CONSORTIUM OF CATHOLIC ACADEMIES

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

Corporate Members and Board of Directors
Consortium of Catholic Academies:

We have audited the accompanying financial statements of the Consortium of Catholic Academies (the Consortium), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 U.S. generally accepted accounting principles; 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 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium of Catholic Academies as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 25, 2014

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Financial Position

June 30, 2014 and 2013

Assets		**2014**	**2013**
Cash and cash equivalents (note 9)	$	1,327,904	811,228
Tuition receivable, net		59,786	74,973
Pledges receivable, net (notes 2 and 8)		1,193,423	1,445,234
Accounts receivable		2,185	1,783
Prepaid expense		8,060	6,500
Furniture and equipment, net (note 3)		14,783	17,357
Cash held for long-term purposes		152,150	152,150
Total assets	$	2,758,291	2,509,225
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 8)	$	719,230	1,002,977
Accrued salaries and benefits (note 8)		617,392	637,205
Refundable advances		105,000	90,000
Deferred tuition and fees		71,134	131,815
Note payable, net (note 4)		465,442	515,735
Total liabilities		1,978,198	2,377,732
Net assets (deficit):			
Unrestricted		59,375	(824,803)
Temporarily restricted (note 5)		568,568	804,146
Permanently restricted (note 6)		152,150	152,150
Total net assets		780,093	131,493
Total liabilities and net assets	$	2,758,291	2,509,225

See accompanying notes to financial statements.

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Activities

Years ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Changes in net assets:								
Revenue:								
Tuition and fees (note 1f)	$ 4,228,397	—	—	4,228,397	3,938,291	—	—	3,938,291
Contributions from the Archdiocese of Washington (note 8):								
Tuition assistance	818,953	178,547	—	997,500	—	—	—	—
Contributed rent from parishes	602,650	—	—	602,650	570,013	—	—	570,013
Other contributions	906,774	—	—	906,774	881,242	—	—	881,242
Parish support	72,050		—	72,050	30,305	—	—	30,305
Contributions and fundraising revenue	2,062,765	83,279	—	2,146,044	1,578,428	99,161	—	1,677,589
Exchange revenue from special events	103,950	—	—	103,950	63,375	—	—	63,375
Other income	623	150	—	773	19,764	—	—	19,764
Net assets released from restrictions (note 7)	497,554	(497,554)	—	—	726,023	(726,023)	—	—
Total revenue	9,293,716	(235,578)	—	9,058,138	7,807,441	(626,862)	—	7,180,579
Expenses (note 8):								
Program services:								
Instruction	6,624,478	—	—	6,624,478	6,145,442	—	—	6,145,442
Nursery school, daycare, and other services	214,978	—	—	214,978	251,387	—	—	251,387
Total program services	6,839,456	—	—	6,839,456	6,396,829	—	—	6,396,829
Supporting services:								
General and administrative	1,085,567	—	—	1,085,567	890,447	—	—	890,447
Development	484,515	—	—	484,515	364,977	—	—	364,977
Total supporting services	1,570,082	—	—	1,570,082	1,255,424	—	—	1,255,424
Total expenses	8,409,538	—	—	8,409,538	7,652,253	—	—	7,652,253
Change in net assets	884,178	(235,578)	—	648,600	155,188	(626,862)	—	(471,674)
Net assets (deficit), beginning of year	(824,803)	804,146	152,150	131,493	(979,991)	1,431,008	152,150	603,167
Net assets (deficit), end of year	$ 59,375	568,568	152,150	780,093	(824,803)	804,146	152,150	131,493

See accompanying notes to financial statements.

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Cash Flows

Years ended June 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	648,600	(471,674)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		3,294	4,489
Imputed interest on note payable		27,707	31,061
Changes in assets and liabilities:			
Tuition receivable		15,187	5,774
Pledges receivable		251,811	941,183
Accounts receivable		(402)	(560)
Prepaid expense		(1,560)	—
Accounts payable and accrued expenses		(283,747)	58,987
Accrued salaries and benefits		(19,813)	(229,514)
Refundable advances		15,000	90,000
Deferred tuition and fees		(60,681)	10,423
Net cash provided by operating activities		595,396	440,169
Cash flows from investing activity:			
Purchase of furniture and equipment		(720)	—
Net cash used in investing activity		(720)	—
Cash flows from financing activity:			
Principal payments on note payable		(78,000)	(78,000)
Net cash used in financing activity		(78,000)	(78,000)
Net increase in cash and cash equivalents		516,676	362,169
Cash and cash equivalents at beginning of year		963,378	601,209
Cash and cash equivalents at end of year	$	1,480,054	963,378
Noncash financing activity:			
Imputed interest on note payable	$	27,707	31,061

