Financial Statements and Report of
Independent Certified Public Accountants

The Fund for Catholic Schools, Inc.

June 30, 2012 and 2011

Alexander
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Finning
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

THE FUND FOR CATHOLIC SCHOOLS, INC.
Table of Contents
June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Fund for Catholic Schools, Inc.:

We have audited the accompanying statements of financial position of The Fund for Catholic Schools, Inc. (a Massachusetts corporation, not for profit) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund for Catholic Schools, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
April 9, 2013

THE FUND FOR CATHOLIC SCHOOLS, INC.
Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	**$ 3,231,187**	$ 1,599,463
Contributions receivable, net	**10,355,622**	13,553,781
Furniture and equipment, net	**-**	24,043
Total assets	**$ 13,586,809**	$ 15,177,287
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	**$ 6,379**	$ 74,130
Due to related organizations	**473,267**	971,919
Interest payable	**-**	3,075,243
Notes payable to related organization	**17,878,983**	21,184,983
Total liabilities	**18,358,629**	25,306,275
NET ASSETS:		
Unrestricted	**(20,480,710)**	(26,783,148)
Temporarily restricted	**15,708,890**	16,654,160
Total net assets	**(4,771,820)**	(10,128,988)
Total liabilities and net assets	**$ 13,586,809**	$ 15,177,287

The accompanying notes are an integral part of the financial statements.

THE FUND FOR CATHOLIC SCHOOLS, INC.
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012
(With Summarized Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions:				
Dorchester Catholic Schools	$ -	$ 4,762,155	$ 4,762,155	$ 3,867,904
Brockton Catholic Schools	-	933,125	933,125	298,794
General Campaign	1,163	478,325	479,488	896,742
Gloucester Catholic Schools	-	250,894	250,894	1,692
South Boston Catholic Schools	-	5,000	5,000	5,125
Interest and dividend income	8,589	-	8,589	16,118
Net assets released through satisfaction of program restrictions	7,374,769	(7,374,769)	-	-
Total revenue, gains and other support	7,384,521	(945,270)	6,439,251	5,086,375
EXPENSES:				
Program grants:				
Dorchester	3,458,768	-	3,458,768	1,718,548
Brockton	585,000	-	585,000	765,000
Gloucester	20,000	-	20,000	-
South Boston	5,000	-	5,000	87,759
Interest on School construction and operating notes	915,695	-	915,695	1,109,624
Fundraising	768,835	-	768,835	508,486
General and administrative	268,577	-	268,577	341,965
Program support	4,102	-	4,102	169,560
Total expenses	6,025,977	-	6,025,977	4,700,942
CHANGES IN NET ASSETS FROM OPERATIONS	1,358,544	(945,270)	413,274	385,433
NON-OPERATING REVENUE (EXPENSE):				
Forgiveness of interest payable	3,990,938	-	3,990,938	-
Forgiveness of due to related organization	966,834	-	966,834	-
Loss on disposal of furniture and equipment	(5,765)	-	(5,765)	-
Cancellation of pledge	-	-	-	(116,813)
Total non-operating revenue (expense)	4,952,007	-	4,952,007	(116,813)
CHANGES IN NET ASSETS	6,310,551	(945,270)	5,365,281	268,620
Net assets at beginning of year	(26,783,148)	16,654,160	(10,128,988)	(10,397,608)
Transfer of net assets	(8,113)	-	(8,113)	-
Net assets at end of year	$ (20,480,710)	$ 15,708,890	$ (4,771,820)	$ (10,128,988)

The accompanying notes are an integral part of the financial statements.

