Audited
Financial Statements

The Catholic Schools Foundation, Inc.

June 30, 2008

G.T. Reilly & Company
Certified Public Accountants/Business Consultants

The Catholic Schools Foundation, Inc.

Audited Financial Statements and Other Financial Information

June 30, 2008

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G.T. Reilly & Company
Internationally,
Moore Stephens Reilly, P.C.
Reilly Consulting Group, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Catholic Schools Foundation, Inc.

We have audited the accompanying statements of financial position of The Catholic Schools Foundation, Inc. as of June 30, 2008 and 2007, 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 Foundation'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 Catholic Schools Foundation, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
May 11, 2009

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Statements of Financial Position

June 30

	2008	2007
Assets		
Cash and cash equivalents (Note 2)	**$ 6,825,843**	$ 11,394,885
Investments, at fair value (Notes 2 & 4)	**42,712,494**	41,720,012
Accrued interest and dividends receivable	**44,908**	85,118
Contributions receivable within one year, net of estimated uncollectibles of $133,058 in 2008 ($150,000 in 2007) (Notes 2 & 5)	**637,507**	732,180
Contributions receivable in future years, net (Notes 2 & 5)	**543,200**	143,016
Interest in net assets of the Catholic Foundation (Notes 2 & 3)	**2,844,078**	3,056,624
Prepaid expenses	**12,474**	16,740
Furniture, equipment and software, net (Notes 2 & 6)	**49,899**	31,227
TOTAL ASSETS	**$ 53,670,403**	$ 57,179,802
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 73,107**	$ 121,907
Grants payable (Note 2)	**6,794,306**	9,035,789
	6,867,413	9,157,696
Net assets (Notes 2 & 11):		
Unrestricted	**14,667,787**	9,778,782
Temporarily restricted	**7,910,993**	15,807,132
Permanently restricted endowment funds	**24,224,210**	22,436,192
	46,802,990	48,022,106
TOTAL LIABILITIES AND NET ASSETS	**$ 53,670,403**	$ 57,179,802

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

Statements of Activities and Change in Net Assets

Year Ended June 30

	2008				2007			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT								
Contributions	**$ 6,765,688**	**$ 1,536,700**	**$ 1,715,072**	**$ 10,017,460**	$ 913,683	$ 7,372,255	$ 1,296,760	$9,582,698
Less writedowns and provision for uncollectible pledges	**(158,357)**	-	**-**	**(158,357)**	-	(161,264)	-	(161,264)
	6,607,331	**1,536,700**	**1,715,072**	**9,859,103**	913,683	7,210,991	1,296,760	$9,421,434
Investment income	**1,469,352**	**1,452,451**	**-**	**2,921,803**	1,318,050	720,777	0	2,038,827
Interest in change in net assets of the Catholic Foundation (Notes 2 & 3)	**15,000**	**(180,893)**	**72,946**	**(92,947)**	-	412,933	(10,000)	402,933
Net realized and unrealized gains (losses) on investments (Note 2)	**(2,408,497)**	**(2,513,881)**	**-**	**(4,922,378)**	3,196,914	2,082,740	-	5,279,654
Net assets released from restrictions through satisfaction of program restrictions (Note 11)	**8,190,516**	**(8,190,516)**	**-**	**-**	8,557,589	(8,557,589)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**13,873,702**	**(7,896,139)**	**1,788,018**	**7,765,581**	13,986,236	1,869,852	1,286,760	17,142,848
EXPENSES								
Program:								
Financial aid grants	**6,373,372**	**-**	**-**	**6,373,372**	6,649,630	-	-	6,649,630
Special projects	**1,375,192**	**-**	**-**	**1,375,192**	1,294,771	-	-	1,294,771
Brockton Initiative	**-**	**-**	**-**	**-**	2,000,000	-	-	2,000,000
Program overhead	**240,543**	**-**	**-**	**240,543**	256,791	-	-	256,791
Supporting services:								
Management and operations	**372,433**	**-**	**-**	**372,433**	462,127	-	-	462,127
Fundraising event	**206,568**	**-**	**-**	**206,568**	176,952	-	-	176,952
Other fundraising	**356,215**	**-**	**-**	**356,215**	199,793	-	-	199,793
Marketing and public relations	**60,374**	**-**	**-**	**60,374**	10,151	-	-	10,151
TOTAL EXPENSES	**8,984,697**	**-**	**-**	**8,984,697**	11,050,215	-	-	11,050,215
INCREASE (DECREASE) IN NET ASSETS	**4,889,005**	**(7,896,139)**	**1,788,018**	**(1,219,116)**	2,936,021	1,869,852	1,286,760	6,092,633
NET ASSETS AT BEGINNING OF YEAR	**9,778,782**	**15,807,132**	**22,436,192**	**48,022,106**	6,842,761	13,937,280	21,149,432	41,929,473
NET ASSETS AT END OF YEAR	**$ 14,667,787**	**$ 7,910,993**	**$ 24,224,210**	**$ 46,802,990**	$ 9,778,782	$ 15,807,132	$ 22,436,192	$ 48,022,106

