Financial Statements and Report of
Independent Certified Public Accountants

The Fund for Catholic Schools, Inc.

June 30, 2013 and 2012

Alexander
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Finning
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Fund for Catholic Schools, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co. PC

Boston, Massachusetts
February 10, 2014

THE FUND FOR CATHOLIC SCHOOLS, INC.
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 2,975,107	$ 3,231,187
Contributions receivable, net	12,945,853	10,355,622
Total assets	$ 15,920,960	$ 13,586,809
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ -	$ 6,379
Due to related organizations	425,918	473,267
Notes payable to related organization	13,468,484	17,878,983
Total liabilities	13,894,402	18,358,629
NET ASSETS:		
Unrestricted	(17,124,939)	(20,480,710)
Temporarily restricted	19,151,497	15,708,890
Total net assets	2,026,558	(4,771,820)
Total liabilities and net assets	$ 15,920,960	$ 13,586,809

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, 2013
(With Summarized Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 14,925	$ 11,065,013	$ 11,079,938	$ 6,430,662
Interest and dividend income	-	-	-	8,589
Net assets released through satisfaction of program restrictions	7,353,026	(7,353,026)	-	-
Total revenue, gains and other support	7,367,951	3,711,987	11,079,938	6,439,251
EXPENSES:				
Program grants	2,942,526	-	2,942,526	4,068,768
Fundraising	732,535	-	732,535	768,835
General and administrative	337,119	-	337,119	268,577
Interest on school construction and operating notes	-	-	-	915,695
Program support	-	-	-	4,102
Total expenses	4,012,180	-	4,012,180	6,025,977
CHANGES IN NET ASSETS FROM OPERATIONS	3,355,771	3,711,987	7,067,758	413,274
NON-OPERATING REVENUE (EXPENSE):				
Cancellation and return of pledges	$ -	$ (269,380)	$ (269,380)	$ -
Forgiveness of interest payable	-	-	-	3,990,938
Forgiveness of due to related organization	-	-	-	966,834
Loss on disposal of furniture and equipment	-	-	-	(5,765)
Total non-operating revenue (expense)	-	(269,380)	(269,380)	4,952,007
CHANGES IN NET ASSETS	3,355,771	3,442,607	6,798,378	5,365,281
Net assets at beginning of year	(20,480,710)	15,708,890	(4,771,820)	(10,128,988)
Transfer of net assets	-	-	-	(8,113)
Net assets at end of year	$ (17,124,939)	$ 19,151,497	$ 2,026,558	$ (4,771,820)

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

	2012		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	$ 1,163	$ 6,429,499	$ 6,430,662
Interest and dividend income	8,589	-	8,589
Net assets released through satisfaction of program restrictions	7,374,769	(7,374,769)	-
Total revenues, gains and other support	7,384,521	(945,270)	6,439,251
EXPENSES:			
Program grants	4,068,768	-	4,068,768
Fundraising	768,835	-	768,835
General and administrative	268,577	-	268,577
Interest on school construction and operating notes	915,695	-	915,695
Program support	4,102	-	4,102
Total expenses	6,025,977	-	6,025,977
CHANGES IN NET ASSETS FROM OPERATIONS	1,358,544	(945,270)	413,274
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)
Total non-operating revenue (expense)	4,952,007	-	4,952,007
CHANGES IN NET ASSETS	6,310,551	(945,270)	5,365,281
Net assets at beginning of year	(26,783,148)	16,654,160	(10,128,988)
Transfer of net assets	(8,113)	-	(8,113)
Net assets at end of year	$ (20,480,710)	$ 15,708,890	$ (4,771,820)

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, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES:		
Changes in net assets from operations	$ 7,067,758	$ 413,274
Adjustments to reconcile changes in net assets from operations to net increase in cash from operating activities:		
Depreciation	-	8,014
Loss on transfer of furniture and equipment	-	2,151
Change in discount on contributions receivable	309,152	(357,636)
Allowance for uncollectible accounts	94,742	(66,001)
Changes in operating assets and liabilities:		
Contributions receivable	(3,263,505)	3,621,796
Accounts payable and accrued expenses	(6,379)	(67,751)
Due to related organizations	(47,349)	468,182
Interest payable	-	915,695
Net increase in cash from operating activities	4,154,419	4,937,724
FINANCING ACTIVITIES:		
Principal payments on notes payable to related organization	(4,410,499)	(3,306,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(256,080)	1,631,724
Cash and cash equivalents at beginning of year	3,231,187	1,599,463
Cash and cash equivalents at end of year	$ 2,975,107	$ 3,231,187
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost of furniture and equipment transferred	$ -	$ 80,142

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, property, 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. BCDS was created to assume development efforts of non-endowed funds for the Corporation Sole and certain development efforts for other related organizations within the Archdiocese. In exchange, the Fund is assessed contributed services fees as determined by specific expenses incurred by the Fund 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.

The Fund deposits the majority of its cash balance with the Revolving Loan Fund of the Corporation Sole. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 as 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, 2013 and 2012.

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.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is determined to approximate the portion of contributions receivable which will not ultimately be 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 (see page 8).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Fund is included in the United States Conference of Catholic Bishops 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, 2013 and 2012, 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.

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, and revenue recognition for restricted awards. Actual results could vary from those estimates.

