GT Reilly & Company
CPAs and Advisors

Audited Financial Statements

The Catholic Schools Foundation, Inc.

June 30, 2018

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Independent Auditors' Report

Board of Directors
The Catholic Schools Foundation, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of The Catholic Schools Foundation, Inc. which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Catholic Schools Foundation, Inc. as of June 30, 2018 and 2017, 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 18, 2019

The Catholic Schools Foundation, Inc.

Statements of Financial Position

June 30

	2018	2017
Assets		
Cash and cash equivalents	**$ 4,193,962**	$ 3,474,626
Investments, at fair value (Notes 4 & 5)	**77,411,869**	66,781,734
Accrued interest and dividends receivable	**4,496**	12,945
Contributions receivable, net of estimated uncollectibles of $107,504 and $10,250 in 2018 and 2017 (Note 6)	**9,560,064**	194,750
Interest in net assets of the Catholic Community Fund (Note 3)	**3,262,628**	3,163,839
Prepaid expenses	**77,130**	61,809
Property and equipment, net (Note 7)	**35,747**	46,865
TOTAL ASSETS	**$ 94,545,896**	$ 73,736,568
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 132,574**	$ 92,878
Grants payable	**10,099,495**	9,111,721
Contingent contributions (Note 6)	**3,000,000**	-
	13,232,069	9,204,599
Net assets (Notes 12 & 13):		
Unrestricted	**33,710,244**	30,813,224
Temporarily restricted	**10,849,595**	9,699,141
Permanently restricted endowment funds	**36,753,988**	24,019,604
	81,313,827	64,531,969
TOTAL LIABILITIES AND NET ASSETS	**$ 94,545,896**	$ 73,736,568

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

Statements of Activities and Changes in Net Assets

Year Ended June 30

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS (LOSSES) & OTHER SUPPORT								
Contributions	$ 6,711,347	$ 4,717,370	$12,734,384	$24,163,101	$ 5,117,591	$ 3,496,598	$ 25,000	$ 8,639,189
Recoveries of (provisions for) uncollectible pledges	-	(97,254)	-	(97,254)	-	4,500	-	4,500
	6,711,347	4,620,116	12,734,384	24,065,847	5,117,591	3,501,098	25,000	8,643,689
Investment income	605,418	587,164	-	1,192,582	583,182	505,462	-	1,088,644
Interest in change in net assets of the Catholic Community Fund (Note 3)	-	224,123	-	224,123	-	375,314	-	375,314
Net gains on investments	1,792,732	1,738,680	-	3,531,412	3,169,133	2,746,819	-	5,915,952
Net assets released from restrictions through satisfaction of program restrictions (Note 12)	6,019,629	(6,019,629)	-	-	4,849,602	(4,849,602)	-	-
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT	15,129,126	1,150,454	12,734,384	29,013,964	13,719,508	2,279,091	25,000	16,023,599
EXPENSES								
Program:								
Financial aid grants	8,722,243	-	-	8,722,243	8,113,841	-	-	8,113,841
Special projects	1,809,499	-	-	1,809,499	1,732,956	-	-	1,732,956
Program overhead	409,517	-	-	409,517	347,149	-	-	347,149
Supporting services:								
Management and operations	426,598	-	-	426,598	438,660	-	-	438,660
Fundraising event	295,722	-	-	295,722	270,434	-	-	270,434
Other fundraising	463,395	-	-	463,395	386,995	-	-	386,995
Marketing and public relations	105,132	-	-	105,132	106,687	-	-	106,687
TOTAL EXPENSES	12,232,106	-	-	12,232,106	11,396,722	-	-	11,396,722
CHANGE IN NET ASSETS	2,897,020	1,150,454	12,734,384	16,781,858	2,322,786	2,279,091	25,000	4,626,877
NET ASSETS AT BEGINNING OF YEAR	30,813,224	9,699,141	24,019,604	64,531,969	28,490,438	7,420,050	23,994,604	59,905,092
NET ASSETS AT END OF YEAR	$33,710,244	$ 10,849,595	$36,753,988	$81,313,827	$30,813,224	$ 9,699,141	$ 24,019,604	$64,531,969

