



**FINANCIAL STATEMENTS  
JUNE 30, 2019**

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Contents  
June 30, 2019

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Catholic Schools Foundation, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Schools Foundation, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter Regarding Prior Period Reclassifications***

As discussed in Note 14 to the financial statements, the net asset opening balances related to June 30, 2018, have been restated to correct the balances between with and without donor restrictions. Our opinion is not modified with respect to this matter.

*AAFCPA, Inc.*

Westborough, Massachusetts  
January 13, 2020

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Statement of Financial Position  
June 30, 2019

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**Assets**

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Assets:

Cash and cash equivalents	\$ 1,564,690
Restricted cash	1,000,000
Investments	77,795,711
Investment in limited partnership	3,587,755
Contributions receivable, net	7,630,653
Interest in related party	3,162,751
Prepaid expenses and other	67,729
Property and equipment, net	<u>26,316</u>

Total assets \$ 94,835,605

**Liabilities and Net Assets**

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Liabilities:

Accounts payable and accrued expenses	\$ 122,695
Grants payable	10,879,231
Contingent advance	<u>1,000,000</u>

Total liabilities 12,001,926

Net Assets:

Without donor restrictions:

Operating	33,641,228
Board designated	<u>998,569</u>

Total without donor restrictions 34,639,797

With donor restrictions:

Purpose and time	1,083,253
Accumulated appreciation	8,341,641
Perpetually restricted endowment	<u>38,768,988</u>

Total with donor restrictions 48,193,882

Total net assets 82,833,679

Total liabilities and net assets \$ 94,835,605

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Contributions	\$ 5,254,195	\$ 5,174,154	\$ 10,428,349
Investment return designated for operations	1,361,197	-	1,361,197
Distribution of funds - interest in related party	124,363	-	124,363
Interest	25,413	-	25,413
Net assets released from time restrictions	3,293,966	(3,293,966)	-
Net assets released from purpose restrictions	2,075,823	(2,075,823)	-
Total operating revenues	<u>12,134,957</u>	<u>(195,635)</u>	<u>11,939,322</u>
<b>Operating Expenses:</b>			
Program services:			
Financial aid grants	9,256,876	-	9,256,876
Special projects	2,656,089	-	2,656,089
Total program services	<u>11,912,965</u>	<u>-</u>	<u>11,912,965</u>
Supporting services:			
General and administrative	278,928	-	278,928
Fundraising	1,032,097	-	1,032,097
Total supporting services	<u>1,311,025</u>	<u>-</u>	<u>1,311,025</u>
Total operating expenses	<u>13,223,990</u>	<u>-</u>	<u>13,223,990</u>
Changes in net assets from operations	<u>(1,089,033)</u>	<u>(195,635)</u>	<u>(1,284,668)</u>
<b>Other Revenues:</b>			
Endowment contributions	-	2,015,000	2,015,000
Investment income, net	959,210	987,128	1,946,338
Change in discount on contributions receivable	-	278,462	278,462
Share of income - investment in limited partnership	25,794	-	25,794
Net change in value of interest in related party	-	24,486	24,486
Distribution of funds - interest in related party	-	(124,363)	(124,363)
Investment return designated for operations	-	(1,361,197)	(1,361,197)
Total other revenues	<u>985,004</u>	<u>1,819,516</u>	<u>2,804,520</u>
Changes in net assets	(104,029)	1,623,881	1,519,852
<b>Net Assets:</b>			
Beginning of year, as restated	<u>34,743,826</u>	<u>46,570,001</u>	<u>81,313,827</u>
End of year	<u>\$ 34,639,797</u>	<u>\$ 48,193,882</u>	<u>\$ 82,833,679</u>

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Statement of Cash Flows

For the Year Ended June 30, 2019

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**Cash Flows from Operating Activities:**

Changes in net assets	\$ 1,519,852
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Recovery of bad debt	(12,204)
Change in discount on contributions receivable	(278,462)
Depreciation	9,431
Endowment contributions	(2,015,000)
Net realized and unrealized gains on investments	338,163
Share of income - investment in limited partnership	(25,794)
Net change in value of interest in related party	(24,486)
Changes in operating assets and liabilities:	
Contributions receivable, net	2,220,077
Prepaid expenses and other	13,897
Accounts payable and accrued expenses	(9,879)
Grants payable	<u>779,736</u>
Net cash provided by operating activities	<u>2,515,331</u>

