Financial Statements
June 30, 2015 and 2014

Catholic Education Arizona

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Catholic Education Arizona
Phoenix, Arizona

Report on the Financial Statements
We have audited the accompanying financial statements of Catholic Education Arizona, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's 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 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 Catholic Education Arizona as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Phoenix, Arizona
December 15, 2015

	2015	2014
Assets		
Cash and cash equivalents	$ 17,106,051	$ 16,732,748
Certificates of deposits	2,474,099	2,213,716
Contributions receivable	51,837	43,182
Prepaid expenses	7,398	-
	19,639,385	18,989,646
Property and equipment		
Furniture and equipment	10,340	12,108
Computer equipment	9,572	7,858
	19,912	19,966
Less accumulated depreciation	(11,645)	(14,827)
Total property and equipment	8,267	5,139
Total assets	$ 19,647,652	$ 18,994,785
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 15,339	$ 22,188
Scholarship awards payable	16,778,908	16,246,834
Total liabilities	16,794,247	16,269,022
Unrestricted Net Assets	2,853,405	2,725,763
Total liabilities and net assets	$ 19,647,652	$ 18,994,785

	2015	2014
Support and Revenue		
Contributions - individual	$ 13,887,045	$ 13,599,162
Contributions - corporate	3,131,224	3,541,246
Other contributions	179,650	328,410
Interest income	56,234	26,644
Total support and revenue	17,254,153	17,495,462
Expenses		
Program services expense	16,225,999	15,636,964
Supporting services expense		
Management and general	272,934	315,215
Fundraising and development	627,578	671,221
Total supporting services expenses	900,512	986,436
Total expenses	17,126,511	16,623,400
Change in Net Assets	127,642	872,062
Unrestricted Net Assets, Beginning of Year	2,725,763	1,853,701
Unrestricted Net Assets, End of Year	$ 2,853,405	$ 2,725,763

	2015			
	Program Services	Management and General	Fundraising	Total
Scholarship Awards				
Individual	$ 7,892,844	$ -	$ -	$ 7,892,844
Individual switcher	4,583,987	-	-	4,583,987
Corporate	2,815,569	-	-	2,815,569
Discretionary awards	716,698	-	-	716,698
	16,009,098	-	-	16,009,098
Other Expenses				
Salaries and benefits	160,000	83,054	217,647	460,701
Professional services	41,427	42,828	62,316	146,571
Advertising and promotion	-	33,681	45,595	79,276
Printing	-	-	52,986	52,986
Credit card fees	-	-	204,202	204,202
Postage and delivery	2,298	1,699	17,891	21,888
Other	13,176	111,672	26,941	151,789
	216,901	272,934	627,578	1,117,413
Total expenses	$ 16,225,999	$ 272,934	$ 627,578	$ 17,126,511

2014			
Program Services	Management and General	Fundraising	Total
$ 7,936,943	$ -	$ -	$ 7,936,943
4,325,526	-	-	4,325,526
3,184,572	-	-	3,184,572
-	-	-	-
15,447,041	-	-	15,447,041
155,155	85,219	237,242	477,616
20,421	109,243	45,812	175,476
-	36,949	95,484	132,433
245	30	57,080	57,355
-	-	192,067	192,067
742	54	16,625	17,421
13,360	83,720	26,911	123,991
189,923	315,215	671,221	1,176,359
$ 15,636,964	$ 315,215	$ 671,221	$ 16,623,400

	2015	2014
Operating Activities		
Change in net assets	$ 127,642	$ 872,062
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,979	1,900
Loss on disposal of property and equipment	1,228	-
Changes in assets and liabilities		
Contributions receivable	(8,655)	48,590
Prepaid expenses	(7,398)	-
Scholarship awards payable	532,074	1,112,256
Accounts payable and accrued expenses	(6,849)	3,509
Net Cash from Operating Activities	641,021	2,038,317
Cash Flows from Investing Activities		
Purchase of property and equipment	(7,335)	(2,236)
Purchase of certificates of deposit	(260,383)	(105,420)
Net Cash Used for Investing Activities	(267,718)	(107,656)
Net Change in Cash and Cash Equivalents	373,303	1,930,661
Cash and Cash Equivalents, Beginning of Year	16,732,748	14,802,087
Cash and Cash Equivalents, End of Year	$ 17,106,051	$ 16,732,748

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

Catholic Education Arizona (the Organization) was founded in 1998 and provides educational scholarships and tuition grants to eligible families to use at any qualified Catholic school in the State of Arizona. The Organization is a school tuition organization as defined in Arizona Revised Statute 43-1089, and as such, must allocate at least 90 percent of its qualifying annual revenue for educational scholarships or tuition grants.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other assets and liabilities.

