

**SCHOLARSHIP PARTNERS
FOUNDATION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

WITH

INDEPENDENT AUDITOR'S REPORTS



MaherDuessel

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SCHOLARSHIP PARTNERS FOUNDATION

YEARS ENDED JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

| | |
|----------------------------------|---|
| Statements of Financial Position | 1 |
| Statements of Activities | 2 |
| Statements of Cash Flows | 3 |
| Notes to Financial Statements | 4 |

Annual Statements on Receipts and Eligible Expenditures for Listed Scholarship Organizations:

| | |
|--|----|
| Independent Auditor's Report | 10 |
| Annual Statements on Receipts and Eligible Expenditures for Listed Scholarship Organizations | 12 |

Independent Auditor's Report

**The Most Reverend
Edward C. Malesic, JCL
Bishop of the Diocese
of Greensburg
Trustee for the
Scholarship Partners
Foundation**

We have audited the accompanying financial statements of the Scholarship Partners Foundation (Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 of the Foundation 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Foundation adopted ASU 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," which amends the requirements for financial statements for nonprofit entities. The amendment changes how a nonprofit organization classifies net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Mahe Duessel

Pittsburgh, Pennsylvania
October 22, 2019

SCHOLARSHIP PARTNERS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Assets | | |
| <hr/> | | |
| Cash and cash equivalents in bank and on deposit: The Catholic Institute of Greensburg, Pennsylvania | \$ 195,727 | \$ 118,247 |
| | <u>195,727</u> | <u>118,247</u> |
| Total Assets | <u>\$ 195,727</u> | <u>\$ 118,247</u> |
| <hr/> | | |
| Liabilities and Net Assets | | |
| <hr/> | | |
| Liabilities: | | |
| <hr/> | | |
| Due to other Diocesan entities | \$ 12 | \$ 59 |
| Accounts payable | 33,200 | - |
| | <u>33,212</u> | <u>59</u> |
| Total Liabilities | <u>33,212</u> | <u>59</u> |
| <hr/> | | |
| Net Assets: | | |
| <hr/> | | |
| Without donor restrictions | 162,515 | 118,188 |
| | <u>162,515</u> | <u>118,188</u> |
| Total Liabilities and Net Assets | <u>\$ 195,727</u> | <u>\$ 118,247</u> |

See accompanying notes to financial statements.

SCHOLARSHIP PARTNERS FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| <u>Net Assets Without Donor Restrictions:</u> | | |
| Revenues and other support: | | |
| EITC contributions | \$ 432,400 | \$ 465,867 |
| PKTC contributions | 10,000 | 18,500 |
| SOAR contributions | 2,362 | - |
| SOAR PKTC contributions | 148 | - |
| OSTC contributions | 124,500 | 69,500 |
| Investment interest | 5,238 | 2,403 |
| | <u>574,648</u> | <u>556,270</u> |
| Total revenues and other support | | |
| | <u>574,648</u> | <u>556,270</u> |
| Expenses: | | |
| EITC educational scholarship awards | 359,062 | 386,672 |
| PKTC educational scholarship awards | 8,300 | 15,355 |
| SOAR educational scholarship awards | 2,362 | - |
| SOAR PKTC educational scholarship awards | 148 | - |
| OSTC educational scholarship awards | 103,335 | 57,685 |
| Administrative | 57,114 | 86,689 |
| | <u>530,321</u> | <u>546,401</u> |
| Total expenses | | |
| | <u>530,321</u> | <u>546,401</u> |
| Change in Net Assets Without Donor Restrictions | <u>44,327</u> | <u>9,869</u> |
| <u>Net Assets:</u> | | |
| Beginning of year | <u>118,188</u> | <u>108,319</u> |
| End of year | <u>\$ 162,515</u> | <u>\$ 118,188</u> |

See accompanying notes to financial statements.

SCHOLARSHIP PARTNERS FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Cash From Operating Activities: | | |
| Change in net assets | \$ 44,327 | \$ 9,869 |
| Change in: | | |
| Due to other Diocesan entities | (47) | (194) |
| Accounts payable | <u>33,200</u> | <u>(12,450)</u> |
| Net cash provided by (used in) operating activities | <u>77,480</u> | <u>(2,775)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 77,480 | (2,775) |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>118,247</u> | <u>121,022</u> |
| End of year | <u><u>\$ 195,727</u></u> | <u><u>\$ 118,247</u></u> |

See accompanying notes to financial statements.

