

**Audited  
Financial Statements**  
**The Catholic Schools  
Foundation, Inc.**  
**June 30, 2011**

# The Catholic Schools Foundation, Inc.

---

## Audited Financial Statements and Other Financial Information

June 30, 2011

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

G.T. Reilly & Company

Internationally,  
Moore Stephens Reilly, PC

Reilly Consulting Group, Inc.

ReillyTech

Reilly Benefits

Reilly Business Services

424 Adams Street  
Milton MA 02186-4358  
617-696-8900  
617-698-1803 fax  
www.GTReilly.com

## 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, 2011 and 2010, 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, 2011 and 2010, 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  
April 3, 2012

# The Catholic Schools Foundation, Inc.

---

## Statements of Financial Position

June 30

	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Cash and cash equivalents (Note 2)	\$ 2,364,162	\$ 4,915,658
Investments, at fair value (Notes 2, 4 & 5)	51,642,380	40,200,741
Accrued interest and dividends receivable	20,540	28,615
Contributions receivable within one year, net of estimated uncollectibles of \$70,533 in 2010 and 2009 (Notes 2 & 6)	750,817	1,172,105
Contributions receivable in future years, net (Notes 2 & 6)	94,627	246,026
Interest in net assets of the Catholic Foundation (Notes 2 & 3)	2,907,973	2,554,969
Prepaid expenses	12,607	12,423
Furniture, equipment and software, net (Notes 2 & 7)	3,310	5,299
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 57,796,416</u>	<u>\$ 49,135,836</u>
 <b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 98,737	\$ 67,322
Grants payable (Note 2)	5,606,616	6,723,922
	<hr/>	<hr/>
	5,705,353	6,791,244
 Net assets (Notes 2, 12 & 13):		
Unrestricted	22,886,866	16,594,721
Temporarily restricted	5,422,593	2,241,261
Permanently restricted endowment funds	23,781,604	23,508,610
	<hr/>	<hr/>
	52,091,063	42,344,592
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,796,416</u>	<u>\$ 49,135,836</u>

# The Catholic Schools Foundation, Inc.

## Statements of Activities and Change in Net Assets

### Year Ended June 30

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS (LOSSES) &amp; OTHER SUPPORT</b>								
Contributions	\$ 4,456,611	\$ 3,487,718	\$ 295,000	\$ 8,239,329	\$ 4,534,784	\$ 3,957,997	\$ 259,400	\$ 8,752,181
Investment income	371,678	420,246	-	791,924	443,766	534,879	-	978,645
Interest in change in net assets of the Catholic Foundation (Notes 2 & 3)	-	481,930	(22,006)	459,924	-	285,888	-	285,888
Net realized and unrealized gains (losses) on investments (Note 2)	5,118,277	3,607,569	-	8,725,846	3,607,825	43,973	-	3,651,798
Net assets released from permanent restriction through change in donor restriction (Note 12)	-	-	-	-	-	-	-	-
Net assets released from restrictions through satisfaction of program restrictions (Note 12)	4,816,131	(4,816,131)	-	-	5,020,816	(5,020,816)	-	-
<b>TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT</b>	<b>14,762,697</b>	<b>3,181,332</b>	<b>272,994</b>	<b>18,217,023</b>	<b>13,607,191</b>	<b>(198,079)</b>	<b>259,400</b>	<b>13,668,512</b>
<b>EXPENSES</b>								
Program:								
Financial aid grants	6,012,902	-	-	6,012,902	5,891,199	-	-	5,891,199
Special projects	1,105,333	-	-	1,105,333	1,318,193	-	-	1,318,193
Program overhead	245,407	-	-	245,407	207,680	-	-	207,680
Supporting services:								
Management and operations	390,146	-	-	390,146	378,437	-	-	378,437
Fundraising event	207,071	-	-	207,071	391,349	-	-	391,349
Other fundraising	451,518	-	-	451,518	395,441	-	-	395,441
Marketing and public relations	58,175	-	-	58,175	69,923	-	-	69,923
<b>TOTAL EXPENSES</b>	<b>8,470,552</b>	<b>-</b>	<b>-</b>	<b>8,470,552</b>	<b>8,652,222</b>	<b>-</b>	<b>-</b>	<b>8,652,222</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>6,292,145</b>	<b>3,181,332</b>	<b>272,994</b>	<b>9,746,471</b>	<b>4,954,969</b>	<b>(198,079)</b>	<b>259,400</b>	<b>5,016,290</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>16,594,721</b>	<b>2,241,261</b>	<b>23,508,610</b>	<b>42,344,592</b>	<b>11,639,752</b>	<b>2,439,340</b>	<b>23,249,210</b>	<b>37,328,302</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 22,886,866</b>	<b>\$ 5,422,593</b>	<b>\$ 23,781,604</b>	<b>\$ 52,091,063</b>	<b>\$ 16,594,721</b>	<b>\$ 2,241,261</b>	<b>\$ 23,508,610</b>	<b>\$ 42,344,592</b>

