

THE FUND FOR CATHOLIC SCHOOLS, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

THE FUND FOR CATHOLIC SCHOOLS, INC.

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June 30, 2016 and 2015

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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, 2016 and 2015, 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

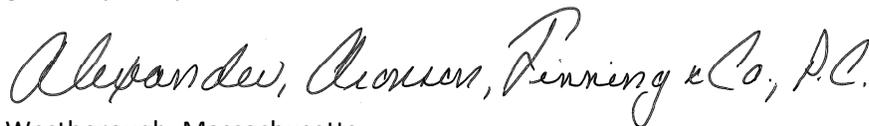
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2016 and 2015, 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.



Westborough, Massachusetts
May 25, 2017

THE FUND FOR CATHOLIC SCHOOLS, INC.

Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Cash and Cash Equivalents	\$ 191,192	\$ 4,987,458
Contributions Receivable, net	6,275,778	7,062,285
Total assets	<u>\$ 6,466,970</u>	<u>\$ 12,049,743</u>
Liabilities and Net Assets		
Liabilities:		
Due to related organizations	\$ 271,959	\$ 633,879
Grants payable	-	1,012,100
Notes payable to related organization	9,629,989	9,970,989
Total liabilities	<u>9,901,948</u>	<u>11,616,968</u>
Net Assets:		
Unrestricted	(10,098,788)	(9,957,354)
Temporarily restricted	6,663,810	10,390,129
Total net assets	<u>(3,434,978)</u>	<u>432,775</u>
Total liabilities and net assets	<u>\$ 6,466,970</u>	<u>\$ 12,049,743</u>

THE FUND FOR CATHOLIC SCHOOLS, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2016

(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue:				
Contributions	\$ 805,173	\$ 2,343,742	\$ 3,148,915	\$ 1,819,118
Net assets released from restrictions	5,832,305	(5,832,305)	-	-
Total revenue	6,637,478	(3,488,563)	3,148,915	1,819,118
Expenses:				
Program grants	6,059,431	-	6,059,431	5,656,221
Fundraising	504,141	-	504,141	559,128
General and administrative	204,665	-	204,665	202,530
Total expenses	6,768,237	-	6,768,237	6,417,879
Changes in net assets	(130,759)	(3,488,563)	(3,619,322)	(4,598,761)
Net Assets, beginning of year	(9,957,354)	10,390,129	432,775	5,241,088
Net asset transfer	(10,675)	(237,756)	(248,431)	(209,552)
Net Assets, end of year	\$ (10,098,788)	\$ 6,663,810	\$ (3,434,978)	\$ 432,775

THE FUND FOR CATHOLIC SCHOOLS, INC.Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions	\$ 709,548	\$ 1,109,570	\$ 1,819,118
Net assets released from restrictions	<u>6,802,540</u>	<u>(6,802,540)</u>	<u>-</u>
Total revenue	<u>7,512,088</u>	<u>(5,692,970)</u>	<u>1,819,118</u>
Expenses:			
Program grants	5,656,221	-	5,656,221
Fundraising	559,128	-	559,128
General and administrative	<u>202,530</u>	<u>-</u>	<u>202,530</u>
Total expenses	<u>6,417,879</u>	<u>-</u>	<u>6,417,879</u>
Changes in net assets	1,094,209	(5,692,970)	(4,598,761)
Net Assets, beginning of year	(10,842,011)	16,083,099	5,241,088
Net asset transfer	<u>(209,552)</u>	<u>-</u>	<u>(209,552)</u>
Net Assets, end of year	<u>\$ (9,957,354)</u>	<u>\$ 10,390,129</u>	<u>\$ 432,775</u>

THE FUND FOR CATHOLIC SCHOOLS, INC.

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (3,619,322)	\$ (4,598,761)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in discount on contributions receivable	(144,434)	(17,285)
Change in allowance for uncollectible accounts	(33,935)	(132,614)
Changes in operating assets and liabilities:		
Contributions receivable	964,876	2,865,984
Due to related organizations	(361,920)	253,379
Grants payable	<u>(1,012,100)</u>	<u>1,012,100</u>
Net cash used in operating activities	(4,206,835)	(617,197)
Cash Flows from Financing Activities:		
Principal payments on notes payable to related organization	(341,000)	(801,000)
Cash Flows from Investing Activities:		
Cash transferred to related organizations	<u>(248,431)</u>	<u>(209,552)</u>
Net Change in Cash and Cash Equivalents	(4,796,266)	(1,627,749)
Cash and Cash Equivalents:		
Beginning of year	<u>4,987,458</u>	<u>6,615,207</u>
End of year	<u>\$ 191,192</u>	<u>\$ 4,987,458</u>

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

1. 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.

