Consortium of Catholic Academies

Financial Statements

For the Years Ended June 30, 2012 and 2011

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Corporate Members and Board of Directors of the
Consortium of Catholic Academies

We have audited the accompanying statements of financial position of the Consortium of Catholic Academies (the Consortium) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Raffa, P.C.

Washington, DC
February 5, 2013

CONSORTIUM OF CATHOLIC ACADEMIES

STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 601,209	$ 249,897
Tuition receivable, net	80,747	55,790
Pledges receivable	2,611,417	2,263,702
Accounts receivable	1,223	11,042
Prepaid expenses	6,500	21,500
Furniture and equipment, net	21,846	15,220
TOTAL ASSETS	$ 3,322,942	$ 2,617,151
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 943,990	$ 1,023,172
Accrued salaries and benefits	866,719	738,972
Deferred tuition and fees	121,392	113,183
Note payable, net	562,674	606,259
TOTAL LIABILITIES	2,494,775	2,481,586
Net Assets (Deficit)		
Unrestricted	(991,311)	(1,371,378)
Temporarily restricted	1,601,178	1,354,793
Permanently restricted	218,300	152,150
TOTAL NET ASSETS	828,167	135,565
TOTAL LIABILITIES AND NET ASSETS	$ 3,322,942	$ 2,617,151

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

CONSORTIUM OF CATHOLIC ACADEMIES

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Tuition and academic fees	$ 3,463,330	$ -	$ -	$ 3,463,330	$ 3,213,708	$ -	$ -	$ 3,213,708
Contributions from the Archdiocese of Washington:								
Tuition assistance	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
Contributed rent from parishes	544,300	-	-	544,300	539,925	-	-	539,925
Other contributions	855,007	-	-	855,007	839,056	-	-	839,056
Parish support	37,900	-	-	37,900	34,320	-	-	34,320
Contributions and fundraising revenue	1,842,644	736,450	66,150	2,645,244	1,012,512	717,339	102,150	1,832,001
Other income	15,749	-	-	15,749	9,071	-	-	9,071
Interest income	2,668	197	-	2,865	790	244	-	1,034
Net assets released from restrictions:								
Satisfaction of program restrictions	1,455,847	(1,455,847)	-	-	1,656,294	(1,656,294)	-	-
Satisfaction of time restrictions	34,415	(34,415)	-	-	18,046	(18,046)	-	-
TOTAL REVENUE AND SUPPORT	8,251,860	246,385	66,150	8,564,395	7,323,722	43,243	102,150	7,469,115
EXPENSES								
Program Services:								
Instruction	5,477,278	-	-	5,477,278	5,316,913	-	-	5,316,913
Nursery school, day care and other services	423,043	-	-	423,043	436,158	-	-	436,158
Total Program Services	5,900,321	-	-	5,900,321	5,753,071	-	-	5,753,071
Supporting Services:								
General and administrative	1,609,750	-	-	1,609,750	1,749,146	-	-	1,749,146
Development	361,722	-	-	361,722	152,322	-	-	152,322
Total Supporting Services	1,971,472	-	-	1,971,472	1,901,468	-	-	1,901,468
TOTAL EXPENSES	7,871,793	-	-	7,871,793	7,654,539	-	-	7,654,539
CHANGE IN NET ASSETS	380,067	246,385	66,150	692,602	(330,817)	43,243	102,150	(185,424)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(1,371,378)	1,354,793	152,150	135,565	(1,040,561)	1,311,550	50,000	320,989
NET ASSETS (DEFICIT), END OF YEAR	$ (991,311)	$ 1,601,178	$ 218,300	$ 828,167	$ (1,371,378)	$ 1,354,793	$ 152,150	$ 135,565

