Combined Financial Statements Together with
Report of Independent Certified Public Accountants

DIOCESAN CENTRAL FUNDS OF THE R.C. DIOCESE OF BROOKLYN, NEW YORK

August 31, 2017 and 2016

DIOCESAN CENTRAL FUNDS OF THE
R.C. DIOCESE OF BROOKLYN, NEW YORK

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Most Reverend Nicholas DiMarzio, Ph.D., D.D.
Bishop of Brooklyn

We have audited the accompanying combined financial statements of the Diocesan Central Funds of the R.C. Diocese of Brooklyn, New York (the "Diocesan Central Funds"), which comprise the combined statements of financial position as of August 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 our audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocesan Central Funds' preparation and fair presentation of the combined 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 Diocesan Central Funds' 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 combined 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 combined financial statements referred to above present fairly, in all material aspects, the combined financial position of the Diocesan Central Funds, as of August 31, 2017 and 2016, and the combined 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.

Grant Thornton LLP

New York, New York
December 20, 2017

DIOCESAN CENTRAL FUNDS OF THE
R.C. DIOCESE OF BROOKLYN, NEW YORK
Combined Statements of Financial Position
As of August 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 4,694,050	$ 2,848,725
Accounts, notes and other receivables, net (Note 5)	6,402,597	6,374,834
Investments, at fair value (Note 3)	19,751,576	15,241,207
Assets held in trust (Note 6)	8,397,667	8,004,389
Other assets	-	22,596
Property, furniture and equipment, net (Note 4)	4,485,247	4,416,868
Total assets	$ 43,731,137	$ 36,908,619
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 2,316,154	$ 4,198,436
Independent Reconciliation and Compensation Program accrued expenses (Note 11)	17,480,000	-
Line of Credit (Note 7)	13,000,000	-
Deferred revenue (Note 13)	497,990	497,990
Total liabilities	33,294,144	4,696,426
Contingencies (Note 10)		
NET ASSETS		
Unrestricted		
Available for operations	(13,422,241)	10,318,418
Net investment in plant	4,485,247	4,416,868
Total unrestricted	(8,936,994)	14,735,286
Temporarily restricted (Note 9)	10,976,320	9,472,518
Permanently restricted (Note 6)	8,397,667	8,004,389
Total net assets	10,436,993	32,212,193
Total liabilities and net assets	$ 43,731,137	$ 36,908,619

The accompanying notes are an integral part of these combined financial statements.

DIOCESAN CENTRAL FUNDS OF THE
R.C. DIOCESE OF BROOKLYN, NEW YORK
Combined Statement of Activities
For the year ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Net Diocesan assessments (Note 2)	$ 8,469,097	$ -	$ -	$ 8,469,097
Net Diocesan Annual Catholic Appeal (Note 2)	-	9,473,292	-	9,473,292
Cemetery contribution	100,000	-	-	100,000
Contributions and bequests	7,351,351	2,558,343	-	9,909,694
Investment return (Note 3)	469,360	-	-	469,360
Trust income (Note 6)	-	357,493	-	357,493
Service fees and rental income	3,641,098	-	-	3,641,098
Recovery of prior year's reserved receivables (Note 5)	910,971	-	-	910,971
Grants (Note 12)	1,303,040	-	-	1,303,040
Other	878,130	-	-	878,130
	23,123,047	12,389,128	-	35,512,175
Net assets released from restrictions (Note 9)	10,885,326	(10,885,326)	-	-
Total revenues, gains and other support	34,008,373	1,503,802	-	35,512,175
EXPENSES				
Programs				
Pastoral education and ministerial services	15,321,933	-	-	15,321,933
Diocesan assistance	4,578,814	-	-	4,578,814
Parishes' share of Annual Catholic Appeal	587,685	-	-	587,685
Supporting services - administration (Note 2)	15,112,221	-	-	15,112,221
Total expenses	35,600,653	-	-	35,600,653
(Decrease) increase in net assets before Independent Reconciliation and Compensation Program and changes in trust assets	(1,592,280)	1,503,802	-	(88,478)
Independent Reconciliation and Compensation Program (Note 11)	(22,080,000)	-	-	(22,080,000)
Net gains on assets held in trust	-	-	393,278	393,278
Change in net assets	(23,672,280)	1,503,802	393,278	(21,775,200)
Net assets, beginning of year	14,735,286	9,472,518	8,004,389	32,212,193
Net assets, end of year	$ (8,936,994)	$ 10,976,320	$ 8,397,667	$ 10,436,993