Boston Catholic Development Services ("BCDS"), the fundraising arm of the Archdiocese of Boston, is responsible for all fundraising and development efforts for the Fund. In exchange, the Fund is assessed services fees as determined by specific expenses incurred by the Fund and a flat-fee for a portion of the combined incurred expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Contributions

Unconditional promises to give are reported as contributions receivable at net realizable 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, 2016 and 2015.

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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 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 (see Note 5).

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. During fiscal year 2016, the allowance for uncollectible accounts decreased by approximately \$34,000 based on recovery of amounts previously deemed uncollectible. The allowance for uncollectible accounts was \$86,030 and \$119,965 as of June 30, 2016 and 2015, respectively.

Expense Allocation

Expenses related directly to a function or program are distributed to that function or program, while other expenses are allocated based upon management’s estimate of the percentage attributable to each function or program.

Grant Expense

Grants are recorded when awarded by the Fund and all conditions of the grant are met by the grantee. Grants are generally paid in the year awarded. Grants payable have been committed but not yet paid. All grants awarded were paid in full during fiscal year 2016.

Concentrations

The Fund’s financial instruments that are subject to concentrations of credit risk consist primarily of cash, cash equivalents, and contributions receivable. During fiscal year 2015, the Fund placed cash and temporary cash investments in high-quality credit institutions and the Revolving Loan Fund of the Corporation Sole. At times, such deposits may exceed the Federal Deposit Insurance Corporation’s (FDIC) limits. At June 30, 2016, all cash was held at the Revolving Loan Fund of the Corporation Sole (see page 6).

For the year ended June 30, 2016, the Fund's total revenue included approximately 16% of funds from one donor. For the year ended June 30, 2015, the Fund's total revenue included 10% of funds from the one donor. See Note 3 for concentrations of pledges receivable.

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

2. 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 (IRC) and is not required to file informational or income tax returns. 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, 2016 and 2015, and determined that no provision for income tax is required in these financial statements.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Fund has determined that none of its financial or nonfinancial assets or liabilities are measured at fair value, therefore, the disclosure requirements do not currently apply.

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 May 25, 2017, which is the date the financial statements were available to be issued.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Amounts due within:		
One year	\$ 1,408,414	\$ 2,108,290
Two years	1,085,500	535,000
Three years	1,915,500	916,000
Four years	2,284,000	1,816,000
Five years	-	2,283,000
	<u>6,693,414</u>	<u>7,658,290</u>
Less - unamortized discount	(331,606)	(476,040)
Allowance for uncollectible accounts	<u>(86,030)</u>	<u>(119,965)</u>
Net contributions receivable	<u>\$ 6,275,778</u>	<u>\$ 7,062,285</u>

The average rate used to discount contributions receivable was 3.0% as of June 30, 2016 and 2015.

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

3. CONTRIBUTIONS RECEIVABLE (Continued)

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

	<u>2016</u>	<u>2015</u>
Archdiocese of Boston	71%	64%

4. NOTES PAYABLE

Notes payable consist of the following:

- During fiscal year 2010, the Fund and Saint John Paul II Catholic Academy, Inc. (SJPII) jointly and severally with the Revolving Loan Fund of the Corporation Sole, consolidated four SJPII construction notes into a new demand note. These notes were used to provide funding to SJPII and will be paid upon the receipt of certain pledge receivables (see Note 3). During fiscal years 2016 and 2015, the Fund paid down \$275,000 and \$517,000, respectively, of principal on this note.
- During the fiscal year 2010, the Fund assumed jointly and severally responsibility with SJPII an operating demand note with the Revolving Loan Fund of the Corporation Sole. During fiscal years 2016 and 2015, the Fund paid down \$66,000 of principal on this note.
- During the fiscal year 2010, the Fund and Trinity Catholic Academy, Inc. assumed jointly and severally responsibility of an operating demand note with the Revolving Loan Fund of the Corporation Sole. During fiscal year 2015, the Fund paid down \$218,000 of principal on this note. No payments were made during fiscal year 2016.