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies

Organization

The Diocese of Greensburg, Pennsylvania established the Scholarship Partners Foundation (Foundation) on June 28, 2001, as an unincorporated association under the laws of the Commonwealth of Pennsylvania and as a non-autonomous pious foundation under Canon 1301, §1,2^o of the 1983 Code of Canon Law. The Foundation is organized and is to be operated exclusively for religious, charitable, and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, including the awarding of scholarships on a racially non-discriminatory basis for the benefit of children and their families who wish to attend Catholic schools in the Diocese of Greensburg and meet income guidelines established by the Pennsylvania Public School Code. In accordance with generally accepted accounting principles, the Foundation accounts for uncertain tax positions, if any, as required. Using the guidance, management has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation was formed to help businesses take advantage of an amendment to the Pennsylvania Public School Code, which established the Educational Improvement Tax Credit (EITC) program, or Pennsylvania Act 2001-4, as amended. The EITC program makes tax credits available to businesses that make donations to scholarship organizations (for kindergarten through twelfth grade) or pre-kindergarten scholarship organizations, and is administered by the Pennsylvania Department of Community and Economic Development. Beginning in 2012, the Opportunity Scholarship Tax Credit was designed to award scholarships to qualifying students who live within the attendance boundaries of low-achieving public schools.

By making a gift to the Foundation through the EITC program, businesses can earn Pennsylvania tax credits and help provide tuition assistance to families that meet eligibility requirements specified by Act 2001-4. The Foundation must award at least eighty percent (80%) of its annual receipts as scholarships. To be eligible for a scholarship, a student must be enrolled in grades pre-kindergarten through 12 at a Catholic school.

Applicants for scholarships must submit a FACTS Grant & Aid application, including proof of household income in order to determine eligibility. Scholarships will not be awarded to a student for athletic purposes and will not exceed the amount of tuition and fees charged to non-scholarship students by the school in which the student is enrolled. A contributor may not designate any particular student to be the recipient of any scholarship award.

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

The Foundation's membership shall consist of the diocesan Bishop of the Diocese of Greensburg acting in accord with church law, and those other individuals who shall serve as members by designation of the diocesan Bishop.

The Foundation shall operate under such rules and policies as are approved by the diocesan Bishop and shall be governed by a Board of Directors consisting of the Superintendent of Catholic Schools of the Diocese of Greensburg, and such other individuals who shall serve as directors by designation of the diocesan Bishop. The association shall operate in a manner concordant with applicable provision of the 1983 Code of Canon Law.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting for Net Assets

The Foundation reports contributions as without donor restrictions unless the donor explicitly stipulates when or how the donated assets must be used. Gifts of such assets with explicit donor restrictions that specify when or how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Contributions which are restricted by the donor at the time of donation but whose restrictions are met within the same period are reported as without donor restrictions. The Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When donor restrictions are satisfied, net assets with donor restrictions will be reclassified to net assets without donor restrictions and will be reported in the statements of activities as net assets released from restrictions.

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Statements of Cash Flows

Cash and cash equivalents include currency on hand and demand deposits with financial institutions and short-term, highly liquid investments whose maturity is three months or less at the time of purchase.

Expense Allocation

Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include expenses reported under the staff and operational overhead categories, which are allocated based on estimates of time and effort.

Adoption of Pronouncement

For the year ended June 30, 2019, the Foundation adopted ASU 2016-14, "*Not for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The implementation of this standard was applied retrospectively to the comparative amounts presented for the year ended June 30, 2018.

Beginning net assets for 2019 and 2018 that were previously reported as unrestricted have been reflected as net assets without donor restrictions.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Expenses

As described in Note 1, the Foundation provides scholarship funds to students enrolled in the elementary schools and high schools in the Diocese of Greensburg. Administrative expenses incurred relate to printed and marketing materials for the program, as well as a staff person to support the program.