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

DIOCESAN CENTRAL FUNDS OF THE
R.C. DIOCESE OF BROOKLYN, NEW YORK
Combined Statement of Activities
For the year ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Net Diocesan assessments (Note 2)	$ 8,202,970	$ -	$ -	$ 8,202,970
Net Diocesan Annual Catholic Appeal (Note 2)	-	7,949,003	-	7,949,003
Cemetery contribution	500,000	-	-	500,000
Contributions and bequests	5,022,472	2,435,896	-	7,458,368
Investment return (Note 3)	81,233	-	-	81,233
Trust income (Note 6)	-	392,419	-	392,419
Service fees and rental income	3,247,130	-	-	3,247,130
Recovery of prior year's reserved receivables (Note 5)	2,230,708	-	-	2,230,708
Grants (Note 12)	2,507,859	-	-	2,507,859
Other	1,707,003	-	-	1,707,003
	23,499,375	10,777,318	-	34,276,693
Net assets released from restrictions (Note 9)	12,247,933	(12,247,933)	-	-
Total revenues, gains and other support	35,747,308	(1,470,615)	-	34,276,693
EXPENSES				
Programs				
Pastoral education and ministerial services	14,305,728	-	-	14,305,728
Diocesan assistance	3,355,525	-	-	3,355,525
Parishes' share of Annual Catholic Appeal	628,692	-	-	628,692
Supporting services - administration (Note 2)	15,100,273	-	-	15,100,273
Total expenses	33,390,218	-	-	33,390,218
Increase (decrease) in net assets before changes in trust assets	2,357,090	(1,470,615)	-	886,475
Net gains on assets held in trust	-	-	312,696	312,696
Change in net assets	2,357,090	(1,470,615)	312,696	1,199,171
Net assets, beginning of year	12,378,196	10,943,133	7,691,693	31,013,022
Net assets, end of year	$ 14,735,286	$ 9,472,518	$ 8,004,389	$ 32,212,193

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

DIOCESAN CENTRAL FUNDS OF THE
R.C. DIOCESE OF BROOKLYN, NEW YORK
Combined Statements of Cash Flows
For the years ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (21,775,200)	$ 1,199,171
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	375,946	462,806
Unrealized and realized (gain) loss on investments	(223,554)	200,181
Change in allowance for doubtful accounts	858,884	(1,685,209)
Gain on assets held in trust	(393,278)	(312,696)
Changes in assets and liabilities:		
(Increase) decrease in accounts, notes and other receivables	(886,647)	7,956,882
Decrease (increase) in other assets	22,596	(21,259)
Increase in accounts payable and accrued expenses	15,597,718	748,052
Increase in deferred revenue	-	497,990
Net cash (used in) provided by operating activities	(6,423,535)	9,045,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(444,325)	(368,615)
Proceeds from the sale of investments	26,206,674	-
Purchases of investments	(30,493,489)	(7,411,799)
Net cash used in investing activities	(4,731,140)	(7,780,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds	13,000,000	-
Net cash provided by financing activities	13,000,000	-
Net increase in cash and cash equivalents	1,845,325	1,265,504
Cash and cash equivalents, beginning of year	2,848,725	1,583,221
Cash and cash equivalents, end of year	$ 4,694,050	$ 2,848,725

The accompanying notes are an integral part of these combined financial statements.