# The Catholic Schools Foundation, Inc.

---

## Statements of Cash Flows

Year Ended June 30

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 9,746,471	\$ 5,016,290
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of investments	(690,415)	(600,935)
Depreciation	5,272	24,707
Net realized and unrealized (gains) losses on investments	(8,725,846)	(3,651,798)
Transfer of assets from the Catholic Foundation	106,920	95,048
Interest in change in net assets of the Catholic Foundation	(459,924)	(285,888)
Changes in operating assets and liabilities:		
Contributions receivable	572,687	45,483
Provision for uncollectible pledges	-	50,000
Accrued interest and dividends receivable	8,075	15,879
Prepaid expenses	(184)	2,076
Accounts payable	31,415	(40,883)
Grants payable	(1,117,306)	(13,078)
NET CASH (APPLIED TO) PROVIDED BY OPERATING ACTIVITIES	<u>(522,835)</u>	<u>656,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to furniture, equipment and software	(3,283)	-
Investment sales and maturities (purchases), net	<u>(2,025,378)</u>	<u>(393,818)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(2,028,661)</u>	<u>(393,818)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,551,496)	263,083
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,915,658</u>	<u>4,652,575</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,364,162</u>	<u>\$ 4,915,658</u>

# The Catholic Schools Foundation, Inc.

---

## Notes to Financial Statements

June 30, 2011

### 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. Actual results may differ from these estimates.

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 12 regarding restrictions on net assets.

Evaluation of Subsequent Events - In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Foundation for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2011 up through April 3, 2012, the date the accompanying financial statements were available to be issued.

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. 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 Notes 12 and 13 regarding restrictions on net assets.

## **Note 2 - Significant Accounting Policies (Cont.)**

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

Investments - The Foundation reports investments in marketable equity and debt securities and mutual funds at fair value. Increases or decreases in the fair value of such investments are reflected in the statement of activities. The Foundation has an interest in a limited partnership that is accounted for under the equity method, at cost plus the Foundation's share of undistributed earnings (losses), which approximates fair value as the underlying assets consist of marketable equity securities and cash equivalents. (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 against 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.

Accounting for Assets Held by Others – The Foundation recognizes 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. The asset amount is adjusted for the Foundation's share of the change in the related organization's net assets via a charge or credit to the Foundation's statement of activity. Transfers of funds from the holding organization to the Foundation are recorded as reductions in its interest (see Note 3).

Furniture, Equipment and Software – Furniture, equipment and software 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, equipment and software 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 11). 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. Accordingly, no provision for income taxes is included in these financial statements.

## **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 \$2,908,000 at June 30, 2011 (\$2,555,000 at June 30, 2010). The change in the Foundation's interest is reflected in the statement of activities as an increase in net assets of \$459,924 in 2011 and \$285,888 in 2010. Transfers of funds from the Catholic Foundation totaled \$106,920 and \$95,048 for the years ended June 30, 2011 and 2010, respectively.



## Note 4 - Investments

Investments consist of the following:

	<u>Cost</u>	<u>Net Unrealized Gains (Losses)</u>	<u>Fair Value</u>
<b><u>June 30, 2011</u></b>			
U. S. Treasury Bill	\$ 7,829,126	\$ 717	\$ 7,829,843
Mutual Funds	31,538,522	3,826,280	35,364,802
Common Stocks	4,319,039	1,180,035	5,499,074
Investment in Limited Partnership	1,970,000	978,661	2,948,661
	<u>\$ 45,656,687</u>	<u>\$ 5,985,693</u>	<u>\$ 51,642,380</u>

### June 30, 2010

Mutual Funds	\$ 32,816,888	\$ (1,275,072)	\$ 31,541,816
Common Stocks	5,917,392	(162,310)	5,755,082
Investment in Limited Partnership	3,000,000	(96,157)	2,903,843
	<u>\$ 41,734,280</u>	<u>\$ (1,533,539)</u>	<u>\$ 40,200,741</u>

The limited partnership invests in and manages a portfolio of various common stocks and cash equivalents. At June 30, 2011, Catholic Schools Foundation's limited partnership interest approximates 11% (16% at June 30, 2010).