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

CONSORTIUM OF CATHOLIC ACADEMIES

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 692,602	$ (185,424)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,374	9,687
Imputed interest on note payable	34,415	(186,043)
Allowance for uncollectible tuition	-	(264,312)
Changes in assets and liabilities:		
Tuition receivable	(24,957)	258,122
Pledges receivable	(347,715)	(15,355)
Accounts receivable	9,819	(4,131)
Prepaid expenses	15,000	(21,500)
Accounts payable and accrued expenses	(79,182)	309,391
Accrued salaries and benefits	127,747	56,912
Deferred tuition and fees	8,209	36,597
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	443,312	(6,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(14,000)	(12,431)
NET CASH USED IN INVESTING ACTIVITIES	(14,000)	(12,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(78,000)	(307,965)
NET CASH USED IN FINANCING ACTIVITIES	(78,000)	(307,965)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	351,312	(326,452)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	249,897	576,349
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 601,209	$ 249,897
SUPPLEMENTAL DISCLOSURES		
NONCASH INVESTING ACTIVITIES		
Donated equipment	$ 14,000	$ -
NONCASH FINANCING ACTIVITIES		
Imputed interest on note payable	$ 34,415	$ 18,046
Cash payments for interest	$ -	$ 16,170

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

1. Organization and Summary of Significant Accounting Policies

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 overseeing the operation of the following inner city Catholic schools: Sacred Heart, St. Francis Xavier, St. Thomas More and St. Anthony.

The Consortium helps establish a consistent academic curriculum across the individual schools while also providing administrative services, such as billing and collecting tuition, and overseeing the operational budgets of the individual schools.

Effective July 1, 2008, seven schools that were previously overseen by the Consortium were converted to DC public charter schools (Assumption, Holy Comforter/St. Cyprian, Holy Name, St. Gabriel, Nativity, St. Francis de Sales and Immaculate Conception). One school, St. Augustine, was returned to parish oversight.

Basis of Accounting

The financial statements of the Consortium have been prepared on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred or prepaid in the accompanying statements of financial position.

Cash Equivalents

The Consortium considers highly liquid short-term investments consisting of savings and money market accounts to be cash equivalents.

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. Real estate and building assets, such as school buildings managed by the Consortium, are owned by the respective school's parish, and accordingly, 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

1. Organization and Summary of Significant Accounting Policies (continued)

Unrestricted Net Assets

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

Temporarily restricted net assets represent amounts that are specifically restricted by donors for various programs, purposes or time periods.

Permanently Restricted Net Assets

Permanently restricted net assets represent amounts subject to donor-imposed stipulations that the net assets be held in perpetuity by the Consortium.

Revenue Recognition

The Consortium recognizes tuition and fees as revenue over the term of the school year. Deferred tuition and fees represent 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. The contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized at their estimated fair value. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements 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 equipment and rent are recorded at fair value as unrestricted contributions, unless specifically restricted by the donor.

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.

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.

Continued

2. Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 2,511,417	$ 2,263,702
One year to five years	100,000	-
Total	2,611,417	2,263,702

Pledge receivable for the years ended June 30, 2012 and 2011 are considered fully collectible.

As of June 30, 2012, pledges receivable includes academic year funding due from the Archdiocese, of which $410,605 is due for the 2011-2012 academic year, and $1,000,000 is due for the 2012-2013 academic year. As of June 30, 2011, $1,122,225 is due for the 2011-2012 academic year. There is also a remaining pledge of $667,031 as of June 30, 2012 and 2011, which is related to the subsidy from the Archdiocese for the liabilities existing at June 30, 2008, when the Consortium was restructured. Additionally, as of June 30, 2012 and 2011, $142,780 and $69,446, respectively, of unrestricted other contributions are due from the Archdiocese.

3. Furniture and Equipment

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

	2012	2011
Equipment	$ 262,900	$ 248,900
Furniture	132,272	132,272
Total	395,172	381,172
Less: Accumulated Depreciation	(373,326)	(365,952)
Net Furniture and Equipment	$ 21,846	$ 15,220

For the years ended June 30, 2012 and 2011, depreciation expense of $7,374 and $9,687, respectively, is included in the accompanying statements of activities.