1. ORGANIZATION

The combined financial statements of Diocesan Central Funds of the R. C. Diocese of Brooklyn, New York (the "Diocesan Central Funds"), represent an accounting and financial reporting unit which includes the following departments and programs, none of which have separate legal status, but all of which are part of The Roman Catholic Diocese of Brooklyn, New York (the "Diocese").

Departments and Programs

Archives	Office of the Diocesan Bishop
Accounting Office	Office of Fiscal Management
Administrative Services	Office of Human Resources
Auxiliary Bishops	Office of Safe Environment
Bishop's Residence	Office of the Vicar General
Campus Ministry	Pastoral Institute
Clergy Personnel Office	Presbyteral Council
Jesus of Nazareth Retreat Center	Secretariat for Catholic Education and Formation
Episcopal Delegate for the Religious	Secretariat for Development
Episcopal Vicars	Secretariat for Financial Administration and the Econome
Faith Formation	Secretariat for Human and Information Resources
Immaculate Conception Center Operations	Seminary and Residence
Information Technology	Superintendent of Schools
Liturgy Office	Tribunal
Office of the Chancellor	Vocations Office
Office of Diaconate Formation	

The Diocese which includes the accounts of the Diocesan Central Funds, is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision or benefit for federal income tax has been included in the accompanying combined financial statements. The Diocese has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies for tax-exempt status. It is also exempt from New York income taxes under related State provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis.

Basis of Presentation

Revenues, expenses, gains and losses are classified as unrestricted, temporarily restricted, or permanently restricted based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Diocesan Central Funds and changes therein are classified and reported as follows:

Unrestricted - includes net assets that are not subject to donor-imposed restrictions and may be expended for any purposes in accomplishing the primary objectives of the Diocesan Central Funds.

Temporarily Restricted - includes net assets that are subject to donor-imposed restrictions that will be met either by actions of the Diocesan Central Funds or the passage of time.

Permanently Restricted - includes net assets that are subject to donor-imposed stipulations requiring that they be maintained permanently by the Diocesan Central Funds. Generally, the donors of these assets permit the Diocesan Central Funds to use all or part of the income and gains earned on related investments for general or specific purposes (Note 6).

When time restrictions and/or donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Combined Statements of Activities as net assets released from restrictions. For those temporarily restricted gifts whose restrictions are met within the same fiscal year, the Diocesan Central Funds initially records them within temporarily restricted net assets and then releases them and are included within net assets released from restrictions.

Cash Equivalents

The Diocesan Central Funds considers all highly liquid instruments with an original maturity of three months or less from the date of the purchase to be cash equivalents, with the exception of cash and short-term investments managed by the Diocesan Central Funds' investment managers for long-term investment purposes.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value with income, gains and losses included in the accompanying Combined Statements of Activities.

Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined by the Diocesan Central Funds using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts that the Diocesan Central Funds will realize in a market exchange. Certain of these financial instruments expose the Diocesan Central Funds to market and credit risk and, at times, may be concentrated with certain counterparties or groups of counterparties. The carrying value of accounts, notes and other receivables, and accounts payable and accrued expenses approximate fair value due to the short-term maturity of these financial instruments. The following methods and assumptions were used to estimate the fair value of certain other accounts presented in the Combined Statements of Financial Position:

- *Cash and cash equivalents* - Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest, which approximates fair value.

- *Investments and assets held in trust* - Investments, including assets held in trust are recorded at fair value based principally upon quoted market prices.

Fair Value Measurements

The Diocesan Central Funds adopted the Fair Value Measurements Standards ("Standards") for all financial and nonfinancial instruments that are measured and reported at fair value on a recurring basis. These Standards define fair value and establish a framework for measuring fair value within a hierarchy based on inputs used to measure fair value and expand related disclosure thereof. Among other things, these Standards define fair value as the price that would be received when selling an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction at the measurement date and, categorize the inputs used to measure fair value.

The Diocesan Central Funds uses the Net Asset Value ("NAV") per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 821, Fair Value Measurements, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a NAV per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standard Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The reporting entity is required upon adoption to apply the amendments retrospectively to all period presented.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from value independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which were either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other similar securities, the parameters of which can be directly observed.