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Consortium of Catholic Academies (the Consortium), formerly the Center City Consortium, is the cornerstone of a project called "Faith in the City," which was formed in 1997 under the direction of the Archbishop of the Archdiocese of Washington, DC (the Archdiocese). The Consortium was officially incorporated in 2001. The goal of the Consortium is to stabilize and revitalize the innercity Catholic schools located in the neediest neighborhoods of Washington, DC.

The Consortium fulfills its mission by operating the following inner city Catholic schools: Sacred Heart, St. Francis Xavier, St. Thomas More, and St. Anthony. Under canon law, all real property is titled to the Archbishop of Washington and the facilities in which the schools operate are considered to be property of the respective parishes.

The Consortium helps establish a consistent academic curriculum across the individual schools while also delivering administrative and financial support to ensure the schools remain affordable and continue to provide students with an excellent education. The Consortium strives to instill in students a sense of faith, a love of learning and, ultimately, produce value-centered graduates who will face the future with hope.

(b) Basis of Presentation

The accompanying financial statements include the financial position, changes in net assets, and cash flows of the Consortium on the accrual basis of accounting.

(c) Cash and Cash Equivalents

The Consortium considers highly liquid, short-term investments consisting of savings, and money market accounts to be cash equivalents. Cash equivalents are reported at fair value. A portion of cash and cash equivalents as reported in the statements of cash flow is presented as cash held for long-term purposes on the statements of financial position.

(d) Furniture and Equipment and Related Depreciation

Furniture and equipment are recorded at cost. Donated equipment is recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is estimated to be three to seven years.

Because the schools' facilities are the property of the sponsoring parishes, the value of these assets is not included in these financial statements. The Consortium does not have any formal lease arrangements with the respective parishes for the use of the school buildings, and as a result, improvements to school buildings paid for by the Consortium are expensed as incurred.

(e) Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of the Consortium and changes therein are classified and reported as follows:

Unrestricted Net Assets – Represent amounts that are available for the operations of the Consortium and are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Represent amounts that are specifically restricted by donors for various programs, purposes, or time periods.

Permanently Restricted Net Assets – Represent amounts subject to donor-imposed stipulations that the net assets be held in perpetuity by the Consortium.

Revenue is reported as increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(f) Revenue Recognition

The Consortium recognizes tuition and fees as revenue over the term of the school year. Deferred tuition and fees represents amounts received during the current fiscal year that pertain to the next school year.

The Consortium recognizes contributions, including unconditional promises to give, in the year received. Unconditional promises to give are recognized at their estimated fair value. The contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When the stipulated time restriction ends or the purpose of the restriction is met on prior year restricted net asset balances, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Pledges receivable that are past due are individually analyzed and an allowance is recognized for potentially uncollectible pledges.

Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills and would need to be purchased, if not provided by donation. Contributed services, equipment and rent are recorded at fair value as unrestricted contributions, unless specifically restricted by the donor.

Prior to fiscal year 2013, support from the Archdiocese was not conditional, therefore, time-restricted contribution revenue and a receivable was recorded at the end of the fiscal year for the amount of support to be provided in the following fiscal year. In fiscal year 2013, support from the Archdiocese became conditional upon being awarded to students for the subsequent school years.

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Therefore, CCA records the award from the Catholic Education Foundation (CEF) as tuition and fees revenue in the year applied to the students' accounts. Amounts approved by CEF to be carried forward to future years are recorded as temporarily restricted and are released from restriction when applied to students.

