CONSORTIUM OF CATHOLIC ACADEMIES

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Financial Position

June 30, 2015 and 2014

Assets		**2015**	**2014**
Cash and cash equivalents (note 9)	$	969,756	1,327,074
Tuition receivable, net		34,107	59,786
Pledges receivable, net (notes 2 and 8)		1,118,292	1,193,423
Funds held by others (note 8)		2,063,196	—
Accounts receivable		622,767	2,185
Prepaid expense		45,035	8,060
Furniture and equipment, net (note 3)		92,811	14,783
Cash held for long-term purposes		153,286	152,980
Total assets	$	5,099,250	2,758,291
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 8)	$	186,774	719,230
Accrued salaries and benefits (note 8)		580,147	617,392
Refundable advances		35,000	105,000
Deferred tuition and fees		102,120	71,134
Note payable, net (note 4)		411,795	465,442
Total liabilities		1,315,836	1,978,198
Net assets:			
Unrestricted		2,868,212	59,375
Temporarily restricted (note 5)		763,052	568,568
Permanently restricted (note 6)		152,150	152,150
Total net assets		3,783,414	780,093
Total liabilities and net assets	$	5,099,250	2,758,291

See accompanying notes to financial statements.

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Activities

Years ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Changes in net assets:								
Revenue:								
Tuition and academic fees	$ 4,312,312	—	—	4,312,312	4,228,397	—	—	4,228,397
Contributions from the Archdiocese of Washington (note 8):								
Tuition and fees	831,515	168,485	—	1,000,000	818,953	178,547	—	997,500
Contributed rent from parishes	605,000	—	—	605,000	602,650	—	—	602,650
Other contributions	933,848	—	—	933,848	906,774	—	—	906,774
Parish support	63,850	—	—	63,850	72,050	—	—	72,050
Contributions and fundraising revenue	4,402,496	403,339	—	4,805,835	2,166,715	83,279	—	2,249,994
Other income	2,839	306	—	3,145	623	150	—	773
Net assets released from restrictions (note 7)	377,646	(377,646)	—	—	497,554	(497,554)	—	—
Total revenue	11,529,506	194,484	—	11,723,990	9,293,716	(235,578)	—	9,058,138
Expenses (note 8):								
Program services:								
Instruction	7,012,779	—	—	7,012,779	6,624,478	—	—	6,624,478
Nursery school, daycare and other services	231,912	—	—	231,912	214,978	—	—	214,978
Total program services	7,244,691	—	—	7,244,691	6,839,456	—	—	6,839,456
Supporting services:								
General and administrative	1,108,427	—	—	1,108,427	1,085,567	—	—	1,085,567
Development	367,551	—	—	367,551	484,515	—	—	484,515
Total supporting services	1,475,978	—	—	1,475,978	1,570,082	—	—	1,570,082
Total expenses	8,720,669	—	—	8,720,669	8,409,538	—	—	8,409,538
Change in net assets	2,808,837	194,484	—	3,003,321	884,178	(235,578)	—	648,600
Net assets (deficit), beginning of year	59,375	568,568	152,150	780,093	(824,803)	804,146	152,150	131,493
Net assets, end of year	$ 2,868,212	763,052	152,150	3,783,414	59,375	568,568	152,150	780,093

See accompanying notes to financial statements.

CONSORTIUM OF CATHOLIC ACADEMIES

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	3,003,321	648,600
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		12,523	3,294
Imputed interest on note payable		24,353	27,707
Changes in assets and liabilities:			
Tuition receivable		25,679	15,187
Pledges receivable		75,131	251,811
Funds held by others		(2,063,196)	—
Accounts receivable		(620,582)	(402)
Prepaid expense		(36,975)	(1,560)
Accounts payable and accrued expenses		(532,456)	(283,747)
Accrued salaries and benefits		(37,245)	(19,813)
Refundable advances		(70,000)	15,000
Deferred tuition and fees		30,986	(60,681)
Net cash (used in) provided by operating activities		(188,461)	595,396
Cash flows from investing activity:			
Purchase of furniture and equipment		(90,551)	(720)
Net cash used in investing activity		(90,551)	(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 (decrease) increase in cash and cash equivalents		(357,012)	516,676
Cash and cash equivalents at beginning of year		1,480,054	963,378
Cash and cash equivalents at end of year	$	1,123,042	1,480,054
Noncash financing activity:			
Imputed interest on note payable	$	24,353	27,707

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 inner-city 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 flows 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.