Level 3 - Inputs that had little to no pricing observability as of the measurement date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity. The Diocesan Central Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Diocesan Central Funds' perceived risk of that instrument.

Property, Furniture and Equipment

Buildings and improvements were recorded at cost and include a property owned by the Diocese that was utilized by various Diocesan entities (Note 4). Contributed property and equipment, if any, is recorded based upon the fair value at date of donation.

Depreciation is computed using the straight-line method over the estimated service lives of the related assets (50 years for buildings; 25 years for building improvements; 15 years for leasehold improvements; 10 years for furniture; and 5 years for equipment). Depreciation is taken on assets in the year of acquisition, using the half-year convention.

Deferred Revenue

Deferred revenue represents funds received in advance for use in future years. Such amounts are recognized as revenue as the related expenditures are incurred.

Net Diocesan Assessments and Net Annual Catholic Appeal

Net Diocesan assessments on parishes are reported net of allowances, which totaled $388,302 and $536,285 for the years ended August 31, 2017 and 2016, respectively.

The gross proceeds from the Annual Catholic Appeal are shown as an increase to Temporarily Restricted Net Assets, which will be used to fund the Diocesan Central Funds operations in fiscal 2017. The amount presented in the accompanying Combined Statements of Activities is based on an estimate of the total pledges to be received less amounts paid or to be paid to parishes that exceed their goal which are reported as program expenses. For the years ended August 31, 2017 and 2016, the future payments to parishes totaled $587,685 and $628,692, respectively.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received at the net present value of the amounts expected to be collected. Unconditional promises to give that are expected to be received after one year are discounted using a risk-adjusted rate applicable to the years in which the promises were received. Amortization of the discount is recorded as contribution revenue. Conditional promises to give are recognized as revenue when the conditions are substantially met.

Revenues from legacies and bequests are recognized when such gifts become unconditional promises to give. This generally occurs upon the completion of probate and approval of the court having jurisdiction over the estate.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Diocesan Central Funds have been summarized on a functional basis in the accompanying Combined Statements of Activities and, only reflect the direct costs of the respective programs.

Fundraising expenses totaling $705,770 and $702,093, for the years ended August 31, 2017 and 2016, respectively, were included within supporting services in the accompanying Combined Statements of Activities.

Concentration of Credit Risk

Financial instruments that potentially subject the Diocesan Central Funds to concentrations of credit and market risk consist principally of cash and cash equivalents and investments on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Management does not believe that a significant risk of loss due to the failure of a financial institution the Diocesan Central Funds' utilizes is likely.

Income Taxes

The Diocese and, therefore, the Diocesan Central Funds follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Diocese is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Diocese has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The Diocesan Central

Funds have determined that there are no material uncertain tax positions that require recognition or disclosure in the accompanying financial statements.

Accounting Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant management estimates and assumptions relate to the determination of allowances for doubtful accounts, notes, advances and other receivables, determination of fair value of investments without a ready market, provision for unrecorded liabilities, and useful lives of fixed assets. Actual results could differ from those estimates.

Reclassification

Certain amounts in the fiscal 2016 financial statements has been reclassified to conform to the fiscal 2017 presentation. There were no changes in total revenues, expenses or changes in net assets as reflected in the 2016 financial statements resulting from such reclassifications.

3. INVESTMENTS, AT FAIR VALUE

Investments, at fair value, as of August 31, 2017 and 2016, consisted of the following:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 658,456	$ -	$ -	$ 658,456
Equity securities	1,553,372	-	-	1,553,372
U.S. government obligations	855,759	-	-	855,759
Compostela Fund				
Guaranteed rate investments	-	16,569,108	-	16,569,108
	$ 3,067,587	$ 16,569,108	$ -	19,636,695
Money market funds				114,881
				$ 19,751,576