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

Statements of Cash Flows

Year Ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 16,781,858**	$ 4,626,877
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of investments	**(91,939)**	-
Depreciation	**14,658**	14,804
Net (gains) losses on investments	**(3,531,412)**	(5,915,952)
Transfer of assets from the Catholic Community Fund	**125,334**	115,302
Change in interest in net assets of the Catholic Community Fund	**(224,123)**	(375,314)
Changes in operating assets and liabilities:		
Contributions receivable, net	**(9,365,314)**	83,290
Accrued interest and dividends receivable	**8,449**	(1,446)
Prepaid expenses	**(15,321)**	(4,925)
Accounts payable and accrued expenses	**39,696**	(7,322)
Grants payable	**987,774**	321,915
Contingent contributions	**3,000,000**	-
NET CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**7,729,660**	(1,142,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases, sales and maturities, net	**(7,006,784)**	727,895
Additions to furniture, equipment and software	**(3,540)**	-
NET CASH (APPLIED TO) PROVIDED BY INVESTING ACTIVITIES	**(7,010,324)**	727,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**719,336**	(414,876)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,474,626**	3,889,502
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 4,193,962**	$ 3,474,626

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

Notes to Financial Statements

June 30, 2018

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 for 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 of accounting.

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. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in unrestricted net assets. (See Notes 12 and 13 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, 2018 up through January 18, 2019, 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. Contributions received that are conditioned on meeting certain measureable performances are recorded as a liability until the conditions are met, at which time the contribution is recognized as support.

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 therefrom, 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.)

Fair Value Measurements – The Foundation follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures”, for assets and liabilities that are measured at fair value on a recurring basis, its investments. This standard defines fair value, establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, and requires disclosures about fair value measurements (see Note 5).

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, publicly traded certificates of deposit 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 (see Note 6).

Accounting for Assets Held by Others – The Foundation recognizes as an asset its interest in the net assets of another related organization that holds funds which were 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).

Property and Equipment – Property and equipment are stated at cost when purchased and at estimated fair 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 for furniture, equipment and software is three years and the estimated useful life for leasehold improvements is ten 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 Goods – 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 value at the date of contribution (see Note 11).

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")

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 $3,263,000 at June 30, 2018 ($3,164,000 at June 30, 2017). The change in the Foundation's interest is reflected in the statement of activities as an increase in net assets of $224,123 and $375,314 in 2018 and 2017, respectively. Transfers of funds from CCF totaled $125,334 and $115,302 for the years ended June 30, 2018 and 2017, respectively.

Note 4 - Investments

Investments consist of the following:

	Cost	Net Unrealized Gains (Losses)	Fair Value
June 30, 2018			
U. S. Treasury Bills	**$ 11,557,670**	**$ 34,335**	**$ 11,592,005**
Mutual Funds	**54,223,150**	**4,698,912**	**58,922,062**
Common Stocks	**1,980,663**	**355,178**	**2,335,841**
Investment in Limited Partnership	**356,000**	**4,205,961**	**4,561,961**
	$ 68,117,483	**$ 9,294,386**	**$ 77,411,869**
June 30, 2017			
U. S. Treasury Bills	$ 18,289,573	$ (13,937)	$ 18,275,636
Mutual Funds	37,096,329	3,042,271	40,138,600
Common Stocks	3,423,899	1,054,857	4,478,756
Investment in Limited Partnership	356,000	3,532,742	3,888,742
	$ 59,165,801	$ 7,615,933	$ 66,781,734

The limited partnership invests in and manages a portfolio of various common stocks and cash equivalents. At both June 30, 2018 and 2017, Catholic Schools Foundation's limited partnership interest approximates 20%.

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.

Subsequent Decline in Fair Values – As a result of the overall market volatility in the U.S. in December of 2018, the Foundation's investments have decreased in value by approximately $6.4 million (8.3%) through December 31, 2018. The costs, fair values and unrealized gains of the investments at December 31, 2018 are summarized as follows:

	Cost	Net Unrealized Gains (Losses)	Fair Value
U. S. Treasury Bills	$ 10,506,106	$ 19,724	$ 10,525,830
Publicly Traded Certificates of Deposit	-	-	-
Mutual Funds	60,579,796	(2,222,300)	58,357,496
Common Stocks	57,270	(57,270)	-
Investment in Limited Partnership	356,000	2,693,752	3,049,752
	$ 71,499,172	$ 433,906	$ 71,933,078

Note 5 – Fair Value Measurements

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as 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).