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

Statements of Cash Flows

Year Ended June 30

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	**$ (1,219,116)**	$ 6,092,633
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of investments	**(679,330)**	(1,418,825)
Depreciation	**19,810**	5,216
Net realized and unrealized losses (gains) on investments	**4,922,378**	(5,279,652)
Transfer of assets from the Catholic Foundation	**119,599**	160,964
Interest in change in net assets of the Catholic Foundation	**92,947**	(402,933)
Changes in operating assets and liabilities:		
Contributions receivable	**(288,569)**	659,095
Provision for uncollectible pledges	**(16,942)**	(100,000)
Accrued interest and dividends receivable	**40,210**	(35,548)
Prepaid expenses	**4,266**	(9,765)
Accounts payable	**(48,800)**	(100,478)
Financial aid grants payable	**(2,241,483)**	1,835,789
NET CASH PROVIDED BY OPERATING ACTIVITIES	**704,970**	1,406,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to furniture, equipment and software	**(38,482)**	(36,443)
Investment sales and maturities (purchases), net	**(5,235,530)**	742,639
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(5,274,012)**	706,196
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,569,042)**	2,112,692
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,394,885**	9,282,193
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 6,825,843**	$11,394,885

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

Notes to Financial Statements

June 30, 2008

Note 1 - Nature of Activities

The Catholic Schools Foundation, Inc. ("the Foundation") was formed on September 12, 1983 for the purpose of raising funds from individuals, corporations and foundations to support the educational mission of the Church through programs and services that insure optimal educational opportunities for all students regardless of race, religion, national origin, or gender attending Roman Catholic primary and secondary schools located in the Archdiocese of Boston.

Note 2 - Significant Accounting Policies

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Accrual Basis - The financial statements of the Foundation have been prepared on the accrual basis.

Financial Statement Presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets as determined by donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 11 regarding restrictions on net assets.

Contributions and Donor Restrictions - Donors' unconditional promises to contribute cash or other assets to the Foundation are recorded as receivable when the pledges are made and documented. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of discounts is included in contribution revenue. Conditional promises to contribute are recorded only when the specified conditions are substantially met.

The Foundation reports contributions of cash or other assets as restricted support, thereby increasing temporarily restricted net assets, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Contributions restricted for general financial aid are designated by the Board as inner city or neighborhood financial aid. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated there from, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise.

See Note 11 regarding restrictions on net assets.

Cash Equivalents - The Foundation considers short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Note 2 - Significant Accounting Policies (Cont.)

Investments - The Foundation reports investments in marketable equity and debt securities and mutual funds at fair value. A limited partnership interest, whose underlying assets consist of marketable equity securities and cash equivalents, is also reported at fair value. Increases or decreases in the fair value of such investments are reflected in the statement of activities (see Note 4).

Contributions Receivable – Contributions receivable are stated net of an allowance for doubtful accounts, which is reported on the face of the Foundation's statement of financial position. The allowance is established via a provision for bad debts charged to support. On a periodic basis, management evaluates its contributions receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts. Accounts are charged against the allowance when management believes that the collectability of the specific account is unlikely. Charges to the allowance for doubtful accounts were approximately $230,000 in 2008 and $261,000 in 2007.