THE FUND FOR CATHOLIC SCHOOLS, INC.
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions:			
Dorchester Catholic Schools	$ -	$ 3,867,904	$ 3,867,904
Brockton Catholic Schools	-	298,794	298,794
General Campaign	420,061	476,681	896,742
Gloucester Catholic Schools	-	1,692	1,692
South Boston Catholic Schools	-	5,125	5,125
Interest and dividend income	16,118	-	16,118
Net assets released through satisfaction of program restrictions	6,884,735	(6,884,735)	-
Total revenues, gains and other support	7,320,914	(2,234,539)	5,086,375
EXPENSES:			
Program grants:			
Dorchester	1,718,548	-	1,718,548
Brockton	765,000	-	765,000
South Boston	87,759	-	87,759
Interest on School construction and operating notes	1,109,624	-	1,109,624
Fundraising	508,486	-	508,486
General and administrative	341,965	-	341,965
Program support	169,560	-	169,560
Total expenses	4,700,942	-	4,700,942
CHANGES IN NET ASSETS FROM OPERATIONS	2,619,972	(2,234,539)	385,433
NON-OPERATING EXPENSE:			
Cancellation of pledge	-	(116,813)	(116,813)
CHANGES IN NET ASSETS	2,619,972	(2,351,352)	268,620
Net assets at beginning of year	(29,403,120)	19,005,512	(10,397,608)
Net assets at end of year	$ (26,783,148)	$ 16,654,160	$ (10,128,988)

The accompanying notes are an integral part of the financial statements.

THE FUND FOR CATHOLIC SCHOOLS, INC.
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES:		
Changes in net assets from operations	$ 413,274	$ 385,433
Adjustments to reconcile changes in net assets from operations to net increase in cash from operating activities:		
Depreciation	8,014	18,715
Loss on transfer of furniture and equipment	2,151	4,641
Change in discount on contributions receivable	(357,636)	(473,644)
Allowance for uncollectible accounts	(66,001)	(79,287)
Changes in operating assets and liabilities:		
Contributions receivable	3,621,796	4,391,232
Prepaid expenses	-	16,831
Accounts payable and accrued expenses	(67,751)	453
Due to related organizations	468,182	24,097
Interest payable	915,695	1,109,624
Net increase in cash from operating activities	4,937,724	5,398,095
FINANCING ACTIVITIES:		
Proceeds from notes payable to related organization	-	980,028
Principal payments on notes payable to related organization	(3,306,000)	(5,308,500)
Net decrease in cash from financing activities	(3,306,000)	(4,328,472)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,631,724	1,069,623
Cash and cash equivalents at beginning of year	1,599,463	529,840
Cash and cash equivalents at end of year	$ 3,231,187	$ 1,599,463
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost of furniture and equipment transferred	$ 80,142	$ 14,656

The accompanying notes are an integral part of the financial statements.

NOTE A - NATURE OF ORGANIZATION

The Fund for Catholic Schools, Inc. (the "Fund") was organized under Massachusetts law on March 10, 2008. The purpose of the Fund is to aid, support, and enhance Catholic education within the Archdiocese of Boston (the "Archdiocese"). The Fund receives, manages and distributes gifts and bequests on behalf of various Catholic schools within the Archdiocese.

On January 1, 2012, the Fund's staff, fixed assets, and operations were absorbed by Boston Catholic Development Services ("BCDS"), the fundraising arm of the Archdiocese of Boston. As a result, all Fund employees became employees of BCDS, a related organization, and all furniture, fixtures and equipment were transferred to BCDS. The purpose of BCDS is to aid, support and enhance all fundraising and development activities within the Archdiocese. In exchange, the Fund is assessed contributed services fees as determined by specific expenses incurred by BCDS and a percentage of the remaining combined incurred expenses.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Financial Statement Presentation

The Fund classifies net assets and the changes in those net assets based on the existence or absence of donor-imposed restrictions, either explicit or implicit. Accordingly, net assets of the Fund and changes therein are classified and reported as follows:

Unrestricted net assets - Assets and contributions that are not restricted by the donor or for which restrictions have expired.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that permit the Fund to use or expend the donated assets as specified and which are satisfied by either the passage of time or by actions of the Fund.

