Audited
Financial Statements

The Catholic Schools Foundation, Inc.

June 30, 2012

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

The Catholic Schools Foundation, Inc.

Audited Financial Statements and Other Financial Information

June 30, 2012

G.T. Reilly & Company
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G.T. Reilly & Company

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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, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2012 and 2011, 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
January 28, 2013

The Catholic Schools Foundation, Inc.

Statements of Financial Position

June 30

	2012	2011
Assets		
Cash and cash equivalents (Note 2)	**$ 3,539,911**	$ 2,364,162
Investments, at fair value (Notes 2, 4 & 5)	**50,141,208**	51,642,380
Accrued interest and dividends receivable	**2,837**	20,540
Contributions receivable, net of estimated uncollectibles of $70,533 in both 2012 and 2011 (Notes 2 & 6)	**691,483**	845,444
Interest in net assets of the Catholic Community Fund (Notes 2 & 3)	**2,772,399**	2,907,973
Prepaid expenses	**19,554**	12,607
Furniture, equipment and software, net (Notes 2 & 7)	**1,408**	3,310
TOTAL ASSETS	**$ 57,168,800**	$ 57,796,416
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 163,068**	$ 98,737
Grants payable (Note 2)	**6,230,077**	5,606,616
	6,393,145	5,705,353
Net assets (Notes 2, 11 & 12):		
Unrestricted	**22,964,022**	22,886,866
Temporarily restricted	**4,022,029**	5,422,593
Permanently restricted endowment funds	**23,789,604**	23,781,604
	50,775,655	52,091,063
TOTAL LIABILITIES AND NET ASSETS	**$ 57,168,800**	$ 57,796,416

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

The Catholic Schools Foundation, Inc.

Statements of Activities and Change in Net Assets

Year Ended June 30

	2012				2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS (LOSSES) & OTHER SUPPORT								
Contributions	**$ 4,736,305**	**$ 3,556,744**	**$ 8,000**	**$ 8,301,049**	$ 4,456,611	$ 3,487,718	$ 295,000	$ 8,239,329
Investment income	**353,938**	**378,107**	**-**	**732,045**	371,678	420,246	-	791,924
Interest in change in net assets of the Catholic Community Fund (Notes 2 & 3)	**-**	**(25,503)**	**-**	**(25,503)**	-	481,930	(22,006)	459,924
Net realized and unrealized gains (losses) on investments (Note 2)	**(339,273)**	**(362,454)**	**-**	**(701,727)**	5,118,277	3,607,569	-	8,725,846
Net assets released from restrictions through satisfaction of program restrictions (Note 11)	**4,947,458**	**(4,947,458)**	**-**	**-**	4,816,131	(4,816,131)	-	-
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT	**9,698,428**	**(1,400,564)**	**8,000**	**8,305,864**	14,762,697	3,181,332	272,994	18,217,023
EXPENSES								
Program:								
Financial aid grants	**7,079,358**	**-**	**-**	**7,079,358**	6,012,902	-	-	6,012,902
Special projects	**1,194,166**	**-**	**-**	**1,194,166**	1,105,333	-	-	1,105,333
Program overhead	**312,493**	**-**	**-**	**312,493**	245,407	-	-	245,407
Supporting services:								
Management and operations	**378,915**	**-**	**-**	**378,915**	390,146	-	-	390,146
Fundraising event	**201,351**	**-**	**-**	**201,351**	207,071	-	-	207,071
Other fundraising	**376,102**	**-**	**-**	**376,102**	451,518	-	-	451,518
Marketing and public relations	**78,887**	**-**	**-**	**78,887**	58,175	-	-	58,175
TOTAL EXPENSES	**9,621,272**	**-**	**-**	**9,621,272**	8,470,552	-	-	8,470,552
INCREASE (DECREASE) IN NET ASSETS	**77,156**	**(1,400,564)**	**8,000**	**(1,315,408)**	6,292,145	3,181,332	272,994	9,746,471
NET ASSETS AT BEGINNING OF YEAR	**22,886,866**	**5,422,593**	**23,781,604**	**52,091,063**	16,594,721	2,241,261	23,508,610	42,344,592
NET ASSETS AT END OF YEAR	**$ 22,964,022**	**$ 4,022,029**	**$ 23,789,604**	**$ 50,775,655**	$ 22,886,866	$ 5,422,593	$ 23,781,604	$ 52,091,063