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Expenses on a functional and natural basis are as follows:

| | Program | General and Administrative |
|---------------------------|-------------------|-------------------------------|
| Scholarship awards | \$ 473,207 | \$ - |
| Compensation and benefits | - | 48,833 |
| Office expenses | - | 8,281 |
| Total | <u>\$ 473,207</u> | <u>\$ 57,114</u> |

3. Commitments and Contingencies

A separate but related entity, the Diocese of Greensburg, received a grand jury subpoena in September 2016 (issued by the Pennsylvania Office of Attorney General (“OAG”)) seeking documents related to child sexual abuse in Diocesan possession. The subpoena was issued as part of a statewide criminal investigation being conducted by the OAG on the issue of child sexual abuse; the Diocese of Greensburg was one of six dioceses in the Commonwealth known to have received grand jury subpoenas. In response, the Diocese of Greensburg provided tens of thousands of pages of records to OAG. In April 2018, the grand jury concluded its work and issued an 884-page Grand Jury Report. After a number of individuals specifically identified in the Report lodged legal challenges to the accuracy and integrity of the Report, the State Supreme Court ordered the release of an interim, redacted version of the Grand Jury Report in August 2018. Appended to the Grand Jury Report is a written response from the Diocese. That response highlights the fact that the Diocese takes the protection of all children and young people seriously. Names and facts of any allegation of misconduct are (and will continue to be) reported immediately to the proper civil authorities. A longstanding policy of zero tolerance has been and continues to remain in place in the Diocese so that anyone who has a criminal history of child abuse or a credible allegation of child abuse has been removed from ministry, employment, or their volunteer position. Every report of suspected abuse of a child or young person – sexual, physical, and emotional – made to the Diocese is immediately reported to the PA ChildLine and the appropriate District Attorney.

In addition, in October 2018, that same but related entity, the Diocese of Greensburg, received a new federal grand jury subpoena issued by the United States Attorney’s Office for the Eastern District of Pennsylvania, again seeking documents related to child sexual abuse in Diocesan possession. This new federal subpoena has been issued as part of a statewide criminal investigation being conducted by the United States Department of

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Justice on the issues of child sexual abuse. All eight Catholic rite dioceses in the Commonwealth are known to have received the same federal grand jury subpoena. The projected duration and ultimate outcome of this new federal investigation is unknown. Because of the secrecy obligations attendant to a grand jury investigation, the Diocese of Greensburg is prevented from providing further information about the investigation at this time.

The Diocese of Greensburg announced a Comprehensive Reconciliation Initiative (Initiative) in February, 2019, to help survivors of clergy sexual abuse. The Diocese of Greensburg Self-Insurance Fund is absorbing the expense of this Initiative, and because the Foundation is a separate corporate entity, its assets would not be subject to the reach of the Diocese of Greensburg's general creditors.

4. Liquidity and Availability

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions to cover the scholarship funds that are being awarded. The Foundation prepares detailed budgets and has been active in fiscal management to ensure the entity remains liquid.

As part of the liquidity management plan, the Foundation invests in cash in excess of daily requirements in the Catholic Institute of the Diocese of Greensburg. The Foundation manages its funds to ensure that sufficient cash is available to cover operating expenditures and liabilities as they come due. This includes, among other items, the awards payable from scholarship programs, which may fluctuate between years.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

SCHOLARSHIP PARTNERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Financial assets, at year-end | \$ 162,515 | \$ 118,188 |
| Donor-imposed restrictions: | | |
| Restricted by donor with purpose restrictions | - | - |
| Investments held in perpetuity | <u>-</u> | <u>-</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 162,515</u> | <u>\$ 118,188</u> |

Scholarship Partners Foundation

Annual Statements on Receipts and
Eligible Expenditures for
Listed Scholarship Organizations

Year Ended June 30, 2019
with Independent Auditor's Report

Independent Auditor's Report

**The Most Reverend
Edward C. Malesic, JCL
Bishop of the Diocese
of Greensburg
Trustee for the
Scholarship Partners
Foundation**

We have audited the accompanying annual statements of Scholarship Partners Foundation (Foundation), which comprise the annual statements on receipts and eligible expenditures for listed scholarship organizations (statements) as of June 30, 2019.

Management's Responsibility for the Statements

Management is responsible for the preparation and fair presentation of these statements in accordance with the financial reporting practices prescribed or permitted by the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 statements.

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

The Most Reverend Edward C. Malesic, JCL
Bishop of the Diocese of Greensburg
Trustee for the Scholarship Partners Foundation
Independent Auditor's Report

Opinion

In our opinion, the statements referred to above present fairly, in all material respects, the receipts and eligible expenditures of the Foundation for the year ended June 30, 2019, in accordance with the guidelines for Educational Improvement Tax Credits issued by the DCED.

Basis of Accounting

The statements are prepared by the Foundation in accordance with the Education Improvement Tax Credits guidelines as prescribed or permitted by the DCED, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the DCED. Our opinion is not modified with respect to this matter.