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 645,805	$ -	$ -	$ 645,805
Equity securities	1,296,054	-	-	1,296,054
U.S. government obligations	883,588	-	-	883,588
Compostela Fund				
Guaranteed rate investments	-	12,296,817	-	12,296,817
	$ 2,825,447	$ 12,296,817	$ -	15,122,264
Money market funds				118,943
				$ 15,241,207

Investments valued at NAV or its equivalent as of August 31, 2017, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Compostela Fund				
Guaranteed rate investments	$ 16,569,108	N/A	Unlimited	Liquid

Investments valued at NAV or its equivalent as of August 31, 2016, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Compostela Fund				
Guaranteed rate investments	$ 12,296,817	N/A	Unlimited	Liquid

Investment return for the years ended August 31, 2017 and 2016, was comprised of the following:

	2017	2016
Interest and dividends	$ 245,806	$ 281,414
Realized and unrealized appreciation (depreciation)	223,554	(200,181)
	$ 469,360	$ 81,233

4. PROPERTY, FURNITURE AND EQUIPMENT, NET

Fixed assets at August 31, 2017 and 2016, consisted of the following:

	2017	2016
Buildings and improvements	$ 5,423,341	$ 5,376,556
Furniture and equipment	16,353,087	15,955,547
	21,776,428	21,332,103
Less: accumulated depreciation	(17,291,181)	(16,915,235)
	$ 4,485,247	$ 4,416,868

Depreciation expense for the years ended August 31, 2017 and 2016 totaled $375,946 and $462,806, respectively.

5. ACCOUNTS, NOTES AND OTHER RECEIVABLES, NET

The Diocesan Central Funds provides advances to parishes and other Diocesan organizations that are in financial need. Such advances do not have specific repayment terms, but management expects repayment when the parish or other respective Diocesan organization has financial resources available. Because of the uncertainty surrounding collection, management provides a reserve for doubtful accounts generally equal to the amount advanced.

The Diocesan Central Funds also has accounts receivable from parishes, schools and other organizations for Diocesan assessments and other charges.

Due to the circumstances and unpredictability surrounding recoveries of previously reserved receivables, such recoveries, if any, are recognized as revenue in the year that they are received.

Accounts, notes and other receivables at August 31, 2017 and 2016, consisted of the following:

	2017		
	Gross Receivables	Reserve for Doubtful Receivables	Net Receivables
Accounts receivable	$ 3,858,771	$ (3,648,451)	$ 210,320
Due from Diocesan organizations	15,644,378	(14,973,991)	670,387
Due from Annual Catholic Appeal	1,500,000	-	1,500,000
Other	5,022,843	(1,000,953)	4,021,890
	$ 26,025,992	$ (19,623,395)	$ 6,402,597

	2016		
	Gross Receivables	Reserve for Doubtful Receivables	Net Receivables
Accounts receivable	$ 3,610,364	$ (3,260,149)	$ 350,215
Due from Diocesan organizations	15,283,892	(14,503,409)	780,483
Due from Annual Catholic Appeal	3,956,969	-	3,956,969
Other	2,288,120	(1,000,953)	1,287,167
	$ 25,139,345	$ (18,764,511)	$ 6,374,834

6. ASSETS HELD IN TRUST

The Diocesan Central Funds is the co-beneficiary of the income from the Christopher Edward Connell Trust Fund (the "Connell Trust Fund"). Income from the Connell Trust Fund is divided equally between the Archbishopric of New York and the Roman Catholic Diocese of Brooklyn, New York. A portion of the income is to be used to maintain a limited number of scholarships. The remainder is available for other religious, charitable and educational purposes. The corpus of the Connell Trust Fund is administered by JPMorgan Chase Bank, as trustee. The Diocesan Central Funds has the right to receive its share of income earned on the trust assets in perpetuity, but is not entitled to the assets held in trust. The Diocesan Central Funds' share of the trust has been estimated to be equivalent to one-half of the fair value of the assets in the trust, or $7,777,015 and $7,426,996 at August 31, 2017 and 2016, respectively.