Accounting for Assets Held by Others – The Foundation follows the provisions of Statement of Financial Accounting Standards No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" (SFAS No. 136). The statement requires the Foundation to recognize as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the Foundation. Additionally, the statement requires the Foundation to adjust its interest for its share of the change in the related organization's net assets. Transfers of funds from the holding organization to the Foundation are recorded as reductions in its interest (see Note 3).

Furniture and Equipment – Furniture and equipment are stated at cost when purchased and at estimated fair market value when donated. Maintenance, repairs and minor renewals and additions are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful life used for furniture and equipment is three years.

Financial Aid and Grants – A liability is recorded and an expense is recognized in the period in which the Foundation's Board of Directors approves the amount of financial aid for tuition and grants estimated for future distributions to schools. All commitments are reflected in the Foundation's statements of financial position.

Contributed Services and Equipment – Contributions of services to the Foundation are recognized as support with an equal amount recognized as expense if the services provided require special skills and would need to be purchased by the Foundation if not contributed (see Note 10). Contributions of noncash assets are recorded at fair market value at the date of contribution.

Income Taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 3 – Interest in the Catholic Foundation

The Foundation is the beneficiary of donations collected on its behalf by the Catholic Foundation, a related party. As discussed in Note 2, "Accounting for Assets Held by Others", the Foundation has recorded as an asset its interest in the Foundation's net assets, which approximated $2,844,000 at June 30, 2008 ($3,057,000 at June 30, 2007). The change in the Foundation's interest is reflected in the statement of activities as a decrease in net assets of $92,947 in 2008 and an increase in net assets $402,933 in 2007. Transfers of funds from the Catholic Foundation totaled $119,599 and $160,964 for the years ended June 30, 2008 and 2007, respectively.

Note 4 - Investments

Investments consist of the following:

	Cost	Net Unrealized Gains (Losses)	Fair Value
June 30, 2008			
Investment in Limited Partnership	$ 3,000,000	$ 409,313	$ 3,409,313
Mutual Funds	33,742,211	332,100	34,074,311
Common Stocks	5,684,196	(455,326)	5,228,870
	$ 42,426,407	$ 286,087	$ 42,712,494
June 30, 2007			
Investment in Limited Partnership	$ 2,500,000	$ 751,603	$ 3,251,603
Mutual Funds	28,926,019	4,777,392	33,703,411
Common Stocks	4,127,443	637,555	4,764,998
	$ 35,553,462	$ 6,166,550	$ 41,720,012

The limited partnership invests and manages a portfolio of various common stocks. At June 30, 2008, Catholic Schools Foundation's limited partnership interest approximates 25% (19% in 2007).

Investment Risks and Uncertainties – The Foundation utilizes various investment instruments including common stocks and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets.

Subsequent Decline in Market Values of Investments – Since the date of the accompanying financial statements, June 30, 2008, the Foundation's investments depreciated in value by approximately $14 million (32%) through March 31, 2009 (including gains and losses on investments bought and sold, as well as held during the period) as a result of a volatile stock market and a tightening of the credit market.

Note 5 – Contributions Receivable

Included in Contributions Receivable are the following unconditional promises to give, summarized by use-restriction:

	2008	2007
Scholarships	$ 108,000	$ 883,855
Urban recruitment	1,000,000	-
Special projects	-	131,000
Technology	-	25,000
Unrestricted	222,565	-
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	1,330,565	1,039,855
Less unamortized discount	16,800	14,659
	1,313,765	1,025,196
Less provision for uncollectible pledges	133,058	150,000
	$ 1,180,707	$ 875,196
Amounts due in:		
Less than one year	$ 637,507	$ 732,180
One to three years	543,200	143,016
	$ 1,180,707	$ 875,196

Note 6 – Furniture, Equipment and Software

Furniture, equipment and software consist of the following at June 30:

	2008	2007
Furniture	$ 19,241	$ 19,241
Computer equipment	40,567	35,432
Software	56,744	23,397
	116,552	78,070
Less accumulated provisions for depreciation	66,653	46,843
	$ 49,899	$ 31,227

Note 7 – Lease Commitments

The Foundation leases office space under an agreement expiring on March 31, 2010.