Subsequent Events

Subsequent events have been evaluated through February 10, 2014, 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:

	2013	2012
Amounts due within:		
One year	**$ 6,968,398**	$ 5,147,338
Two years	**2,362,571**	4,656,934
Three years	**1,367,786**	454,000
Four years	**817,786**	303,500
Five years	**812,786**	103,500
Thereafter	**1,502,070**	172,000
	13,831,397	10,837,272
Less: Unamortized discount	**(638,720)**	(329,568)
Allowance for uncollectible accounts	**(246,824)**	(152,082)
Net contributions receivable	**$12,945,853**	$10,355,622

The average rate used to discount contributions receivable was 3.0% and 4.5% as of June 30, 2013 and 2012, respectively.

The following represent concentrations of net contribution receivable balances as of June 30:

	2013	**2012**
Donor A - Foundation	20%	53%
Archdiocese of Boston	39%	- %

NOTE D - FURNITURE AND EQUIPMENT

Effective January 1, 2012, all furniture and equipment was transferred to BCDS (see Note L). Depreciation expense for the year ended June 30, 2012, was $8,014, and is included in general and administrative expenses in the accompanying 2012 statement of activities and changes in net assets.

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 (see Note C). During fiscal years 2013 and 2012, the Fund paid down \$4,350,000 and \$3,240,000, 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. During fiscal years 2013 and 2012, the Fund paid down \$60,499 and \$66,000, 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.

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.

At June 30, 2013 and 2012, outstanding balances on the notes were as follows:

	2013	2012
Dorchester – Pope John Paul II – Construction	**\$ 8,736,474**	\$13,086,474
Dorchester – Pope John Paul II – Operating	**2,727,101**	2,787,600
Brockton – Trinity Catholic – Operating	**2,004,909**	2,004,909
Total notes payable to related organization	**\$13,468,484**	\$17,878,983

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Campaign Administration and Directed Archdiocese Catholic School Support	**$ 7,692,191**	$ 1,995,296
Individual Schools:		
Brockton – Trinity Catholic	**883,189**	804,139
Dorchester – Pope John Paul II	**10,564,495**	12,616,053
Gloucester – St. Ann	**1,044**	288,324
South Boston – South Boston Catholic	**10,578**	5,078
Total temporarily restricted net assets	**$19,151,497**	$15,708,890

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

	2013	2012
Campaign Administration and Directed Archdiocese Catholic School Support	**$ 304,700**	$ 289,192
Individual Schools:		
Brockton – Trinity Catholic	**505,000**	395,000
Dorchester – Pope John Paul II	**6,520,326**	6,665,577
Gloucester – St. Ann	**18,000**	20,000
South Boston – South Boston Catholic	**5,000**	5,000
Total net assets released from restrictions	**$7,353,026**	$7,374,769

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

Due to the closing of the St. Ann School in Gloucester (the School), the remaining temporarily restricted net assets of $1,044 as of June 30, 2013 will not be used for the School. The Fund's Board of Trustees will reach out to the donors in fiscal year 2014 to determine what to do with these funds.

NOTE G – CONTRIBUTIONS AND PROGRAM EXPENSES

During the years ended June 30, 2013 and 2012, the Fund received contributions totaling \$11,079,938 and \$6,430,662, respectively, relating to the General Campaign and for Catholic schools in Brockton, Dorchester, Gloucester and South Boston.

During the years ended June 30, 2013 and 2012, the Fund distributed program grants totaling \$2,942,526 and \$4,068,768, respectively, primarily to Catholic schools in Brockton, Dorchester, Gloucester and South Boston.

NOTE H - 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, 2013 and 2012, the Fund owed the Corporation Sole \$22,608 for these operating advances. During the years ended June 30, 2013 and 2012 the Fund paid service fees of \$966,628 and \$745,158, respectively, to BCDS. As of June 30, 2013 and 2012, the Fund owed BCDS \$403,310 and \$445,159, respectively, 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 2014.

During fiscal year 2013, the Corporation Sole formally agreed to a \$5 million multi-year pledge to the Fund.

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.

During the fiscal year 2012, the Fund participated 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 for the year ended June 30, 2012, and are included in general and administrative expenses in the 2012 accompanying statement of activities and changes in net assets. As all of the Fund's staff were absorbed by BCDS on January 1, 2012, (see Note A), there were no expenses incurred by the Fund for the benefit of employees in fiscal year 2013.

NOTE I - RETIREMENT PLANS

The Fund participated 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 comprised 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 year ended June 30, 2012, the Pension Plan cost was $18,397 and is included in general and administrative expenses in the accompanying 2012 statement of activities and changes in net assets. As all of the Fund's staff were absorbed by BCDS on January 1, 2012 (see Note A), there were no expenses incurred by the Fund for the benefit of employees in fiscal year 2013.

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, the financial statements of the Pension Plan reflected approximately $207.9 million in net assets available for benefits and $260.7 million 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.

NOTE J - 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. In 2013, the School was closed. 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 and Brockton. 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 K – CANCELLATION AND RETURN OF PLEDGES

During 2013, due to the closing of the School (see Note J) a $250,000 contribution received in 2012 was returned to the donor. In addition, pledges totaling $19,380 to the School were deemed uncollectible and written off as bad debt.

NOTE L - NET ASSET TRANSFER

As part of the reorganization described in Note A, the Fund transferred $8,113 to BCDS effective January 1, 2012.