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
June 30, 2018				
U. S. Treasury Bills	$ 11,592,005	$ -	$ -	$ 11,592,005
Mutual Funds				
U. S. Treasuries	78,205	-	-	78,205
Foreign	9,669,963	-	-	9,669,963
Bonds	4,386,061	-	-	4,386,061
Large-Cap	27,781,467	-	-	27,781,467
Mid-Cap	3,596,825	-	-	3,596,825
Small-Cap	566,782	-	-	566,782
Currency	12,842,759			12,842,759
	58,922,062	-	-	58,922,062
Common Stocks				
Consumer Discretionary (cyclical)	429,712	-	-	429,712
Consumer Defensive	302,729	-	-	302,729
Energy	-	-	-	-
Financial Services	227,863	-	-	227,863
Health Care	294,514	-	-	294,514
Technology	662,962	-	-	662,962
Industrials	148,892	-	-	148,892
Communications/Telecom	174,205	-	-	174,205
Basic Materials	94,964	-	-	94,964
	2,335,841	-	-	2,335,841
Investment in Limited Partnership	-	4,561,961	-	4,561,961
	$ 72,849,908	$ 4,561,961	$ -	$ 77,411,869

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
June 30, 2017				
U. S. Treasury Bills	$ 18,275,636	$ -	$ -	$ 18,275,636
Mutual Funds				
U. S. Treasuries	267,311	-	-	267,311
Foreign	7,262,475	-	-	7,262,475
Bonds	6,696,389	-	-	6,696,389
Large-Cap	23,818,716	-	-	23,818,716
Mid-Cap	1,600,904	-	-	1,600,904
Small-Cap	492,805	-	-	492,805
	40,138,600	-	-	40,138,600
Common Stocks				
Consumer Discretionary (cyclical)	716,471	-	-	716,471
Consumer Defensive	317,904	-	-	317,904
Energy	120,356	-	-	120,356
Financial Services	830,705	-	-	830,705
Health Care	712,787	-	-	712,787
Technology	1,287,785	-	-	1,287,785
Industrials	122,859	-	-	122,859
Communications/Telecom	212,659	-	-	212,659
Basic Materials	157,230	-	-	157,230
	4,478,756	-	-	4,478,756
Investment in Limited Partnership	-	3,888,742	-	3,888,742
	$ 62,892,992	$ 3,888,742	$ -	$ 66,781,734

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 – These 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 – These 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, 2018. 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 and Conditional Pledges

Included in Contributions Receivable are the following unconditional promises to give, restricted for scholarships:

	2018	2017
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	**$ 10,150,075**	$ 205,000
Less unamortized discount at 3.4%	**482,507**	-
	9,667,568	205,000
Less provision for uncollectible pledges	**107,504**	10,250
	$ 9,560,064	$ 194,750

	2018	2017
Amounts due in:		
Less than one year	**$ 2,542,571**	$ 194,750
One to two years	**2,417,795**	-
Two to three years	**2,338,293**	-
Three to four years	**2,261,405**	-
	$ 9,560,064	$ 194,750

As of June 30, 2018 the Foundation has received $5 million of a $10 million conditional endowment pledge from a foundation. The endowment is contingent upon the collection of a $10 million endowment pledge first received from another foundation, which is being remitted in $2 million installments over a five year period. The present value of the first $10 million endowment pledge has been recorded in the current fiscal year as permanently restricted support. During the current fiscal year, $2 million of the first pledge was remitted to the Foundation and, accordingly, $2 million of the contingent endowment received has been recognized as permanently restricted support. At June 30, 2018, the remaining $3 million of the conditional endowment received is reported as a liability of the Foundation. The balance of the conditional pledge, $5 million, is not reflected in the accompanying financial statements. The remaining balance of the first endowment pledge, $8 million, is reported at its present value and is included in the schedule presented above.

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Furniture	**$ 29,067**	$ 29,067
Computer equipment	**20,643**	17,103
Software	**77,839**	77,839
Leasehold improvements	**11,217**	11,217
	138,766	135,226
Less accumulated provisions for depreciation	**103,019**	88,361
	$ 35,747	$ 46,865

Note 8 – Lease Commitments

The Foundation has a ten-year, noncancellable lease agreement which calls for monthly payments of $8,740. The monthly payment escalates annually at the beginning of each new lease year, which runs from September through August. The agreement expires in August of 2025 with one five-year option to extend. The Foundation is also obligated for its proportionate share of operating costs.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30		
2019	$	113,878
2020		117,056
2021		120,234
2022		123,412
2023		126,590
Thereafter		284,960
	$	886,130

Rent expense approximated $125,000 and $122,000 during the years ended June 30, 2018 and 2017, respectively, and is recorded under the straight-line method whereby rent expense is reported evenly over the term of the lease even though the actual rent payments escalate each year over the lease term.

Note 9 –Related Party Transactions

During the years ended June 30, 2018 and 2017, charges to the Foundation approximated $56,000 and $48,000, 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.