**Cash Flows from Investing Activities:**

Purchase of investments	(48,489,819)
Proceeds from sales of investments	43,205,853
Distribution of funds - investment in limited partnership	1,000,000
Distribution of funds - interest in related party	<u>124,363</u>
Net cash used in investing activities	<u>(4,159,603)</u>

**Cash Flows from Financing Activities:**

Endowment contributions	<u>2,015,000</u>
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**Net Change in Cash and Cash Equivalents** 370,728

**Cash and Cash Equivalents:**

Beginning of year	<u>1,193,962</u>
End of year	<u>\$ 1,564,690</u>

**Supplemental Disclosure of Non-Cash Transactions:**

Unrealized loss on investments	<u>\$ (564,517)</u>
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**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	Financial Aid Grants	Special Projects	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
<b>Personnel and Related:</b>							
Salaries	\$ 259,376	\$ 6,493	\$ 265,869	\$ 53,444	\$ 345,135	\$ 398,579	\$ 664,448
Payroll taxes and fringe benefits	54,589	944	55,533	19,431	69,028	88,459	143,992
Contracted services	11,250	-	11,250	188	18,750	18,938	30,188
Total personnel and related	<u>325,215</u>	<u>7,437</u>	<u>332,652</u>	<u>73,063</u>	<u>432,913</u>	<u>505,976</u>	<u>838,628</u>
<b>Other:</b>							
Scholarship and grant expense	8,857,660	2,592,480	11,450,140	-	-	-	11,450,140
Event expenses	1,842	35,569	37,411	-	346,824	346,824	384,235
Occupancy	57,965	1,451	59,416	11,944	77,131	89,075	148,491
Professional fees	-	-	-	131,296	-	131,296	131,296
Printing and reproduction	-	3,351	3,351	-	117,218	117,218	120,569
Advertising and recruiting	-	13,500	13,500	-	17,704	17,704	31,204
Miscellaneous	37	-	37	28,533	2,387	30,920	30,957
Communication expenses	10,224	-	10,224	7,695	11,851	19,546	29,770
Supplies and equipment	3,329	-	3,329	10,619	13,677	24,296	27,625
Travel and transportation	604	2,051	2,655	6,142	6,182	12,324	14,979
Depreciation	-	-	-	9,431	-	9,431	9,431
Dues and subscriptions	-	250	250	205	6,210	6,415	6,665
Total other	<u>8,931,661</u>	<u>2,648,652</u>	<u>11,580,313</u>	<u>205,865</u>	<u>599,184</u>	<u>805,049</u>	<u>12,385,362</u>
Total expenses	<u>\$ 9,256,876</u>	<u>\$ 2,656,089</u>	<u>\$ 11,912,965</u>	<u>\$ 278,928</u>	<u>\$ 1,032,097</u>	<u>\$ 1,311,025</u>	<u>\$ 13,223,990</u>

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 1. OPERATIONS AND NONPROFIT STATUS

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 Roman Catholic Church by providing families with demonstrated financial need and 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.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Accounting Principle Adoption

During fiscal year 2019, the Foundation adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Foundation's financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see page 10).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see Note 12).
- An explanation of the methods used to allocate costs among program and supporting functions (see page 10) and presentation of the statement of functional expenses.
- Investment return reporting that presents the total return net of investment management fees on the statement of activities and changes in net assets (see Note 3).

The adoption of this ASU did not impact the Foundation's net asset balance for the year ended June 30, 2018.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Income Taxes

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019. The Foundation's information returns are subject to examination by the Federal and state jurisdictions.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

#### *Investments*

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Foundation and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds and exchange traded funds are based on share prices reported by the funds as of the last business day of the fiscal year. Reported fair values of money market funds are based on market values reported by the market as of the last business day of the year.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Fair Value Measurements** (Continued)

##### *Investments* (Continued)

A summary of inputs used in valuing the Foundation's investments as of June 30, 2019, is included in Note 3.