The Roman Catholic Bishop of the Diocese of Brooklyn is the income beneficiary of the Arthur F. Knauth Educational Fund established under Article 6 of the will of Blanche A. Knauth, dated November 1, 1966 in the amount of $100,000. Income from the trust, for which JPMorgan Chase Bank is the sole trustee, is to be expended by the Bishop to defray the cost of educating worthy young Roman Catholic American men of limited means in institutions of higher learning which shall offer a course of study designed to prepare such young men for admission, after graduation from any such institution, into a seminary devoted to training persons for Holy Orders. The Bishop has the right to the income earned on the trust assets in perpetuity, but is not entitled to the assets held in trust. The corpus of this trust was $620,652 and $577,393 at August 31, 2017 and 2016, respectively.

The aforementioned resources are reported as assets held in trust and permanently restricted net assets in the accompanying combined financial statements and, categorized as Level 3 financial instruments under the fair value hierarchy. Changes in the fair value of the assets held in trust are reported as permanently restricted gains or losses. Annual distributions from the trust are reported as temporarily restricted support.

7. LINE OF CREDIT

Effective August 4, 2017, the Diocesan Central Funds entered into a $52,000,000 line of credit agreement with a related party of the Roman Catholic Diocese of Brooklyn, New York. The interest rate on the outstanding principal is 5% per annum. The full line of credit amount is expected to be drawn down by December 31, 2017. Interest only on the outstanding principal shall be paid semi-annually on January 1, 2018 and July 1, 2018. On January 1, 2019, the payments on the line of credit will convert to a 30-year promissory note whereby principal and interest will be paid semi-annually. As of August 31, 2017, the outstanding balance under this facility was $13,000,000.

8. EMPLOYEE PENSION PLAN

Employees of the departments and programs comprising the Diocesan Central Funds participate in the Roman Catholic Diocese of Brooklyn Pension Plan (the "Plan"), a noncontributory defined benefit pension plan covering substantially lay employees. The Plan was established as a Church Plan, exempt from compliance with the Employee Retirement Income Security Act ("ERISA") and, operates as a non-ERISA multi-employer plan that is not subject to the reporting requirements of Accounting Standards Codification 715. The Plan is a career average plan covering eligible employees and conducts an actuarial valuation annually as of January 1st. Using an assumed a rate of return of 6%, the Plan was approximately 67.5%

funded based on the actuarial present value of the accumulated plan benefits as of January 1, 2016. For the years ended August 31, 2017 and 2016, total pension expense for the entities and programs included in the accompanying combined financial statements totaled $516,607 and $603,430, respectively. It is Diocesan policy to provide for pension costs. Because the Plan includes lay employees of various Diocesan organizations, information is not available as to the vested and non-vested earned benefits and Plan assets for only those employees of the Diocesan Central Funds.

9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2017 and 2016, were available for the following purposes:

	2017	2016
Pastoral		
Annual Catholic Appeal	$ 8,885,607	$ 7,320,311
House of Discernment	114,185	114,185
Local campaign for human development	266,223	366,644
Local communications	477,679	470,579
Cathechumenium of Our Lady of Pilar	32,000	32,000
Education	1,200,626	1,168,799
Total	$ 10,976,320	$ 9,472,518

Net assets released from donor restrictions during the years ended August 31, 2017 and 2016, by the passage of time or incurring expenses satisfying the restricted purposes were as follows:

	2017	2016
Pastoral		
Education	$ 357,493	$ 607,146
Local campaign for human development	105,000	-
Local communications	-	150,000
Annual Catholic Appeal Parish credits	587,685	628,692
Annual Catholic Appeal	7,320,311	8,542,095
	8,370,489	9,927,933
Diocesan Support	2,514,837	2,320,000
Total	$ 10,885,326	$ 12,247,933

At August 31, 2017 and 2016, permanently restricted net assets consisted of Diocesan Central Funds' share of the Connell Trust Fund and the Arthur F. Knauth Educational Fund perpetual trusts, the income of which is principally expendable to support scholarships and Diocesan Central Funds' activities (Note 6).