Investment Risks and Uncertainties – The Foundation utilizes various investment instruments including common stocks, mutual funds and an investment in a limited partnership. 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.

## Note 5 – Fair Value Measurements

The Foundation 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 Foundation classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued 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.

## Note 5 – Fair Value Measurements (Cont.)

The Foundation's financial assets that are accounted for at fair value on a recurring basis by level within the fair value hierarchy and by segment/industry are as follows:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
<b>June 30, 2011</b>				
<b>U. S. Treasury Bill</b>	<b>\$ 7,829,843</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,829,843</b>
<b>Mutual Funds</b>				
U. S. Treasuries	285,454	-	-	285,454
Foreign	4,634,885	-	-	4,634,885
Bonds	934,714	-	-	934,714
Large-Cap	15,669,155	-	-	15,669,155
Mid-Cap	172,487	-	-	172,487
Small-Cap	859,039	-	-	859,039
Commodities	255,738	-	-	255,738
Emerging Markets	2,387,673	-	-	2,387,673
Currency	67,989	-	-	67,989
Fixed Income	10,097,668	-	-	10,097,668
	<u>35,364,802</u>	<u>-</u>	<u>-</u>	<u>35,364,802</u>
<b>Common Stocks</b>				
Consumer Discretionary (cyclical)	644,207	-	-	644,207
Consumer Staples (non-cyclical)	287,867	-	-	287,867
Energy	88,612	-	-	88,612
Financial Services	653,671	-	-	653,671
Health Care	867,248	-	-	867,248
Materials & Processing	138,528	-	-	138,528
Technology	1,372,638	-	-	1,372,638
Utilities	51,244	-	-	51,244
Industrials	983,998	-	-	983,998
Energy	248,331	-	-	248,331
Communications/Telecom	89,378	-	-	89,378
Real Estate	73,352	-	-	73,352
	<u>5,499,074</u>	<u>-</u>	<u>-</u>	<u>5,499,074</u>
<b>Investment in Limited Partnership</b>				
Consumer Discretionary (cyclical)	-	401,827	-	401,827
Energy	-	252,341	-	252,341
Financial Services	-	259,360	-	259,360
Health Care	-	460,070	-	460,070
Materials & Processing	-	87,722	-	87,722
Producer Durables	-	660,995	-	660,995
Technology	-	671,395	-	671,395
Utilities	-	154,951	-	154,951
	<u>-</u>	<u>2,948,661</u>	<u>-</u>	<u>2,948,661</u>
	<u>\$ 48,693,719</u>	<u>\$ 2,948,661</u>	<u>\$ -</u>	<u>\$ 51,642,380</u>

## Note 5 – Fair Value Measurements (Cont.)

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
<u>June 30, 2010</u>				
Mutual Funds	\$ 31,541,816	\$ -	\$ -	\$ 31,541,816
Common Stocks	5,755,082			5,755,082
Investment in Limited Partnership	-	2,903,843	-	2,903,843
	<u>\$ 37,296,898</u>	<u>\$ 2,903,843</u>	<u>\$ -</u>	<u>\$ 40,200,741</u>

The fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement of the asset or liability. The following is a description of the valuation methodologies used for investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds - The investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and is classified as being valued using a Level 1 input under the fair value hierarchy.

Common Stocks - The investments are valued at the closing price reported on the active market on which the individual securities are traded and are classified as being valued using a Level 1 input under the fair value hierarchy.

Investment in Limited Partnership - Partnership interests in The Frontier Research Fund, LP do not have quoted prices in active markets or significant other observable inputs that have quoted market prices although the Foundation can redeem its investment at the net asset value per partner percentage interest at June 30, 2011. These assets are classified as being valued using Level 2 inputs under the fair value hierarchy. The Foundation accounts for the investment under the equity method, which approximates the fair value of its partnership interest based on the Foundation's interest in the underlying investment portfolio that consists of actively traded common stocks and money market funds.