Cash and Cash Equivalents

Financial instruments with original maturities of three months or less at the purchase date are classified as cash equivalents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

The Fund deposits a portion of its cash in a major financial institution ($27,643 and $7,205 at June 30, 2012 and 2011, respectively). Deposits in transaction accounts are 100% insured by the Federal Deposit Insurance Corporation ("FDIC") through December 31, 2012, while deposits in non-transaction accounts and deposits in transaction accounts after December 31, 2012, are insured by the FDIC up to $250,000 per institution. The Fund believes it is not exposed to any significant credit risk on cash and cash equivalents. Management monitors on a regular basis, the financial institution, along with its balances, to keep this potential risk to a minimum.

The Fund deposits portions of its cash balance with the Revolving Loan Fund of the Corporation Sole ($3,203,544 and $1,592,258 at June 30, 2012 and 2011, respectively). These deposits are not insured against losses. They are available for withdrawal on a daily basis. The Fund does not earn interest on those accounts.

Furniture and Equipment

Furniture and equipment are carried at cost, or if donated, at appraised value at the time of donation. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from three to five years. Expenditures for maintenance and repairs are expensed, as incurred.

Contributions

Unconditional promises to give are reported as contributions receivable at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the Fund's average borrowing rate. Amortization of discounts is classified in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2012 and 2011.

Contributions received by the Fund are recorded as revenue and are for Catholic schools within the geographic territory of the Archdiocese. The Fund and these ultimate beneficiaries meet certain criteria under the U.S. GAAP standard for "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others,*" permitting the Fund to recognize all contributions received as revenue.

The Fund reports gifts of cash and other assets as restricted support if they are restricted as to purpose or time. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is determined to approximate the portion of contributions receivable which will not be ultimately collected. The estimate made by management is based on a review of overdue accounts and projected total future collections based on historical experience. The allowance represents an estimate and actual uncollected pledges may vary significantly from the amount currently recorded with adjustments to be recorded in the period they become known. Contributions receivable are written off based either upon donor cancellation or a time lapse without donor activity.

Concentration of Credit Risk

The Fund's financial instruments that are subject to concentrations of credit risk consist primarily of cash, cash equivalents, and contributions receivable. The Fund places cash and temporary cash investments in high-quality credit institutions and the Corporation Sole. At times, such deposits may exceed FDIC limits. Cash and cash equivalents deposited with the Revolving Loan Fund of the Corporation Sole are not insured (see page 9).

Income Taxes

The Fund is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements. The Fund's management has reviewed the tax positions as of June 30, 2012 and 2011, and determined that no provision for income tax is required in these financial statements.

Fair Value Measurements

The Fund measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Fund classifies its assets and liabilities into Level 1 (valuations using quoted prices from active markets for identical assets), Level 2 (valuations not traded on an active market for which observable market inputs are readily available), and Level 3 (valuations based on significant unobservable inputs).

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Fund does not have any assets or liabilities that are valued at fair value on a recurring basis.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for uncollectible accounts, discount on pledges receivable, revenue recognition for restricted awards, and the useful lives of property and equipment. Actual results could vary from those estimates.

Subsequent Events

Subsequent events have been evaluated through April 9, 2013, which is the date the financial statements were available to be issued.

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	2012	2011
Amounts due within:		
One year	$ 5,147,338	$ 4,651,534
Two years	4,656,934	4,748,934
Three years	454,000	4,441,100
Four years	303,500	248,500
Five years	103,500	98,500
Thereafter	172,000	270,500
	10,837,272	14,459,068
Less: Unamortized Discount	(329,568)	(687,204)
Allowance for uncollectible accounts	(152,082)	(218,083)
Net contributions receivable	$10,355,622	$13,553,781

The average rate used to discount contributions receivable was 4.50%.

At June 30, 2012, one donor represented approximately 53% of the net contributions receivable balance. At June 30, 2011, two donors represented approximately 86% of the net contributions receivable balance. These donors have had a long history of supporting related organizations within the Archdiocese through multi-year pledges.