Restriction of Use

Our report is intended solely for the information and use of management of the Foundation and the DCED, and is not intended to be, and should not be, used by anyone other than these specified parties.

Maher Duessel

Pittsburgh, Pennsylvania
October 22, 2019

Annual Statement on Receipts and Eligible Expenditures for Listed Scholarship Organizations

Appendix III

Scholarship Organization: Scholarship Partners Foundation

Organization Tax Year: 07/01/2018 – 6/30/2019

Certifications by an independent CPA:

1. **Statement on Receipts:** The Scholarship Organization received \$432,400 in contributions from companies receiving tax credits under the Commonwealth of Pennsylvania's Educational Improvement Tax Credit Program during its most recently completed tax year referenced above.
2. **Statement on Expenditures:** The Scholarship Organization expended \$359,062 of its receipts stated in Certification 1 toward its approved Scholarship Program. This represents 83% of the annual receipts received by the Scholarship Organization. The Scholarship Organization expended \$0 of the previous year's earmarked funds.
3. **Statement on Earmarked Funds:** The Scholarship Organization has earmarked \$0 of its receipts stated in Certification 1 toward eligible scholarships to be issued during the next tax year. This represents 0% of the annual receipts received by the Scholarship Organization.

In certifying to the above, I have examined the records of the Scholarship Organization in order to determine that expenditures to the approved Scholarship Program were in accordance with Act 4 requirements. *See accompanying auditor's report.*

I hereby certify that the above Certifications are true and correct. *See accompanying auditor's report.*

Independent Certified Public Accountant: Maher Duessel, CPAs

Date: October 22, 2019

Annual Statement on Receipts and Eligible Expenditures for Listed Scholarship Organizations

Appendix III

Scholarship Organization: Scholarship Partners Foundation

Organization Tax Year: 07/01/2018 – 6/30/2019

Certifications by an independent CPA:

1. **Statement on Receipts:** The Scholarship Organization received \$10,000 in contributions from companies receiving tax credits under the Commonwealth of Pennsylvania's Pre-Kindergarten Tax Credit Program during its most recently completed tax year referenced above.
2. **Statement on Expenditures:** The Scholarship Organization expended \$8,300 of its receipts stated in Certification 1 toward its approved Scholarship Program. This represents 83% of the annual receipts received by the Scholarship Organization. The Scholarship Organization expended \$0 of the previous year's earmarked funds.
3. **Statement on Earmarked Funds:** The Scholarship Organization has earmarked \$0 of its receipts stated in Certification 1 toward eligible scholarships to be issued during the next tax year. This represents 0% of the annual receipts received by the Scholarship Organization.

In certifying to the above, I have examined the records of the Scholarship Organization in order to determine that expenditures to the approved Scholarship Program were in accordance with Act 4 requirements. *See accompanying auditor's report.*

I hereby certify that the above Certifications are true and correct. *See accompanying auditor's report.*

Independent Certified Public Accountant: Maher Duessel, CPAs

Date: October 22, 2019

Annual Statement on Receipts and Eligible Expenditures for Listed Scholarship Organizations

Appendix III

Scholarship Organization: Scholarship Partners Foundation

Organization Tax Year: 07/01/2018 – 6/30/2019

Certifications by an independent CPA:

1. **Statement on Receipts:** The Scholarship Organization received \$124,500 in contributions from companies receiving tax credits under the Commonwealth of Pennsylvania's Opportunity Scholarship Tax Credit Program during its most recently completed tax year referenced above.
2. **Statement on Expenditures:** The Scholarship Organization expended \$103,335 of its receipts stated in Certification 1 toward its approved Scholarship Program. This represents 83% of the annual receipts received by the Scholarship Organization. The Scholarship Organization expended \$0 of the previous year's earmarked funds.
3. **Statement on Earmarked Funds:** The Scholarship Organization has earmarked \$0 of its receipts stated in Certification 1 toward eligible scholarships to be issued during the next tax year. This represents 0% of the annual receipts received by the Scholarship Organization.

In certifying to the above, I have examined the records of the Scholarship Organization in order to determine that expenditures to the approved Scholarship Program were in accordance with Act 4 requirements. *See accompanying auditor's report.*

I hereby certify that the above Certifications are true and correct. *See accompanying auditor's report.*

Independent Certified Public Accountant: Maher Duessel, CPAs

Date: October 22, 2019