Continued

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. 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 at follows at June 30, 2012:

For the Year Ending June 30,	
2013	$ 78,000
2014	78,000
2015	78,000
2016	78,000
2017	78,000
Thereafter	332,345
Total	$ 722,345

As the Building Hope note payable does not bear interest and is, therefore, a below-market loan, the Consortium discounted the note payable using an effective interest rate of prime plus 1% which was 4.3% in January 2011. The original note accrued interest at the rate of 2% per annum and was, therefore, also a below-market loan. The Consortium has amortized the discount and recorded interest expense of $34,415 and $18,046, for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the remaining unamortized discount was $159,671and $194,093, respectively.

During the year ended June 30, 2011, the Consortium recorded a temporarily restricted contribution in the amount of $212,139, which represents the interest expense of the note payable over the life of the loan if the note were obtained at fair market value using an interest rate of 4.3%. This amount is included in contributions and fundraising revenue in the accompanying statements of activities for the year ended June 30, 2011. For the years ended June 30, 2012 and 2011, $34,415 and $18,046, respectively, are released from restrictions.

The amended loan agreement requires audited financial statements to be submitted to Building Hope within 180 days after the end of the fiscal year. The Consortium did not meet this requirement for the years ended June 30, 2012 and 2011.

Continued

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:

	2012	2011
Future year Archdiocese funding	$ 1,000,000	$ 1,000,000
Future Boehner dinner	225,000	30,200
Tuition assistance	200,000	75,000
Restricted due to time – imputed interest on loan	159,678	194,093
Charity Works grant	16,500	25,500
Consortium-wide assistance	-	30,000
Total Temporarily Restricted Net Assets	$ 1,601,178	$ 1,354,793

6. Permanently Restricted Net Assets

The Consortium's permanently restricted net assets totaled $218,300 and $152,150 as of June 30, 2012 and 2011, respectively. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Consortium has interpreted the DC Uniform Prudent Management of Institutional Funds Act as 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 Consortium classifies the following 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.

Earnings from the permanently restricted net assets are to be used to fund scholarships and are therefore included in temporarily restricted interest income in the accompanying statements of activities. As of June 30, 2012 and 2011, all earnings have been spent.

The Consortium's endowment had the following activity for the years ended June 30:

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 152,150	$ 152,150
Contributions	-	66,150	66,150
Interest and dividends, net of investment expense	197	-	197
Amounts appropriated for expenditure	(197)	-	(197)
Change in Net Assets	-	-	-
Net Assets, End of Year	$ -	$ 218,300	$ 218,300

Continued

6. Permanently Restricted Net Assets (continued)

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 50,000	$ 50,000
Contributions	-	102,150	102,150
Interest and dividends, net of investment expense	244	-	244
Amounts appropriated for expenditure	(244)	-	(244)
Change in Net Assets	-	-	-
Net Assets, End of Year	$ -	$ 152,150	$ 152,150

The Consortium's endowment had the following net asset composition as of June 30:

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 218,300	$ 218,300
Temporarily restricted	-	-	-
Endowment Net Assets, End of Year	$ -	$ 218,300	$ 218,300

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 152,150	$ 152,150
Temporarily restricted	-	-	-
Endowment Net Assets, End of Year	$ -	$ 152,150	$ 152,150

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 years ended June 30:

	2012	2011
Fiscal year 2011-2012 Archdiocese funding	$ 1,000,000	$ 1,000,000
Tuition assistance	368,015	400,000
Consortium-wide assistance	57,632	256,294
Time	34,415	18,046
Fiscal year 2012 Boehner dinner	30,200	-
Total Temporarily Restricted Release	$ 1,490,262	$ 1,674,340

Continued

8. Related Party Transactions

Archdiocesan Support

The Consortium receives support from the Archdiocese in the form of operations subsidies and tuition assistance. As of June 30, 2012 and 2011, pledges receivable from the Archdiocese of $2,220,416 and $1,858,702, respectively, are included in the accompanying statements of financial position. The Consortium expects to receive continuing Archdiocesan contributions for its operations, as described in Note 12 of these financial statements. The Archdiocese also pays certain expenses on behalf of the Consortium and bills the Consortium for the amounts paid. As of June 30, 2012 and 2011, the total amount due to the Archdiocese is $962,400 and $932,116, respectively, and is included in accounts payable and accrued expenses and accrued salaries and benefits in the accompanying statements of financial position.