NOTE D - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2011:

Furniture and equipment	$ 80,142
Less - accumulated depreciation	(56,099)
Net furniture and equipment	$ 24,043

Depreciation expense for the years ended June 30, 2012 and 2011, was $8,014 and $18,715, respectively, and is included in operating expenses in the accompanying statements of activities and changes in net assets. Effective January 1, 2012, all furniture and equipment was transferred to BCDS (see Note K).

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

- During fiscal year 2010, the Fund and Pope John Paul II Catholic Academy, Inc. (PJPII) jointly and severally with the Revolving Loan Fund of the Corporation Sole, consolidated four PJPII construction notes into a new demand note. These notes were used to provide funding to PJPII and will be paid upon the receipt of certain pledge receivables. At June 30, 2011, accrued interest of $2,663,242 was outstanding. During fiscal years 2012 and 2011, the Fund paid down $3,240,000 and $5,250,000, respectively, of principal on this note.

- During the fiscal year 2010, the Fund assumed jointly and severally responsibility with PJPII an operating demand note with the Parish Revolving Loan of the Corporation Sole. At June 30, 2011, accrued interest of $218,746 was outstanding. During fiscal years 2012 and 2011, the Fund paid down $66,000 and $58,500, respectively, of principal on this note.

- During the fiscal year 2010, the Fund and Trinity Catholic Academy, Inc. assumed jointly and severally responsibility during the fiscal year 2010 an operating demand note with the Revolving Loan Fund of the Corporation Sole. At June 30, 2011, accrued interest of $193,255 was outstanding.

Effective June 30, 2012, the finance council of Corporation Sole voted to forgive the interest payable on the note agreements described above. As of June 30, 2012, accrued interest totaled $3,990,938. Accordingly, this amount is presented as forgiveness of interest payable in the accompanying 2012 statement of activities and changes in net assets. Along with the forgiveness of the interest payable, the Corporation Sole amended the note agreements to be non-interest bearing.

NOTE E - NOTES PAYABLE - Continued

Future payments on all notes will be applied to principal first and these notes bore interest at the lenders' applicable rate for parish notes (4.75% at June 30, 2011), and became non-interest bearing effective June 30, 2012. At June 30, 2012 and 2011, outstanding balances on the notes were as follows:

	2012	2011
Dorchester – Pope John Paul II – Construction	$13,086,474	$16,326,474
Dorchester – Pope John Paul II – Operating	2,787,600	2,853,600
Brockton – Trinity Catholic – Operating	2,004,909	2,004,909
Total notes payable to related organization	$17,878,983	$21,184,983

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Campaign Administration and Directed Archdiocese Catholic School Support	$ 1,995,296	$ 1,806,163
Individual Schools:		
Brockton – Trinity Catholic	804,139	266,014
Dorchester – Pope John Paul II	12,616,053	14,519,475
Gloucester – St. Ann	288,324	57,430
South Boston – South Boston Catholic	5,078	5,078
Total temporarily restricted net assets	$15,708,890	$16,654,160

Net assets released from restrictions through satisfaction of program and time restrictions were expended for the following purposes during the years ended June 30:

	2012	2011
Campaign Administration and Directed Archdiocese Catholic School Support	$ 289,192	$ 297,364
Individual Schools:		
Brockton – Trinity Catholic	395,000	99,742
Dorchester – Pope John Paul II	6,665,577	6,399,906
Gloucester – St. Ann	20,000	-
South Boston – South Boston Catholic	5,000	87,723
Total net assets released from restrictions	$7,374,769	$6,884,735

NOTE F - TEMPORARILY RESTRICTED NET ASSETS - Continued

The Fund accounts for net assets released from time restrictions based on distributions to the related organization for which the funds were used.