10. CONTINGENCIES

The Diocese is involved in various claims and legal actions arising in the ordinary course of operations, which are administered by Peter Turner. The Diocesan Central Funds is contingently liable for losses should Peter Turner or its other insurance carriers be unable to cover insurable claims. The potential exposure, if any, resulting from such claims could not be reasonably estimated at August 31, 2017 (also see Note 11).

11. INDEPENDENT RECONCILIATION AND COMPENSATION PROGRAM

In June 2017, the Diocese announced an Independent Reconciliation and Compensation Program ("IRCP") to victims-survivors of sexual abuse by Diocesan clergy when they were minors as a "tangible sign of the church's outreach and reparation" that will seek to promote healing and bring closure by providing compensation to victim-survivors of abuse by priests or deacons of the Diocese similar to programs administered by other diocesan organizations throughout the United States.

There are two phases to the IRCP. Phase I began on June 22, 2017 and concluded on October 15, 2017. Phase I was open to all victim survivors of clergy abuse by Diocesan clergy when they were minors who had previously notified the Diocese. Phase II, which began on October 20, 2017, is open to all victim survivors of sexual abuse as a minor by Diocesan clergy who had not previously notified the Diocese.

The Diocese has an independent administrator for the IRCP who reviews and makes settlement offers. As of November 28, 2017, $22,080,000 has been paid or accrued and reflected in the accompanying combined financial statements relating to Phase I, with an additional $5,610,000 offered to claimants but not yet accepted. A reasonable estimate of the amounts that will be accepted could not be made and, therefore, such amounts will be recognized as part of the IRCP as agreements are executed. There will be additional costs related to Phases I and II of the IRCP, and such amounts could be material to the Diocese.

As indicated above, the Diocesan Central Funds has incurred significant expenses in connection with the IRCP, which has resulted in an unrestricted net asset deficit of available for operation of approximately $13,400,000 at August 31, 2017. Management has evaluated the significance of these events and determined that the Diocesan Central Funds has sufficient resources to meet its obligations as they become due for a reasonable period of time, which it defined as the period ending December 31, 2018.

12. PUBLIC ASSISTANCE GRANTS

On October 29, 2012, Superstorm Sandy made landfall impacting various Northeast region coastal areas, including Brooklyn and other New York City Metropolitan areas. The storm surge and high winds caused significant damage to various Diocese of Brooklyn properties and other assets.

In response to the damages caused by Superstorm Sandy, President Obama signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency ("FEMA") to provide Public Assistance grants ("PA") to eligible entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (categorized as emergency protective measures and debris removal) and permanent work (categorized as restoration of building and equipment). And, on June 26, 2013, the President authorized reimbursement of eligible costs at a 90% rate.

The estimated value of damages and recovery costs as of August 31, 2017, totaled approximately \$23,000,000, which include an estimated \$20,000,000 in permanent repair/replacement of damaged facilities and \$3,000,000 for debris removal and emergency protective measures. These estimated costs will be reduced by an estimated \$7,000,000 in insurance recoveries, thereby resulting in an estimated \$16,000,000 in eligible PA costs. The Diocese is continuing to work with FEMA to identify expenses for additional damages to eligible facilities and updating costs of construction for work to be completed, which will affect the total of eligible recovery costs included in the PA grant in future fiscal years.

For the year ended August 31, 2017, approximately \$800,000 in emergency and recovery spending, including current and prior year's expenditures, was obligated for reimbursement by FEMA, of which approximately \$700,000 will be applied to insurance recoveries. Accordingly, approximately \$100,000 was recorded within grants revenue in the accompanying Combined Statement of Activities for the year ended August 31, 2017. The remainder of eligible costs will be obligated by FEMA in future fiscal years.

13. SUBSEQUENT EVENTS

The Diocesan Central Funds evaluated its August 31, 2017 combined financial statements for subsequent events through December 20, 2017, the date the accompanying combined financial statements were available to be issued. In connection therewith, the Diocese opened Phase II of its Independent Reconciliation and Compensation Program on October 20, 2017 (Note 11).