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

Statements of Cash Flows

Year Ended June 30

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	**$ (1,315,408)**	$ 9,746,471
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of investments	**(305,275)**	(690,415)
Depreciation	**1,902**	5,272
Net realized and unrealized (gains) losses on investments	**701,727**	(8,725,846)
Transfer of assets from the Catholic Community Fund	**110,071**	106,920
Interest in change in net assets of the Catholic Community Fund	**25,503**	(459,924)
Changes in operating assets and liabilities:		
Contributions receivable	**152,240**	572,687
Accrued interest and dividends receivable	**17,703**	8,075
Prepaid expenses	**(5,226)**	(184)
Accounts payable	**64,331**	31,415
Grants payable	**623,461**	(1,117,306)
NET CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**71,029**	(522,835)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to furniture, equipment and software	**-**	(3,283)
Investment sales and maturities (purchases), net	**1,104,720**	(2,025,378)
NET CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**1,104,720**	(2,028,661)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,175,749**	(2,551,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,364,162**	4,915,658
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,539,911**	$ 2,364,162

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

Notes to Financial Statements

June 30, 2012

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 by providing families with demonstrated financial need an opportunity to a quality education focused on Christian values and character formation at Roman Catholic Schools located throughout the Archdiocese of Boston, regardless of race, religion, ethnicity or gender.

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 11 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, 2012 up through January 28, 2013, 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 11 and 12 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 another related organization 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 Roman Catholic Schools throughout the Archdiocese of Boston. 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. 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. Required exempt organizations' tax forms remain open for examination for three years after filing.

Note 3 – Interest in the Catholic Community Fund of the Archdiocese of Boston, Inc. ("CCF") (formerly known as the Catholic Foundation)

The Foundation is the beneficiary of donations collected on its behalf by the CCF, a related party. As discussed in Note 2, "Accounting for Assets Held by Others", the Foundation has recorded as an asset its interest in CCF's net assets, which approximates $2,722,000 at June 30, 2012 ($2,908,000 at June 30, 2011). The change in the Foundation's interest is reflected in the statement of activities as a decrease in net assets of $25,503 in 2012 and an increase in net assets of $459,924 in 2011. Transfers of funds from CCF totaled $110,071 and $106,920 for the years ended June 30, 2012 and 2011, respectively.

Note 4 - Investments

Investments consist of the following:

	Cost	Net Unrealized Gains (Losses)	Fair Value
June 30, 2012			
U. S. Treasury Bill	**$ 3,997,560**	**$ 1,000**	**$ 3,998,560**
Mutual Funds	**34,680,868**	**1,829,007**	**36,509,875**
Common Stocks	**5,423,649**	**942,524**	**6,366,173**
Investment in Limited Partnership	**2,470,000**	**796,600**	**3,266,600**
	$ 46,572,077	**$ 3,569,131**	**$ 50,141,208**
June 30, 2011			
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
	$ 45,656,687	$ 5,985,693	$ 51,642,380

The limited partnership invests in and manages a portfolio of various common stocks and cash equivalents. At June 30, 2012, Catholic Schools Foundation's limited partnership interest approximates 16% (11% at June 30, 2011).

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).