## Note 6 – Contributions Receivable

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

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 170,000	\$ 300,000
Hispanic recruitment	700,000	750,000
Technology	14,000	266,340
Hispanic program	35,629	46,298
Dinner	-	5,000
Unrestricted	<u>1,721</u>	<u>145,000</u>
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	<u>921,350</u>	1,512,638
Less unamortized discount	<u>5,373</u>	<u>23,974</u>
	<u>915,977</u>	1,488,664
Less provision for uncollectible pledges	<u>70,533</u>	70,533
	<u>\$ 845,444</u>	<u>\$ 1,418,131</u>

**Note 6 – Contributions Receivable (Cont.)**

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 750,817	\$ 1,172,105
One to three years	<u>94,627</u>	<u>246,026</u>
	<u>\$ 845,444</u>	<u>\$ 1,418,131</u>

**Note 7 – Furniture, Equipment and Software**

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

	<u>2011</u>	<u>2010</u>
Furniture	\$ 19,241	\$ 19,241
Computer equipment	47,007	43,724
Software	<u>58,839</u>	<u>58,839</u>
	<u>125,087</u>	<u>121,804</u>
Less accumulated provisions for depreciation	<u>121,777</u>	<u>116,505</u>
	<u>\$ 3,310</u>	<u>\$ 5,299</u>

**Note 8 – Lease Commitments**

The Foundation has a lease for office space through August 31, 2015. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	
2012	\$ 93,775
2013	96,875
2014	99,975
2015	102,300
Thereafter	<u>17,050</u>
	<u>\$ 409,975</u>

Rent expense for the years ended June 30, 2011 and 2010 approximated \$97,000 and \$87,000, respectively.

**Note 9 - Related Party Transactions**

During the years ended June 30, 2011 and 2010, the Foundation was charged \$53,097 and \$41,740, 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 10.

**Note 10 – 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.

### Note 10 – Employee Pension Plan (Cont.)

Pension expense for the years ended June 30, 2011 and 2010 approximated \$13,924 and \$26,100, respectively.

The Archdiocese of Boston and the Foundation entered into an agreement to freeze the Foundation's liability under the pension plan effective December 31, 2010. The Foundation is currently the sponsor of a 403(b) retirement plan which contains only employee voluntary salary deferrals. Effective July 1, 2011 the Foundation established an ERISA 403(b) plan, which allows for discretionary profit sharing and matching employer contributions in addition to employee salary deferrals. There have been no contributions to this plan by the Foundation.

### Note 11 – Contributed Services

For the year ended June 30, 2010, the Foundation recorded contributed services of approximately \$65,000 for design and production services on the Inner City Scholarship Fund campaign. No contributed services were recorded in 2011.

### Note 12 - Restricted Net Assets

Permanently restricted net assets at June 30 consist of endowments restricted to investment in perpetuity, the income from which is expendable for specific purposes. Restrictions consist of:

	<u>2011</u>	<u>2010</u>
Income restricted for:		
Scholarships	\$ 16,489,898	\$ 16,194,898
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)	<u>1,067,606</u>	<u>1,089,612</u>
	<u>\$ 23,781,604</u>	<u>\$ 23,508,610</u>

See Note 13 regarding the components of endowments.

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

	<u>2011</u>	<u>2010</u>
Restricted for:		
Scholarships	\$ 344,170	\$ 312,741
Hispanic recruitment	985,486	1,192,525
Special projects	313,386	269,207
Interest in temporarily restricted net assets of the Catholic Foundation (Note 3)	<u>841,797</u>	<u>466,788</u>
	<u>2,484,839</u>	<u>2,241,261</u>
Unrealized gains on investments related to permanently restricted net assets (Note 2)	<u>2,937,754</u>	-
	<u>\$ 5,422,593</u>	<u>\$ 2,241,261</u>

## Note 12 - Restricted Net Assets (Cont.)

During the years ended June 30, 2011 and 2010, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes as follows:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 3,488,750	\$ 3,260,148
2010 Initiative	-	250,000
Hispanic recruitment	391,458	288,729
Special projects	547,832	704,638
Annual event	207,071	391,349
Other supporting services	181,020	125,952
	<u>\$ 4,816,131</u>	<u>\$ 5,020,816</u>