(Continued)

(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 increases in unrestricted net assets unless use of the related assets is limited by donor-imposed 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. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor's 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.

Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. 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.

The Consortium records awards 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.

(Continued)

(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. No provision has been made for income taxes during the fiscal years ended June 30, 2015 and 2014 since the Consortium had no significant unrelated business income.

Tax positions are recognized or derecognized based on a more-likely than-not threshold. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which change in judgment occurs. This applies to positions taken or expected to be taken in a tax return. The Consortium recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and accrued liabilities, if assessed. No interest expense or penalties have been recognized as of and for the years ended June 30, 2015 and 2014. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure 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 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:

		2015	2014
Unconditional promises expected to be collected in:			
Less than one year	$	707,940	705,071
One year to five years		312,000	312,000
Greater than five years		98,352	176,352
	$	1,118,292	1,193,423

As of June 30, 2015 and 2014, pledges receivable includes $488,352 and $566,352, 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, 2015, a tuition assistance receivable for $361,641 for school year 2014-15 and funds for future year awards of $168,485 remain due from the Archdiocese and 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. The Consortium also has pledges receivable from CEF of $72,064 at June 30, 2015. Pledges receivable from unrelated donors at June 30, 2015 and 2014 totaled $27,750 and $107,250, respectively.

(3) Furniture and Equipment

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

		2015	2014
Equipment	$	353,451	262,900
Furniture		132,992	132,992
Furniture and equipment, gross		486,443	395,892
Less accumulated depreciation		(393,632)	(381,109)
Furniture and equipment, net	$	92,811	14,783

For the years ended June 30, 2015 and 2014, depreciation expense of $12,523 and $3,294, 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, 2015:

Year ending June 30:		
2016	$	78,000
2017		78,000
2018		78,000
2019		78,000
2020		78,000
Thereafter		98,352
		488,352
Unaccreted discount		(76,557)
	$	411,795

(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:

		2015	2014
Archdiocesan tuition assistance	$	168,485	178,547
Other tuition assistance		276,954	31,481
Endowment earnings		1,136	830
Restricted due to time:			
Pledge receivable		—	100,000
Imputed interest on loan		76,557	100,910
Paula Nowakowski Scholarship Fund		239,920	156,800
	$	763,052	568,568

(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:

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	1,136	152,150	153,286

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

The only change in endowment net assets for the fiscal year ended June 30, 2015 was interest income of $306.

(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:

		2015	2014
Tuition assistance	$	240,729	357,837
Paula Nowakowski scholarships		12,564	12,010
Passage of time-collection of pledge receivable		100,000	100,000
Passage of time-accretion of discount on loan		24,353	27,707
	$	377,646	497,554

(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:

		2015	2014
(a) Archdiocesan amounts:			
Pledges receivable (from CPA)	$	488,352	573,800
Pledges receivable (from CEF)		602,190	512,373
Other receivable (from CPA)		622,178	—
Funds held by others (from CPA)		2,063,196	—
Accounts payable and accrued expenses (to CPA)		8,887	624,484
Accrued salaries and benefits (to CPA)		66,160	42,824
Tuition assistance revenue (from CEF)		1,000,000	997,500
Gift from CPA		225,000	225,000
Insurance program expenses (with CPA)		715,319	705,132
Administrative expenses (with CPA)		754,492	687,807
(b) Support from parishes:			
Contributed rent revenue and instruction expense		605,000	602,650
Consortium parish support		63,850	72,050
(c) Other contributions:			
Gifts from other parishes		933,848	906,774
(d) Support from board members and employees		217,500	55,000

(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 ended June 30, 2015. Uncollected tuition assistance from prior years is recorded as pledges receivable.

Funds held by others represent a one-time gift of $2,063,196 received by the Central Pastoral Administration of the Archdiocese of Washington (CPA) for the benefit of the Consortium in June 2015.

The 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, 2016.

(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, 2015, the amount held by the financial institution in excess of the insured limit totaled $1,012,763.

(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, 2015 and 2014, the Consortium’s portion of retirement costs was $321,512 and $198,622, 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.

(11) Subsequent Events

In preparing these financial statements, the Consortium has evaluated events and transactions for potential recognition or disclosure through November 25, 2015, 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.