Cash and Cash Equivalents

The Organization maintains its available cash at multiple financial institutions. Deposits at each financial institution are insured at limited amounts by the Federal Deposit Insurance Corporation (FDIC). In the normal course of operations, the Organization, at times, may maintain deposits in excess of the guaranteed amount.

For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

The Organization maintains investments in certificates of deposit at multiple financial institutions. These certificates of deposit earn interest between 0.30% and 1.0% per annum, and have maturities ranging from six to eighteen months, with penalties for early withdrawal.

Contributions Receivable

Contributions receivable consists of promises to give that are to be collected over the next twelve months. Due to the nature of these receivables, management has determined the allowance to be $0 for the years ended June 30, 2015 and 2014. Accordingly, no allowance for doubtful accounts is reflected in these financial statements. Receivables are reported at the amount management expects to collect on balances outstanding at year end.

Property and Equipment

Property and equipment are stated at historical cost, or if donated, at the fair market value at the date of the gift. It is the Organization's policy to capitalize property and equipment with a useful life greater than one year and a cost or fair market value in excess of $500. Depreciation of property and equipment is computed using an accelerated method over the estimated useful lives of the assets, which range from five to ten years. Depreciation expense was $2,979 and $1,900 for the years ended June 30, 2015 and 2014, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has not received any temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Scholarship Awards

Annually, the Organization's Board of Directors approves the scholarship amounts that will be paid in the succeeding year. Scholarship awards were $15,292,400 and $15,447,041 for the years ended June 30, 2015 and 2014, respectively, which represents 90 percent of total scholarship contributions for each year. Scholarship awards are allocated as contributions are received during the year and paid out to the schools in the following year resulting in scholarship awards payable. Scholarship awards payable as of June 30, 2015 and 2014 were $16,778,908 and $16,246,834, respectively.

In addition, the Organization's Board of Directors approved discretionary scholarships in the amount of $716,698 and $0 for the years ended June 30, 2015 and 2014, respectively, that are separate from tuition scholarships qualifying for the state tax credit. Funds for these discretionary scholarships were used from the remaining ten percent of contributions received in past years.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefitted. Administration expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

Advertising Costs

The Organization uses various forms of advertising to solicit contributions and promote its programs among the public. Advertising costs are expensed as incurred. Advertising expenses were $79,276 and $132,433 for the years ended June 30, 2015 and 2014, respectively.

Income Taxes

Catholic Education Arizona is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contributions deduction under Section 170, and has been determined not to be a private foundation under Section 509(a)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting the Organization's annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated subsequent events through December 15, 2015, the date that these financial statements were available to be issued. There were no subsequent events that require adjustment to, or disclosure in the financial statements.

Note 2 - Operating Leases

The Organization leases its office space under a non-cancelable operating lease agreement which expires during September 2017. The Organization also leases certain office equipment under operating lease agreements with a term of five years, which expire between 2015 and 2019. Rent expense incurred under these operating lease agreements, including month-to-month obligations, was $32,823 and $35,270 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments under these agreements are as follows:

Years Ending June 30,	Amount
2016	$ 31,627
2017	32,343
2018	10,641
	$ 74,611

Note 3 - Retirement Plans

The Organization participates in a 403(b) plan (the Plan), as well as a defined benefit retirement plan, which are multi-employer retirement plans sponsored by the Diocese of Phoenix, which cover substantially all employees who meet certain length of service requirements. Under the terms of the 403(b) plan, the Organization may elect to make discretionary contributions to the Plan. Participants are 100 percent vested in all contributions made by the Organization on their behalf. The Organization made contributions of $3,206 and $3,261 to the 403(b) plan during the years ended June 30, 2015 and 2014, respectively.

Under the terms of the defined benefit retirement plan, pension benefits are based on each participant's average compensation during the highest-earning five consecutive calendar years of employment and years of service. The Organization contributes five percent of employee compensation to fund its share of the Plan. The Organization made contributions of $27,861 and $20,646 to the defined benefit retirement plan during the years ended June 30, 2015 and 2014, respectively. The portion of the Plan’s assets and liabilities allocable to the Organization has not been determined with respect to accumulated benefits. Per the Plan’s audited financial statements, the Plan is approximately 81% funded for the year ended December 31, 2014. In the event of withdrawals from the Plan and under certain other conditions, a contributor to a multi-employer plan may be liable to the Plan for a portion of the underfunded status, if any.

Note 4 - Concentrations

Three vendors represent 18, 15, and 13 percent of expenses excluding scholarships, salaries, and payroll taxes expenses for the year ended June 30, 2015. For the year ended June 30, 2014, three vendors comprised 16, 14 and 10 percent of expenses.

Five corporations comprised 26, 18, 14, 13, and 11 percent of corporate contributions for the year ended June 30, 2015. For the year ended June 30, 2014, six corporates comprised 17, 14, 13, 13, 11 and 11 percent of corporate contributions.