## Note 13 – Endowments

The Foundation's endowment consists of six funds established for the support of various education initiatives within the Catholic primary and secondary schools in the Archdiocese of Boston. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law - The Commonwealth of Massachusetts has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA.) Although UPMIFA offers short-term operating flexibility, the explicit consideration of the preservation of the endowed funds among factors for prudent investment and spending suggests that a donor-restricted endowment fund is still perpetual in nature. As is the case in the current financial environment, there is no guarantee that the permanently restricted amount of an endowed fund will remain intact at all times. Under UPMIFA, the Foundation is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below the historic-dollar-value. There is an expectation that, over time, the permanently restricted amount will generally remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be spent on a temporary basis. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as net appreciation is classified as temporarily restricted net assets until these amounts are appropriated for expenditure by the organization in a manner consistent with the Foundation's spending policy.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. Such deficiencies totaled \$1,031,864 as of June 30, 2010 and resulted from unfavorable market fluctuations from investments of permanently restricted contributions. There were no such deficiencies at June 30, 2011 as the deficiency was reversed due to appreciation of the underlying investments.

Endowment Investment Policy - The Foundation has adopted an investment philosophy, which combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's investment policy and spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

## Note 13 – Endowments (Cont.)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends.) The Investment Committee is responsible for selecting the investment vehicles, including any investment managers, for the endowment funds. The Investment Committee's investment rationale is to include an array of different strategies and investment managers for the endowment portfolio to reduce overall volatility while providing investment returns above industry benchmarks.

### Changes in Endowment Net Assets

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>For the year ended June 30, 2011:</u></b>				
Endowment net assets at beginning of year	\$ (1,031,864)	\$ 812,852	\$ 23,508,610	\$ 23,289,598
Contributions	-	-	295,000	295,000
Interest in change in net assets of				
Catholic Foundation	-	481,931	(22,006)	459,925
Interest and dividends	-	412,041	-	412,041
Net realized and unrealized gains on investments	1,031,864	3,516,984	-	4,548,848
Appropriation of endowment assets for expenditure	-	(1,067,359)	-	(1,067,359)
<b>Endowment net assets at end of year</b>	<b>\$ -</b>	<b>\$ 4,156,449</b>	<b>\$ 23,781,604</b>	<b>\$ 27,938,053</b>

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>For the year ended June 30, 2010:</u></b>				
Endowment net assets at beginning of year	\$ (2,958,350)	\$ 940,608	\$ 23,249,210	\$ 21,231,468
Contributions	-	-	259,400	259,400
Interest in change in net assets of				
Catholic Foundation	-	278,009	-	278,009
Interest and dividends	-	522,942	-	522,942
Net realized and unrealized losses on investments	1,926,486	-	-	1,926,486
Appropriation of endowment assets for expenditure	-	(928,707)	-	(928,707)
<b>Endowment net assets at end of year</b>	<b>\$ (1,031,864)</b>	<b>\$ 812,852</b>	<b>\$ 23,508,610</b>	<b>\$ 23,289,598</b>

## Note 14 - 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, contributions receivable, investments, and a beneficial interest in the net assets of a related foundation.

#### **Note 14 - Financial Instruments and Concentrations of Credit Risk (Cont.)**

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, 2011, based on bank balances, there were no excess deposits. Cash equivalents consist of non-FDIC insured money market accounts which approximate \$878,000 at June 30, 2011, based on bank balances.

As more fully disclosed in Note 4, the Foundation's investments at June 30, 2011 substantially consist of mutual funds, although it does invest in U. S. Treasury bills, common stocks and a limited partnership. The mutual fund investment portfolio is dispersed among various investment houses, with the largest investment approximating \$3.5 million (6.9% of total investments).

As more fully discussed in Note 3, the Foundation has a beneficial interest in the net assets of the Catholic Foundation which approximates \$2,907,000 at June 30, 2011.

The Foundation's contributions receivable are dispersed among various corporate and individual contributors throughout the United States. At June 30, 2011, approximately \$700,000 or 75% of the Foundation's total contributions receivable is due from one major contributor.