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 Indentical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
June 30, 2012				
U. S. Treasury Bill	$ 3,998,560	$ -	$ -	$ 3,998,560
Mutual Funds				
U. S. Treasuries	308,391	-	-	308,391
Foreign	4,527,692	-	-	4,527,692
Bonds	11,017,046	-	-	11,017,046
Large-Cap	17,829,662	-	-	17,829,662
Small-Cap	136,395	-	-	136,395
Emerging Markets	1,885,521	-	-	1,885,521
Currency	145,194	-	-	145,194
Fixed Income	543,379	-	-	543,379
Other	116,595	-	-	116,595
	36,509,875	-	-	36,509,875
Common Stocks				
Consumer Discretionary (cyclical)	1,014,944	-	-	1,014,944
Consumer Staples (non-cyclical)	282,743	-	-	282,743
Energy	272,570	-	-	272,570
Financial Services	864,555	-	-	864,555
Health Care	936,660	-	-	936,660
Materials & Processing	124,258	-	-	124,258
Technology	1,488,936	-	-	1,488,936
Utilities	52,441	-	-	52,441
Industrials	1,070,486	-	-	1,070,486
Communications/Telecom	108,098	-	-	108,098
Real Estate	150,482	-	-	150,482
	6,366,173	-	-	6,366,173
Investment in Limited Partnership				
Consumer Discretionary (cyclical)	-	376,639	-	376,639
Consumer Staples (non-cyclical)	-	5,553	-	5,553
Energy	-	323,067	-	323,067
Financial Services	-	289,094	-	289,094
Health Care	-	434,784	-	434,784
Materials & Processing	-	451,771	-	451,771
Producer Durables	-	574,595	-	574,595
Technology	-	720,612	-	720,612
Utilities	-	90,485	-	90,485
	-	3,266,600	-	3,266,600
	$ 46,874,608	$ 3,266,600	$ -	$ 50,141,208

Note 5 – Fair Value Measurements (Cont.)

June 30, 2011	Level 1 Quoted Prices in Active Markets for Indentical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
U. S. Treasury Bill	$ 7,829,843	$ -	$ -	$ 7,829,843
Mutual Funds				
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
	35,364,802	-	-	35,364,802
Common Stocks				
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
	5,499,074	-	-	5,499,074
Investment in Limited Partnership				
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
	-	2,948,661	-	2,948,661
	$ 48,693,719	$ 2,948,661	$ -	$ 51,642,380

Note 5 – Fair Value Measurements (Cont.)

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, 2012. 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:

	2012	2011
Scholarships	**$ 100,000**	$ 170,000
Hispanic recruitment	**700,000**	700,000
Technology	**-**	14,000
Hispanic program	**-**	35,629
Unrestricted	**-**	1,721
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	**800,000**	921,350
Less unamortized discount	**37,984**	5,373
	762,016	915,977
Less provision for uncollectible pledges	**70,533**	70,533
	$ 691,483	$ 845,444

	2012	2011
Amounts due in:		
Less than one year	**$ 182,367**	$ 750,817
One to three years	**509,116**	94,627
	$ 691,483	$ 845,444

Note 7 – Furniture, Equipment and Software

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

	2012	2011
Furniture	**$ 19,241**	$ 19,241
Computer equipment	**47,007**	47,007
Software	**58,839**	58,839
	125,087	125,087
Less accumulated provisions for depreciation	**123,679**	121,777
	$ 1,408	$ 3,310

Note 8 – Lease Commitments

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

Fiscal Year Ending June 30	
2013	$ 96,875
2014	99,975
2015	102,300
2016	17,050
Thereafter	-
	$ 316,200

Rent expense approximated $97,000 for the years ended June 30, 2012 and 2011.

Note 9 - Related Party Transactions

During the years ended June 30, 2012 and 2011, the Foundation was charged $61,488 and $53,097, 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 participated in a multi-employer noncontributory employee retirement income plan, the Roman Catholic Archdiocese of Boston Pension Plan ("Plan"), through December 31, 2010. The Plan provides defined benefits to participants upon retirement. The amount of the Foundation's annual contribution was actuarially determined and 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, 2011 approximated $14,000.

The Archdiocese of Boston ("RCAB") and the Foundation entered into an agreement to freeze the Foundation's liability under the pension plan effective December 31, 2010. In August of 2012, the Foundation executed a withdrawal agreement with the RCAB, which requires it to purchase an annuity contract to cover all the contingent retirement liabilities for current and past employees of the Foundation who participated in the Plan. With this agreement there are no future liabilities to the Plan. The purchase price of the annuity contract was approximately $355,000 of which the Foundation was required to fund approximately $165,000.

