of investments	16,991	30,028
Purchase of investments	(16,331)	(28,045)
Net change in money market funds	(41)	313
Net cash provided by investing activities	619	2,296
Cash flows from financing activities:		
Proceeds from endowment contributions	51	59
Net cash provided by financing activities	51	59
	(6)	85
Cash and cash equivalents, beginning of year	217	132
Cash and cash equivalents, end of year	\$ 211	\$ 217