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 recognized $544,300 and $539,925 in contributed rent revenue and expense in the accompanying financial statements for the value of the space utilized by Consortium operations for the years ended June 30, 2012 and 2011, respectively.

The Consortium also received general operating support shown as parish support from the respective parishes totaling $37,900 and $34,320 for the years ended June 30, 2012 and 2011, respectively.

Other Contributions

The Consortium also receives contributions through the Archdiocese representing gifts from parishes of certain former Consortium schools. Contribution income for the years ended June 30, 2012 and 2011, includes $855,007 and $839,056, respectively, from this source, of which $142,780 and $69,446 is in pledges receivable as of June 30, 2012 and 2011, respectively.

Insurance and Benefit Programs

For the years ended June 30, 2012 and 2011, the Consortium expensed $335,751 and $350,821, respectively, for Archdiocesan insurance programs, of which $63,834 was payable at June 30, 2011, and is included in accounts payable and accrued expenses. The Archdiocesan programs are self-insured, up to certain limits, for property, casualty, worker compensation and health insurance. Insurance costs have been allocated among the programs and supporting services benefited.

Continued

8. Related Party Transactions (continued)

Insurance and Benefit Programs (continued)

The Consortium participates in the multi-employer Retirement Plan of the Archdiocese of Washington. To be eligible for participation in the defined benefit plan, an employee must have completed one year of service and be over 21 years of age. During the years ended June 30, 2012 and 2011, the Consortium's portion of retirement costs totaled $284,277 and $268,847, respectively, of which $217,470 and $177,407 was payable at June 30, 2012 and 2011, respectively, and is included in the total amounts due to the Archdiocese. Because the plan is part of a multi-employer plan, information as to vested and non-vested benefits, as well as plan assets, as it relates solely to the Consortium, is not readily available.

Support from Board Members

Members of the Board of Directors provide contributions to the Consortium on a regular basis. The contributions made by members of the Board of Directors totaled $116,740 and $530,000 for the years ended June 30, 2012 and 2011, respectively.

Memorandum of Understanding

During the year ended June 30, 2012, the Consortium and the Archdiocese entered into a memorandum of understanding whereby the Consortium's administrative staff became employees of the Archdiocese, and the services provided by these administrative staff were billed to the Consortium at the same cost as when they were employed by the Consortium.

9. Concentration of Risk

The Consortium's cash is held in several accounts at a financial institution. Although the amounts, at times, exceed the amount guaranteed by the Federal Deposit Insurance Corporation ($250,000) and, therefore, bear some risk, the Consortium has neither experienced nor anticipates any losses on its funds. As of June 30, 2012 and 2011, the amount in excess of the insured limit totaled $779,988 and $147,334, respectively.

10. Income Taxes

The Consortium is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended June 30, 2012 and 2011, as the Consortium had no net unrelated business income.

In accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, the Consortium has evaluated its income tax positions for the years ended June 30, 2012 and 2011, and has determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is the Consortium's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2012 and 2011, the Consortium had no accruals for interest and/or penalties.

Continued

11. Subsequent Events

The Consortium's management has evaluated subsequent events through February 5, 2013, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

12. Management's Plans

The Consortium's management recognizes the deficit in unrestricted net assets and its effect on future operations. The Archdiocese has committed to provide future financial stability to the Consortium. The Archdiocese has promised $1,000,000 of operations subsidy support to the Consortium for the year ending June 30, 2013, and the Consortium plans to raise sufficient contributions to cover expenses in fiscal year 2013. The Archdiocese has committed to provide support for the Consortium to ensure continued operations at least through December 31, 2013.