These notes are non-interest bearing. Subsequent to June 30, 2016, the Revolving Loan Fund of the Corporation Sole agreed not to demand payment on these notes until at least June 30, 2020.

Outstanding balances on the notes were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Dorchester - Saint John Paul II - Construction	\$ 5,319,480	\$ 5,594,480
Dorchester - Saint John Paul II - Operating	2,523,600	2,589,600
Brockton - Trinity Catholic - Operating	<u>1,786,909</u>	<u>1,786,909</u>
Total notes payable to related organization	<u>\$ 9,629,989</u>	<u>\$ 9,970,989</u>

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

5. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Campaign Administration and Directed Archdiocese Catholic School Support	\$ 4,748,229	\$ 5,098,229
Individual Schools:		
Dorchester - Saint John Paul II	1,545,656	4,503,991
Brockton - Trinity Catholic	325,944	743,637
South Boston - South Boston Catholic	<u>43,981</u>	<u>44,272</u>
Total temporarily restricted net assets	<u>\$ 6,663,810</u>	<u>\$ 10,390,129</u>

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

	<u>2016</u>	<u>2015</u>
Individual Schools:		
Dorchester - Saint John Paul II	\$ 4,998,612	\$ 6,160,889
Brockton - Trinity Catholic	428,693	628,689
Campaign	350,000	-
South Boston - South Boston Catholic	55,000	11,918
Gloucester - St. Ann	<u>-</u>	<u>1,044</u>
Total net assets released from restrictions	<u>\$ 5,832,305</u>	<u>\$ 6,802,540</u>

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

6. CONTRIBUTIONS AND PROGRAM EXPENSES

During the years ended June 30, 2016 and 2015, the Fund received contributions totaling \$3,148,915 and \$1,819,118, respectively, relating to the General Campaign and for Catholic schools in Brockton, Dorchester, and South Boston, Massachusetts.

During the years ended June 30, 2016 and 2015, the Fund distributed program grants totaling \$6,059,431 and \$5,656,221, respectively, primarily to Catholic schools in Brockton, Dorchester, and South Boston, Massachusetts.

7. 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. During the years ended June 30, 2016 and 2015, the Fund paid service fees of \$738,080 and \$838,588, respectively, to BCDS. As of June 30, 2016 and 2015, the Fund owed BCDS \$271,959 and \$633,879, respectively, for operating expenses incurred during the fiscal year.

In June 2016, the Corporation Sole remitted a \$250,000 payment as part of its \$5 million multi-year pledge commitment.

THE FUND FOR CATHOLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2016 and 2015

7. RELATED PARTY TRANSACTIONS (Continued)

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 Catholic schools in Brockton, Dorchester, and South Boston, Massachusetts.

8. CAMPAIGN OPERATIONS

In 2008, the Fund launched campaigns to fund capital and operational improvements for Archdiocese schools in Dorchester, Brockton, and Gloucester, Massachusetts. An additional campaign was added for South Boston in 2009 and was completed in 2010. In 2013, the Gloucester School was closed. The capital and operational improvements completed in Dorchester and Brockton, Massachusetts have been partially financed with temporary borrowings from the Revolving Loan Fund of the Corporation Sole. Operational plans going forward include the collection on current pledges and continued development activities. Subsequent to June 30, 2016, the Fund received approximately \$5,875,000 of multiyear grants, of this amount, \$3,000,000 is for unrestricted purposes. These pledges will be collected over the period of two to ten years. Management believes that the current and long-term fundraising goals, along with current pledge payment cash flow projections, will be sufficient to fund operations and repay the temporary borrowings. As future capital and operational fundraising requests are received by the Fund, fundraising campaigns will be developed to support these additional activities.

9. NET ASSET TRANSFER

During the years ended June 30, 2016 and 2015, scholarship endowments of \$248,431 and \$209,552, respectively, were transferred from the Fund to the Catholic Community Fund, a related organization, which is also under the control of the Archdiocese. These net asset transfers are reflected in the accompanying statements of activities and changes in net assets.