##### *Interest in Related Party*

Interest in related party (see Note 6) represents the Foundation's unit holdings in the Catholic Community Fund, Roman Catholic Archbishop of Boston (Catholic Community Fund), a separate related organization established to provide a common investment pool in which the Foundation and other related organizations may participate. The underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private investment entities.

##### *All Other Assets and Liabilities*

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

#### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

#### **Restricted Cash**

Cash received by the Foundation that is classified as a contingent advance (see page 9) is reflected as restricted cash in the accompanying 2019 statement of financial position.

#### **Contributions Receivable, Allowance for Doubtful Accounts and Discounts**

Contributions receivable consist of contributions committed to the Foundation. Contributions are recorded at their net present value when unconditionally committed. An allowance for doubtful accounts is based on management's evaluations of the collectability of individual accounts. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. The Foundation discounted long-term pledges to present value using the Internal Revenue Service (IRS) discount rate (see Note 4).

#### **Interest in Related Party**

The Foundation recognizes as an asset its interest in 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 as an increase or decrease to the Foundation's statement of activities and changes in net assets. Transfer of funds from the holding organization to the Foundation are recorded as reductions in its interest (see Note 6).

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment in Limited Partnership

The Foundation maintains an equity investment in the Frontier Research Fund Limited Partnership (the Limited Partnership) (see Note 13) and the Foundation accounts for this investment using the equity method. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the Limited Partnership. Distributions of cash reduce the carrying value of the investment. The Foundation periodically assesses the carrying balance of its investment in limited partnership for possible impairment. No impairment loss for investment in limited partnership was recognized during fiscal year 2019.

#### Property, Equipment and Depreciation

Purchased property and equipment (see Note 5) are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	10 years or remaining life of the lease
Furniture	10 years
Computer equipment and software	3 years

#### Grants Payable

A liability is recorded and an expense is recognized in the period in which the Foundation's Board of Trustees approves the amount of the 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 statement of financial position. All grants payable are expected to be paid during fiscal year 2020.

#### Contingent Advance

Contributions received that are conditional upon meeting certain measurable performances are recorded as a liability until the conditions are met, at which time the contribution is recognized as operating revenue.

#### Revenue Recognition

Contributions are recorded as revenue when received or unconditionally pledged. The Foundation reports gifts of cash and other assets as net assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor's time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions as net assets released from restrictions. Conditional promises to contribute are recorded only when the specific conditions are substantially met. All other revenue is recorded when earned.

Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded upon sales. Unrealized gains and losses are recognized based on fair value changes during the period. Unless otherwise restricted by the donor, investment return is available for operations and is reflected as operating net assets without donor restrictions in the accompanying financial statements. The Foundation's investment policy sets forth guidelines for prudent investments of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of the Foundation's holding.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

Endowment funds established by donor restrictions to permanently maintain the corpus, while allowing the use of income generated therefrom, are classified as net assets with donor restrictions. Income derived from the investment of endowment funds is subject to the Foundation's annual spending policy appropriation (see Note 7).

#### Expense Allocation

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

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and fringe benefits and occupancy costs, which are allocated based on an estimate of time and level of effort spent on the Foundation's program and supporting functions.

#### Donated Services

The Foundation receives donated services for various event venue and other expenses. These donations are reflected in the accompanying financial statements based upon the estimated value assigned by management. The value of the services for the year ended June 30, 2019, was \$33,890 and is included in contributions, event expenses and professional fees in the accompanying statements of activities and changes in net assets and functional expenses.

#### Advertising Costs

The Foundation expenses advertising costs as they are incurred.

#### Net Assets Classification

**Net assets without donor restrictions** consist of operating net assets and net assets designated by the Board of Trustees:

- *Operating* - represents funds available to carry on the operations of the Foundation.
- *Board Designated* - represents funds set aside in the Foundation's endowment that are not restricted by a third-party donor (see Note 7). The use of these funds requires approval of the Board of Trustees.

**Net assets with donor restrictions** represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or as the time period lapses.