Note 10 – Employee Pension Plan (Cont.)

The Foundation is also the sponsor of a 403(b) retirement plan which permits 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. Employer matching contributions for the year ended June 30, 2012 were approximately $29,000 There were no contributions made during the year ended June 30, 2011.

Note 11 - 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 as follows:

	2012	2011
Income restricted for:		
Scholarships	**$ 16,497,898**	$ 16,489,898
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 Community Fund (Note 3)	**1,067,606**	1,067,606
	$ 23,789,604	$ 23,781,604

See Note 12 regarding the components of endowments.

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

	2012	2011
Restricted for:		
Scholarships	**$ 838,618**	$ 344,170
Hispanic recruitment	**414,149**	985,486
Special projects	**353,710**	313,386
Interest in temporarily restricted net assets of the Catholic Community Fund (Note 3)	**706,224**	841,797
	2,312,701	2,484,839
Unrealized gains on investments related to permanently restricted net assets (Note 2)	**1,709,328**	2,937,754
	$ 4,022,029	$ 5,422,593

Note 11 - Restricted Net Assets (Cont.)

During the years ended June 30, 2012 and 2011, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes as follows:

	2012	2011
Scholarships	**$ 3,454,548**	$ 3,488,750
Hispanic recruitment	**533,601**	391,458
Special projects	**645,256**	547,832
Annual event	**201,351**	207,071
Other supporting services	**112,702**	181,020
	$ 4,947,458	$ 4,816,131

Note 12 – 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.

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.

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.

Note 12 – Endowments (Cont.)

Changes in Endowment Net Assets

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2012:				
Endowment net assets at beginning of year	**$ -**	**$ 4,156,449**	**$ 23,781,604**	**$ 27,938,053**
Contributions	**-**	**-**	**8,000**	**8,000**
Interest in change in net assets of the Catholic Community Fund	**-**	**(25,503)**	**-**	**(25,503)**
Interest and dividends	**-**	**372,119**	**-**	**372,119**
Net realized and unrealized gains on investments	**-**	**(356,713)**	**-**	**(356,713)**
Appropriation of endowment assets for expenditure	**-**	**(1,107,346)**	**-**	**(1,107,346)**
Endowment net assets at end of year	**$ -**	**$ 3,039,006**	**$ 23,789,604**	**$ 26,828,610**

	Endowment Fund Net Assets			
For the year ended June 30, 2011:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 the Catholic Community Fund	-	481,931	(22,006)	459,925
Interest and dividends	-	412,041	-	412,041
Net realized and unrealized losses on investments	1,031,864	3,516,984	-	4,548,848
Appropriation of endowment assets for expenditure	-	(1,067,359)	-	(1,067,359)
Endowment net assets at end of year	$ -	$ 4,156,449	$ 23,781,604	$ 27,938,053

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. Such deficiencies totaled $1,031,864 as of June 30, 2010 and resulted from unfavorable market fluctuations from investments of permanently restricted contributions. Over time, these deficiencies reversed due to appreciation of the underlying investments.

Note 13 - 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 13 - 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, 2012, based on bank balances, there were no excess deposits. Cash equivalents consist of non-FDIC insured money market accounts which approximate $1,555,000 at June 30, 2012, based on bank balances.

As more fully disclosed in Note 4, the Foundation's investments at June 30, 2012 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 $4.5 million (8.9% of total investments).

As more fully discussed in Note 3, the Foundation has a beneficial interest in the net assets of the Catholic Community Fund of the Archdiocese of Boston which approximates $2,772,000 at June 30, 2012.

The Foundation's contributions receivable are dispersed among various corporate and individual contributors throughout the United States. At June 30, 2012, approximately $662,000 or 93% of the Foundation's total contributions receivable is due from one major contributor.