Minimum future lease commitments are as follows:

Year Ending June 30	
2009	$ 83,700
2010	62,775
	$ 146,475

Rent expense approximated $84,000 for the year ended June 30, 2008 ($91,000 for 2007).

Note 8 - Related Party Transactions

During the years ended June 30, 2008 and 2007, the Foundation was charged $33,053 and $28,136, respectively, by the Roman Catholic Archbishop of Boston (RCAB), a Corporation Sole (an entity related by common board members), for health, life, disability and facility insurance administered by the RCAB, in addition to the pension contributions discussed in Note 9.

Note 9 – Employee Pension Plan

The Foundation participates in a multi-employer noncontributory employee retirement income plan, the Roman Catholic Archdiocese of Boston Pension Plan. The Plan provides defined benefits to participants upon retirement. The amount of the Foundation's annual contribution is actuarially determined and is accrued and funded annually. The relative position of the Foundation with regard to the plan's net assets and actuarial present value of accumulated plan benefits has not been distinguished from those of other groups participating in the retirement income plan.

Pension expense for the years ended June 30, 2008 and 2007 approximated $24,000 and $21,000, respectively.

Note 10 – Contributed Services

For the years ended June 30, 2008 and 2007, the Foundation recorded contributed services of approximately $98,000 and $12,000, respectively, for design and production services on the Inner City Scholarship Fund campaign.

Note 11 - Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	2008	2007
Income restricted for:		
Scholarships	$15,410,498	$15,195,427
Urban recruitment	1,500,000	-
Technology	3,832,000	3,832,000
Marketing	1,300,000	1,300,000
Special projects	1,092,100	1,092,100
Interest in permanently restricted net assets of the Catholic Foundation (Note 3)	1,089,612	1,016,665
	$24,224,210	$22,436,192

Temporarily restricted net assets at June 30 consist of the following:

	2008	2007
Restricted for:		
Scholarships	$ 6,096,080	$10,554,758
Special projects	1,038,799	1,172,587
Interest in temporarily restricted net assets of the Catholic Foundation (Note 3)	740,898	1,041,390
	7,875,777	12,768,735
Unrealized gains on investments related to permanently restricted net assets (Note 2)	35,216	3,038,397
	$ 7,910,993	$15,807,132

During the years ended June 30, 2008 and 2007, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes as follows:

	2008	2007
Scholarships	$ 6,841,836	$ 7,022,023
2010 Innitiative	250,000	-
Annual event	206,568	176,952
Special projects	727,935	1,157,363
Other supporting services	164,177	201,251
	$ 8,190,516	$ 8,557,589

Note 12 - Financial Instruments and Concentrations of Credit Risk

The Foundation's financial instruments that potentially subject it to concentrations of credit risk consist of cash, cash equivalents, investments, and a beneficial interest in the net assets of a related foundation.

The Foundation maintains its cash and cash equivalents accounts in high quality financial institutions. At times during the year, cash amounts on deposit may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. At June 30, 2008, based on bank balances, the excess approximated $531,000 on deposit with one financial institution. Cash equivalents consist of non-FDIC insured money market accounts which approximate $6,295,000 at June 30, 2008, based on bank balances.

As more fully disclosed in Note 4, the Foundation's investments at June 30, 2008 substantially consist of mutual funds, although it does invest in other marketable securities. The composition of the mutual fund investment portfolio is dispersed among various investment houses, with the largest investment approximating $3.1 million (7.3% of total investments).

As more fully discussed in Note 3, the Foundation has a beneficial interest in the net assets of the Catholic Foundation in the amount of $2,844,000 at June 30, 2008.

The Foundation's pledges receivable are dispersed among various corporate and individual contributors throughout the United States. At June 30, 2008, approximately $1 million or 75% of the Foundation's total pledges receivable is due from one major contributor.