Also included in net assets with donor restrictions are endowment funds accumulated from donor-restricted gifts to be held in perpetuity. Earnings from these gifts may be used for operations, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends and appreciation of a donor-restricted endowment, are restricted until appropriated by the Board of Trustees.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets Classification (Continued)

#### *Net assets with donor restrictions* (Continued)

As of June 30, 2019, net assets with donor restrictions are restricted as follows:

Perpetually restricted endowment:	
Scholarships	\$ 24,174,584
Technology	8,250,499
Marketing	3,703,499
Special projects	1,572,800
Interest in related party – scholarships	<u>1,067,606</u>
Total perpetually restricted endowment	<u>38,768,988</u>
Purpose restricted:	
Special projects	428,600
Other	220,000
Scholarships	<u>192,500</u>
Total purpose restricted	<u>841,100</u>
Time restricted, net of discount and allowance	<u>242,153</u>
Accumulated appreciation:	
Interest in related party	1,096,576
Perpetually restricted endowment	<u>7,245,065</u>
Total accumulated appreciation	<u>8,341,641</u>
	<u>\$ 48,193,882</u>

#### Statement of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of education and scholarship are reported as operating revenues and operating expenses in the accompanying statement of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenues. Non-operating revenues include endowment activities, investment income, change in discount and net change in value of interest in related party.

#### Subsequent Events

Subsequent events have been evaluated through January 13, 2020, which is the date the financial statements were available to be issued. An event that met the criteria for disclosure in the financial statements is disclosed in Note 13.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 3. INVESTMENTS

Investments consist of shares of equity and mutual funds, U.S Treasury bills, and money market funds. The Foundation generally intends to hold the investments long-term.

The balances of these investments, which are stated at fair value in the accompanying statement of financial position, are as follows, by level within the valuation framework (see Note 2), as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury bills	\$ 9,812,276	\$ -	\$ -	\$ 9,812,276
Money market funds	<u>10,113,381</u>	-	-	<u>10,113,381</u>
Mutual funds:				
Equity securities	27,838,932	-	-	27,838,932
Bonds	<u>7,820,265</u>	-	-	<u>7,820,265</u>
Total mutual funds	<u>35,659,197</u>	-	-	<u>35,659,197</u>
Exchange Traded Funds (ETF)	<u>22,210,857</u>	-	-	<u>22,210,857</u>
	<u>\$ 77,795,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,795,711</u>

Investment income, net consist of the following at June 30, 2019:

Net realized gains	\$ 902,680
Investment income	1,614,947
Investment management fees	(6,772)
Net unrealized losses	<u>(564,517)</u>
Investment return, net	<u>\$ 1,946,338</u>

### 4. CONTRIBUTIONS RECEIVABLE

#### *Unconditional Promises to Give*

Contributions receivable represent unconditional promises to give in the form of pledges from various donors. Contributions receivable are expected to be received as follows at June 30, 2019:

Due within one year	\$ 2,890,000
Due within two years	2,520,000
Due within three years	<u>2,520,000</u>
	7,930,000
Less - discount	<u>204,047</u>
	7,725,953
Less - allowance for doubtful accounts	<u>95,300</u>
Contributions receivable, net of discount and allowance for doubtful accounts	<u>\$ 7,630,653</u>

The pledges have been discounted using a discount rate of 2.80% representing the Foundation's risk free rate, as of June 30, 2019, to state pledges at their estimated net realizable values.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2019

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### 4. CONTRIBUTIONS RECEIVABLE (Continued)

#### *Conditional Promises to Give*

During fiscal year 2018, the Foundation received \$5 million of a \$10 million conditional endowment pledge from a foundation. The gift is contingent upon the collection of a separate \$10 million endowment pledge from another foundation, which was recorded as net assets with donor restrictions in fiscal year 2018 and is being remitted in \$2 million installments over a five-year period. As of June 30, 2019, the first and second installments were received. Additionally, \$2 million of the contingent endowment was recognized during fiscal year 2019 and is reflected as endowment contributions in the accompanying statement of activities and changes in net assets. The remaining amount received by the Foundation but not yet recognized is \$1,000,000 and is reflected as contingent advance in the accompanying statement of financial position. As of June 30, 2019, the remaining \$5,000,000 balance of the conditional endowment pledge owed to the Foundation is expected to be collected during fiscal year 2020. This amount is not reflected in the accompanying financial statements.