During the years ended June 30, 2018 and 2017, the Foundation provided approximately $1,086,000 and $1,135,000, respectively, in grants to the Catholic School Office (CSO), a branch of the RCAB, to support the CSO in its Strategic Leadership program and the general mission of providing better Catholic education.

Note 10 –Retirement Plan

The Foundation is the sponsor of an ERISA 403(b) retirement plan which allows for employee voluntary salary deferrals and discretionary profit sharing and matching employer contributions. Employer matching contributions for the years ended June 30, 2018 and 2017 were approximately $33,000 and $34,000, respectively.

Note 11 – Contributed Goods and Investments

For the years ended June 30, 2018 and 2017, the Foundation recorded contributed goods of approximately $53,000 and $45,000 for various event venue and other expenses, respectively. In addition, the Foundation received approximately $92,000 of contributed investments.

Note 12 - 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:

	2018	2017
Income restricted for:		
Scholarships	**$24,174,584**	$16,727,898
Technology	**6,235,499**	3,832,000
Marketing	**3,703,499**	1,300,000
Special projects	**1,572,800**	1,092,100
Interest in permanently restricted net assets of the Catholic Community Fund (Note 3)	**1,067,606**	1,067,606
	$36,753,988	$24,019,604

See Note 13 regarding the components of endowments.

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

	2018	2017
Restricted for:		
Scholarships	**$ 3,026,960**	$ 3,013,362
Special projects	**2,049,354**	1,837,669
Interest in temporarily restricted net assets of the Catholic Community Fund (Note 3)	**1,196,453**	1,097,663
	6,272,767	5,948,694
Unrealized gains on investments related to permanently restricted net assets (Note 2)	**4,576,828**	3,750,447
	$10,849,595	$ 9,699,141

During the years ended June 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenses, or by the occurrence of other events satisfying the restricted purposes as follows:

	2018	2017
Scholarships	**$ 3,459,403**	$ 3,411,822
Hispanic recruitment	**225,000**	75,000
Special projects	**1,922,684**	817,826
Annual event	**295,722**	270,434
Other supporting services	**116,820**	274,520
	$ 6,019,629	$ 4,849,602

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, investment earnings associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Note 13 – Endowments (Cont.)

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 has been the case in past financial environments, 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.

Changes in Endowment Net Assets

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2018:				
Endowment net assets at beginning of year	**$ -**	**$ 8,603,844**	**$ 24,019,604**	**$ 32,623,448**
Contributions	**-**		**12,734,384**	**12,734,384**
Interest in change in net assets of the Catholic Community Fund	**-**	**224,123**	**-**	**224,123**
Interest and dividends	**-**	**587,164**	**-**	**587,164**
Net gains on investments	**-**	**1,734,107**	**-**	**1,734,107**
Appropriation of endowment assets for expenditure	**-**	**(1,335,082)**	**-**	**(1,335,082)**
Endowment net assets at end of year	**$ -**	**$ 9,814,156**	**$ 36,753,988**	**$ 46,568,144**

Note 13 – Endowments (Cont.)

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2017:				
Endowment net assets at beginning of year	$ -	$ 6,294,356	$ 23,994,604	$ 30,288,960
Contributions	-	-	25,000	25,000
Interest in change in net assets of the Catholic Community Fund	-	375,314	-	375,314
Interest and dividends	-	505,462	-	505,462
Net gains on investments	-	2,746,819	-	2,746,819
Appropriation of endowment assets for expenditure	-	(1,318,107)	-	(1,318,107)
Endowment net assets at end of year	**$ -**	$ 8,603,844	$ 24,019,604	$ 32,623,448

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.

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, 2018, based on bank balances, the Foundation has approximately $1,807,000 on deposit in excess of federal-insured limits. Cash equivalents consist of non-FDIC insured amounts representing deposits in transit of approximately $2,000,000 at June 30, 2018.

As more fully disclosed in Note 4, the Foundation's investments at June 30, 2018 substantially consist of mutual funds, although it does invest in U.S. Treasury bills, common stocks and an investment in a limited partnership. The mutual fund investment portfolio is dispersed among various investment houses, with the largest investment approximating $6 million (7.7% 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 $3,263,000 at June 30, 2018.

The Foundation's contributions receivable are dispersed among various corporate, foundation and individual contributors throughout the United States. At June 30, 2018, approximately $8 million (79%) and $1.2 million (12%) of the Foundation's gross contributions receivable are due from 2 foundations. See Note 6 for more information.