(g) Income Taxes

The Consortium is recognized as exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying statements of activities on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

(2) Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

		2014	2013
Unconditional promises expected to be collected in:			
Less than one year	$	705,071	878,889
One year to five years		312,000	312,000
Greater than five years		176,352	254,345
Total	$	1,193,423	1,445,234

As of June 30, 2014 and 2013, pledges receivable includes $566,352 and $667,032, respectively, from the Archdiocese for the liabilities existing at June 30, 2008, when the Consortium was restructured. The pledges receivable balance relating to the restructuring is to be received as the external note payable is repaid. Additionally, as of June 30, 2014, a tuition assistance receivable for $341,274 for school year 2013-14 and funds for future year awards of $178,547 remain due from the Archdiocese and as of June 30, 2013, a tuition assistance receivable for $231,865 for school year 2012-13 and funds for future year awards

(Continued)

of $322,837 remain due from the Archdiocese. Pledges receivable from unrelated donors at June 30, 2014 and 2013 totaled $107,250 and $223,500, respectively.

(3) Furniture and Equipment

The Consortium held the following furniture and equipment as of June 30:

		2014	2013
Equipment	$	262,900	262,900
Furniture		132,992	132,272
Furniture and equipment, gross		395,892	395,172
Less accumulated depreciation		(381,109)	(377,815)
Furniture and equipment, net	$	14,783	17,357

For the years ended June 30, 2014 and 2013, depreciation expense of $3,294 and $4,489, respectively, is included in the accompanying statements of activities.

(4) Note Payable

On January 26, 2011, the Consortium signed an amendment to an original loan agreement dated October 6, 2005 with Building Hope, a private foundation. The original promissory note provided funding for certain renovations of the Consortium's schools and specific schools that were previously overseen by the Consortium. Under the amended terms, the total loan commitment is $839,345 with a maturity date of October 1, 2021. The loan bears no interest unless there is an event of default, at which time the interest rate of 8% per annum shall apply to the remaining balance until such defaulted installment is paid in full. The Consortium makes principal payments of $6,500 on a monthly basis.

The future minimum principal payments required on the note payable are as follows at June 30, 2014:

Year ending June 30:		
2015	$	78,000
2016		78,000
2017		78,000
2018		78,000
2019		78,000
Thereafter		176,352
		566,352
Unaccreted discount		(100,910)
	$	465,442

(5) Temporarily Restricted Net Assets

The temporarily restricted net assets of the Consortium are available for the following programs or purposes as of June 30:

		2014	2013
Archdiocesan tuition assistance	$	178,547	322,837
Endowment earnings		15,830	50,680
Restricted due to time:			
Pledge receivable		100,000	200,000
Imputed interest on loan		100,910	128,617
Paula Nowakowski Scholarship Fund		156,800	85,531
Other restrictions		16,481	16,481
	$	568,568	804,146

(6) Endowments

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (the Act), the provisions of which apply to funds existing on or established after that date.

The Board of Directors of the Consortium has interpreted the Act as allowing the Consortium to spend or accumulate the amount of an endowment fund that the Consortium determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. For accounting and reporting purposes, the Consortium classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. If the disbursements under the spending rate policy exceed accumulated earnings, the deficiency is classified as an offset to unrestricted net assets until such time as it is recovered by future earnings. In accordance with the Act, the Consortium considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds (1) the duration and preservation of the fund, (2) the purposes of the Consortium and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Consortium, and (7) the investment policies of the Consortium.

The Consortium plans to adopt investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Consortium must hold in perpetuity. Because of the small size of the endowments, endowment assets are currently held in cash equivalents until a more appropriate investment vehicle is available. No disbursements have been made from either endowment corpus or earnings.

Endowment net assets composition by type of fund was as follows as of June 30:

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	830	152,150	152,980

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	680	152,150	152,830

The only change in endowment net assets for the fiscal year ended June 30, 2014 was interest income of $150.

(7) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses or by the passage of time as follows during the year ended June 30:

	2014	**2013**
Tuition assistance	$ 357,837	677,163
Paula Nowakowski scholarships	12,010	17,799
Passage of time-collection of pledge receivable	100,000	—
Passage of time-accretion of discount on loan	27,707	31,061
	$ 497,554	726,023

(8) Related-Party Transactions

The Consortium has significant transactions with parishes and related entities of the Archdiocese, of which it is also an affiliate. The nature of these relationships is described below. This is a summary of the impact of significant transactions with these related parties on the statements of financial position and statements of activities as of and for the years ended June 30:

			2014	2013
(a)	***Archdiocesan Support***			
	Pledges receivable (from CPA)	$	573,800	676,980
	Pledges receivable (from CEF)		512,373	544,754
	Accounts payable and accrued expenses (to CPA)		624,484	949,223
	Accrued salaries and benefits (to CPA)		42,824	115,637
	Tuition assistance revenue (from CEF)		997,500	—
	Insurance program expenses (with CPA)		705,132	666,628
	Administrative expenses (with CPA)		687,807	414,604
(b)	***Support from Parishes***			
	Contributed rent revenue and instruction expense		602,650	570,013
	Consortium parish support		72,050	30,305
(c)	***Other Contributions –*** Gifts from other parishes		906,774	881,242
(d)	***Support from Board Members and Employees***		55,000	46,000

(a) Archdiocesan Support

The Consortium receives support from the Archdiocese in the form of tuition assistance. CEF has indicated that it expects to provide up to $1,000,000 in tuition assistance support to students attending Consortium schools for the year ending June 30, 2015. Uncollected tuition assistance from prior years is recorded as pledges receivable.

The Central Pastoral Administration of the Archdiocese of Washington (CPA) pays certain expenses on behalf of the Consortium and bills the Consortium for the amounts paid. The balance due is included in accounts payable and accrued expenses.

The Consortium participates in the Archdiocesan insurance programs, which are self-insured up to certain limits, for property casualty, workers’ compensation, life insurance, and health claims (Insurance program expenses).

The CPA provides accounting and administrative services, rents office space, and provides maintenance for Consortium school buildings (Administrative expenses).

The Archdiocese has committed to provide future financial stability to the Consortium to ensure continued operations at least through December 31, 2015.

(b) Support from Parishes

The Consortium's schools utilize space in buildings owned by parishes within the Archdiocese of Washington. The value of space utilized by the Consortium is based on the estimated amount of depreciation that would be recognized on the replacement cost of these facilities. The Consortium also received general operating support shown as parish support from the Consortium parishes.

(c) Other Contributions

The Consortium receives contributions through the Archdiocese representing gifts from parishes of certain former Consortium schools.

(d) Support from Board Members and Employees

Members of the Board of Directors and employees provide contributions to the Consortium on a regular basis.

(9) Concentration of Risk

The Consortium's cash is held at one financial institution. Although the amounts at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation ($250,000), and therefore, bears some risk, the Consortium has neither experienced nor anticipates any losses on its funds. As of June 30, 2014, the amount held by the financial institution in excess of the insured limit totaled $1,434,367.

(10) Retirement Plan

The Consortium participates in the Retirement Plan (the Retirement Plan) of the Archdiocese of Washington, a defined-benefit plan, which was frozen effective December 31, 2012. No further benefits will be accrued. To be eligible for participation in the Retirement Plan, an employee must have completed one year of service, be 21 years of age, and regularly work 20 or more hours per week. Information as to vested and nonvested benefits, as well as plan assets and unfunded liabilities, related solely to the Consortium is not readily determinable. In accordance with Accounting Standards Codification 715-30-55-63, the Consortium accounts for its participation in the Retirement Plan as a multiemployer plan.

Effective January 1, 2013, the Consortium also participates in a 403(b) plan, the Archdiocese of Washington Retirement Savings Plan (the Plan). The Plan is a defined-contribution plan covering all employees immediately upon date of hire who regularly work 20 hours or more per week. Participants are eligible to make contributions as salary deductions from 1% to 100% of pay up to a maximum of $17,500 per year for employees less than 50 years of age and up to $23,000 for those 50 and older. For the first 4% of salary an employee contributes to the plan, the Consortium provides a 50% match. The Consortium also provides an annual contribution between 1% and 4% based on years of service, regardless of employee participation in the Plan. Employer contributions vest at a rate of 20% per year for five years.

During the years ended June 30, 2014 and 2013, the Consortium's portion of retirement costs was $198,622 and $225,430, respectively. Beginning January 1, 2013, it is anticipated that approximately 50% of the retirement cost, net of expenses, will fund the new 403(b) plan and the other portion will be used to fund the deficit of the frozen defined-benefit plan.

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(11) Subsequent Events

In preparing these financial statements, the Consortium has evaluated events and transactions for potential recognition or disclosure through November 25, 2014, the date the financial statements were available to be issued. There were no events or transactions that were discovered during the evaluation that required accrual or further disclosure.