### 5. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

Furniture	\$ 29,067
Computer equipment	20,643
Software	77,839
Leasehold improvements	<u>11,217</u>
	138,766
Less - accumulated depreciation	<u>112,450</u>
	<u>\$ 26,316</u>

### 6. INTEREST IN RELATED PARTY

The Foundation is the beneficiary of donations collected on its behalf by the Catholic Community Fund of the Archdiocese of Boston, Inc. (CCF), a related party (see Note 9). The balance of the interest in net assets of CCF is as follows:

Balance as of June 30, 2018	<u>\$ 3,262,628</u>
Investment income	47,859
Administrative fees	<u>(23,373)</u>
Net change in value of interest in related party	<u>24,486</u>
Distributions paid	<u>(124,363)</u>
Balance as of June 30, 2019	<u>\$ 3,162,751</u>

The balance of interest in related party is comprised of the following components:

Perpetual restricted endowment (see page 11)	\$ 1,067,606
Accumulated appreciation (see page 11)	1,096,576
Board designed endowment (see Note 7)	<u>98,569</u>
	<u>\$ 3,162,751</u>

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
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### 7. ENDOWMENT

The Foundation's endowment consists of six funds established for support of various education initiatives within the Catholic primary and secondary schools in the Archdiocese of Boston. The Foundation follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the perpetually restricted endowment and, when applicable, accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation

Generally, the donors of these funds permit the Foundation to use all of the income earned on related investments for general or specific purposes.

Based on this interpretation, the Foundation has adopted an investment strategy which, combined with the spending amount, 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 the donor-restricted fund that the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's investment strategy and spending amount, both of which are approved by the Board of Trustees, the endowment assets are invested in a conservative manner that is intended to protect the principal of the endowment fund. Actual returns in any given year may vary.

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements  
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**7. ENDOWMENT (Continued)**

Changes in endowment net assets are as follows for the year ended June 30, 2019:

	<u>Board Designated Endowment</u>	<u>Endowment Appreciation</u>	<u>Perpetually Restricted Endowment</u>	<u>Total Endowment</u>
<b>Endowment net assets, June 30, 2018</b>	<u>\$ 998,569</u>	<u>\$ 8,815,587</u>	<u>\$ 36,753,988</u>	<u>\$ 46,568,144</u>
Contributions	-	-	<u>2,015,000</u>	<u>2,015,000</u>
Net change in value of interest in related party	-	<u>24,486</u>	-	<u>24,486</u>
Distribution of funds - interest in related party	-	<u>(124,363)</u>	-	<u>(124,363)</u>
Investment returns:				
Net investment income	-	<u>807,271</u>	-	<u>807,271</u>
Net realized gain	-	<u>940,248</u>	-	<u>940,248</u>
Net unrealized loss	-	<u>(760,391)</u>	-	<u>(760,391)</u>
Total investment returns	-	<u>987,128</u>	-	<u>987,128</u>
Appropriation of endowment assets for expenditure	-	<u>(1,361,197)</u>	-	<u>(1,361,197)</u>
<b>Endowment net assets, June 30, 2019</b>	<u>\$ 998,569</u>	<u>\$ 8,341,641</u>	<u>\$ 38,768,988</u>	<u>\$ 48,109,198</u>

**8. LEASE**

The Foundation has a ten year, noncancelable lease agreement with monthly payments of \$8,740, increasing 3% each year in September. The lease expires in August 2025 with a five-year renewal option. The Foundation is responsible for its proportionate share of operating expense, as defined in the agreement. In accordance with ASC Topic 840, *Leases*, the Foundation records rent on a straight-line basis over the term of the lease regardless of actual cash payments. As a result, the Foundation has deferred rent payable of \$37,342 under this agreement as of June 30, 2019, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

Rent expense totaled approximately \$119,000 for the year ended June 30, 2019, and is included in occupancy in the accompanying statement of functional expenses.

Future minimum lease payments are as follows for the years ended June 30:

2020	\$ 117,056
2021	120,234
2022	123,412
2023	126,590
2024	129,768
Thereafter	<u>155,192</u>
Total	<u>\$ 772,252</u>

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
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### 9. RELATED PARTY TRANSACTIONS

The Foundation is charged for health, life disability and facility insurance administered from the Roman Catholic Archbishop of Boston, Inc. (a Corporation Sole) (the RCAB). The RCAB and the Foundation are related by a minority of common Board Trustees. As of June 30, 2019, the RCAB has charged the Foundation approximately \$60,000 for these related costs.