NOTE G - RELATED-PARTY TRANSACTIONS

The Corporation Sole and BCDS provide administrative support to the Fund. The Corporation Sole advances monies to the Fund to assist in the payment of operating expenses. As of June 30, 2012 and 2011, the Fund owed the Corporation Sole $28,108 and $971,919, respectively, for these operating advances. As of June 30, 2012, the Fund owed BCDS $445,159 for operating expenses incurred during the fiscal year. Effective June 30, 2012, the Corporation Sole voted to forgive $966,834 of operating advances. Accordingly this amount is presented as forgiveness of due to related organization in the accompanying 2012 statement of activities and changes in net assets. It is expected that the remaining amounts will be repaid in fiscal year 2013.

Amounts recorded in contributions revenue are amounts raised by the Fund on behalf of donor-specified Archdiocese schools. Distributions to the specified schools are recorded as expenses upon payment of these amounts. Amounts paid are based on actual cash collections associated with the underlying pledges and gifts raised on behalf of the specified schools. The Fund also makes other appropriations from general contributions to Archdiocese schools.

The Fund participates with other Archdiocese of Boston Catholic organizations in employee health, dental, life and disability benefit plans that are related organizations. Expenses incurred by the Fund for the benefit of employees under these plans were $35,866 and $34,052 for the years ended June 30, 2012 and 2011, respectively, and are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

The Fund's President was an employee of an individual donor who contributed her support to the Fund. These services are reflected in the accompanying 2011 statement of activities and changes in net assets based upon the estimated value assigned to them by management. This ceased with the close of fiscal year 2011. The value reflected for these services for the year ended June 30, 2011, was $107,561 and is included in general campaign in the accompanying statement of activities and changes in net assets.

NOTE H - RETIREMENT PLANS

The Fund participates with other Archdiocese of Boston Catholic organizations in a noncontributory, defined-benefit multi-employer pension plan, the Roman Catholic Archdiocese of Boston Pension Plan (the Pension Plan), a related organization. The Fund's employees comprise less than 1% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). For the years ended June 30, 2012 and 2011, the Pension Plan costs were $18,397 and $1,931, respectively, and are included in general and administrative expenses in the accompanying statements of activities and changes in net assets.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein. At June 30, 2012 and 2011, the financial statements of the Pension Plan reflected approximately $207.9 million and $284.8 million, respectively, in net assets available for benefits and $260.7 million and $328.9 million, respectively, in accumulated plan benefits. Effective December 31, 2011, the Pension Plan Trustees amended and froze the Pension Plan and no additional benefits will accrue as of December 31, 2011. Furthermore, under the provision of the amendment, any employee hired after December 31, 2010, will not be eligible to become a participant in the Pension Plan.

NOTE I - CAMPAIGN OPERATIONS

In 2008, the Fund was established for capital and operational improvements for Archdiocese schools in Dorchester, Brockton, and Gloucester. An additional campaign was added for South Boston in 2009. The capital and operational improvements completed in Dorchester and Brockton have been partially financed with temporary borrowings from the Archdiocese. Operational plans through 2015 include the collection on current pledges and continued development activities. Management believes the current goals and pledge payment cash flow projections through 2015 will be sufficient to fund operations, repay the temporary borrowings and complete the 2008 initiatives in Dorchester, Brockton, and Gloucester. South Boston has been completed as of June 30, 2010. As additional capital and operational fundraising requests are received by the Fund, fundraising campaigns will be developed to support these additional activities.

NOTE J - CANCELLATION OF PLEDGE

The Fund received restricted pledges to be used for Catholic schools within the geographic territory of the Archdiocese of Boston. Periodically, the specified school redefines goals and may request changes to the conditions of a pledge. During fiscal year 2011, a pledge of $116,813 was written off by the Fund because the program results did not show the desired outcome and it was determined that a scheduled project would no longer be implemented.

NOTE K - NET ASSET TRANSFER

As part of the reorganization described in Note A, the Fund transferred the following net assets to related entities on January 1, 2012, as follows:

Entity	Amount Transferred
BCDS	$(8,113)

NOTE L – SUBSEQUENT EVENT

During February, 2013, the Corporation Sole awarded the Fund a $5 million pledge, which will be paid over a seven year period ending on June 30, 2020.