The Foundation awarded approximately \$936,000 for the year ended June 30, 2019, in grants to the Catholic School Office (CSO), a branch of the RCAB, to support the CSO in its Strategic Leadership program, marketing program, technology program, and the general mission of providing better Catholic education.

During fiscal year 2019, five Trustees and their related foundations donated approximately \$2.4 million.

The Foundation has an interest in a related party (CCF) (see Note 6) in which the RCAB (see above) serves as a sole member of this fund.

### 10. RETIREMENT PLAN

The Foundation is the sponsor of an Employee Retirement Income Security Act (ERISA) 403(b) retirement plan which allows for employee voluntary salary deferral and discretionary profit sharing and matching employer contributions. Employer matching contributions for the year ended June 2019, was \$35,718 and is included in payroll taxes and fringe benefits in the accompanying statement of functional expenses.

### 11. CONCENTRATIONS OF CREDIT RISK

#### Cash and Cash Equivalents

The Foundation maintains its operating cash balances in one bank in Massachusetts, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in such accounts. The Foundation is not exposed to any significant credit risk on its operating cash balance as of June 30, 2019.

#### Contributions Receivable

Approximately 87% of the Foundation's contributions receivable are from two foundations as of June 30, 2019.

#### Investments

The Foundation also has portfolios of investments, which are not insured, but are under management by independent managers and its designated custodians (see Note 3). Investments are subject to ongoing market fluctuations.

## THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements  
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### 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the statement of financial position date, comprise the following at June 30, 2019:

Cash and cash equivalents	\$ 1,564,690
Contributions receivable - due within one year	2,890,000
Less - net assets with donor restrictions - contributions receivable	(2,418,500)
Less - net assets with donor restrictions - cash and cash equivalents	<u>(352,600)</u>
	<u>\$ 1,683,590</u>

As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments that have the ability to be liquidated. Included in the balance of investment is approximately \$31.8 million of non-endowment resources that can be liquidated and used for general operations.

### 13. INVESTMENT IN LIMITED PARTNERSHIP

The Foundation holds an approximate 21% equity interest in the Limited Partnership (see page 9) as of June 30, 2019. The Foundation accounts for its investment in the Limited Partnership 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 consist of actively traded equity securities and money market funds. The Foundation does not maintain a controlling financial interest in the Limited Partnership. Therefore, the financial statements of the Limited Partnership are not consolidated with those of the Foundation.

In accordance with the disclosure standards pertaining to ASC Topic, *Investment - Equity Method and Joint Ventures*, the following financial information relates to the investee entity for which the Foundation maintains its investments on the equity method:

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Equity</u>	<u>Total Revenue</u>	<u>Total Expenses</u>
The Limited Partnership	<u>\$ 16,823,407</u>	<u>\$ 57,151</u>	<u>\$ 16,766,256</u>	<u>\$ 2,862,749</u>	<u>\$ 106,496</u>

In September 2019, the Foundation liquidated its interest in the Limited Partnership for approximately \$3.3 million.

**THE CATHOLIC SCHOOLS FOUNDATION, INC.**Notes to Financial Statements  
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**14. PRIOR PERIOD RECLASSIFICATIONS**

The Foundation discovered during fiscal year 2019 that certain net asset balances as of June 30, 2018, were misclassified between net assets with donor restrictions and net assets without donor restrictions. Net assets as of June 30, 2018, have been restated between these net asset classes as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Net assets, as previous stated	\$ 33,710,244	\$ 47,603,583	\$ 81,313,827
To properly present contributions receivable with an inherent time restriction	(555,000)	555,000	-
To properly present board designated endowment contributions as net assets without donor restrictions	998,569	(998,569)	-
To properly classify the contribution receivable allowance to net assets with donor restrictions	<u>590,013</u>	<u>(590,013)</u>	<u>-</u>
Net assets, as restated	<u>\$ 34,743,826</u>	<u>\$ 46,570,001</u>	<u>\$ 81,313,827</u>