

**ST. THOMAS AQUINAS
SCHOLARSHIP FUNDING ORGANIZATION
CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To Most Rev. Robert E. Guglielmo
Bishop of Charleston
St. Thomas Aquinas Scholarship Funding Organization
Charleston, South Carolina

We have audited the accompanying financial statements of St. Thomas Aquinas Scholarship Funding Organization (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of June 30, 2014, and the related statement of support, revenue, and expenses—cash basis for the year 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of St. Thomas Aquinas Scholarship Funding Organization as of June 30, 2014, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Scholarship and Grants Awarded- Cash Basis on page 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



April 10, 2015
Mount Pleasant, South Carolina

**ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS—CASH BASIS
JUNE 30, 2014**

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,187,435
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Total current assets	<u>1,187,435</u>
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Total assets	<u>\$ 1,187,435</u>
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NET ASSETS

Net Assets

Temporarily restricted	\$ 1,187,435
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Total liabilities and net assets	<u>\$ 1,187,435</u>
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See Accompanying Notes to Financial Statements.

**ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES—CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 21,642	\$ 1,187,435	\$ 1,209,077
 Total support and revenue	 21,642	 1,187,435	 1,209,077
Expenses			
Program services - Scholarships and Grants	21,642	-	21,642
Supporting services			
Management and general	-	-	-
Fundraising	-	-	-
 Total expenses	 21,642	 -	 21,642
 Increase in net assets	 -	 1,187,435	 1,187,435
 Net Assets, beginning of year	 -	 -	 -
 Net Assets, ending of year	 \$ -	 \$ 1,187,435	 \$ 1,187,435

See Accompanying Notes to Financial Statements.

ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basic Program

St. Thomas Aquinas Scholarship Funding Organization (the "Organization") was incorporated in South Carolina on December 23, 2013. The Organization's mission is to provide scholarship grants to K through 12th grade "exceptional needs" children by means of the efficient implementation of the 2013-2014 South Carolina State Budget Proviso 1.85, and as it may be subsequently renewed (the "Proviso"). The Proviso is also commonly referred to as the Educational Credit for Exceptional Needs Children (ECENC).

St. Thomas Aquinas Scholarship Funding Organization is a State of South Carolina approved Scholarship Funding Organization ("SFO") as defined under the terms of the Proviso. Activities of the Organization are limited to accepting contributions eligible for a tax credit under the terms of the Proviso and issuing scholarships to eligible children in accordance with the Proviso and in maintenance of the Organization's status as an approved SFO. The Organization engages in no other activities outside the purposes reasonably contemplated by the Proviso.

Basis of Accounting

The financial statements of the Organization are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Management has determined that the cash basis of accounting is an acceptable basis for the preparation of the Organization's financial statements, and the opinion in our Independent Auditors' Report is not modified with respect to this matter.

Financial Statement Presentation

In accordance with *Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958-205, and Not-for-Profit Entities Financial Statement Presentation*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets. Supports and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subjected to donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Temporarily restricted net assets represent net assets *designated specifically for scholarship and grants* pursuant to the Proviso and in maintenance of the Organization's status as an approved SFO.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they may be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets at June 30, 2014.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donor-Imposed Restrictions

The Organization limits any donor-imposed restrictions on contributions to those allowed by the Proviso so that the contribution will be eligible for a tax credit. In order for contributions to be eligible for a tax credit, the Proviso prohibits donors from designating a specific child or school as the beneficiary of the contribution. The Organization *does not* accept contributions designated for the benefit of a specific child or school.

Revenue Recognition

Contributions are recognized in accordance with donor provisions and accounting standards.

Functional Allocation of Expenses

The cost of providing the Organization's various Organizations and supporting services have been summarized on a functional basis. Accordingly costs have been allocated among the Organization and supporting services benefited. For the year ended June 30, 2014, the Organization was not charged any administrative or fundraising costs by the Diocese of Charleston for the services it provides.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

Educational Credit for Exceptional Needs Children (ECENC)

The 2013-2014 South Carolina State Budget Proviso 1.85, allowed for the creation of nonprofit Scholarship Funding Organizations that can solicit contributions and issue scholarship grants in an amount not exceeding \$10,000 or the total cost of tuition (whichever is less) for eligible children with "exceptional needs" to attend an approved South Carolina independent school. These funds may be used for tuition, transportation or textbook expenses for eligible "exceptional needs" children attending approved South Carolina independent schools. The Proviso also limits Scholarship Funding Organizations to administrative expenses of not more than 5% of its annual contributions and revenue.

Recent Accounting Pronouncements

In April 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. The revenue recognition guidance for not-for-profit entities requires that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services should be recognized only if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. This standard goes into effect prospectively for fiscal years beginning after June 15, 2014. Upon adoption, the Organization does not consider this standard will have a material impact on its financial position or results of its activities.

2. CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalents with high quality financial institutions. At times, deposits may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000. As of June 30, 2014, \$426,986 exceeded FDIC limits.

ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are to be used for the following purposes at June 30:

Restricted to scholarship grants for eligible "exceptional needs" children enrolled at approved South Carolina independent schools	<u>\$ 1,187,435</u>
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The Organization has distributed substantially all of the \$1,187,435 in restricted net assets in the year subsequent to June 30, 2014.

4. COMMITMENTS AND CONTINGENCIES

Tax Credit Availability

2013-2014 South Carolina State Budget Proviso 1.85 provided for \$8 million of SC tax credits to be available for contributions made between January 1, 2014 and June 30, 2014. Approximately \$5.9 million of these initial tax credits were claimed. The program was legislatively renewed as part of the 2014-2015 South Carolina State Budget as Proviso 1.80. Another \$8 million of SC tax credits were made available for contributions between July 1, 2014 and June 30, 2015. All \$8 million of these tax credits were claimed as of approximately November 12, 2014. No additional Proviso tax credits are currently available at this time.

The Organization is currently dependent on future annual renewals of this program as a budget proviso, or potentially codification as a permanent law. The program is currently under consideration for extension as the 2015-2016 South Carolina State Budget Proviso 1.68. Several permanent law bills are also under consideration by the South Carolina General Assembly. Although an increase to the previous \$8 million amount of available tax credits is being discussed, it is impossible to determine at this time what amount, if any, of tax credits may be available in the future.

5. RELATED PARTIES

The Organization receives administrative and management support from the Diocese of Charleston. As provided for in the Proviso, the Diocese of Charleston may choose to charge the Organization a management fee for these services at a future date.

6. SUBSEQUENT EVENTS

Management has evaluated the effect subsequent events would have on the financial statements of St. Thomas Aquinas Scholarship Funding Organization through April 10, 2015, which is the date the financial statements were available to issue. Based upon this evaluation, there were no material adjustments to these financial statements.

SUPPLEMENTARY INFORMATION

**ST. THOMAS AQUINAS SCHOLARSHIP FUNDING ORGANIZATION
 SUPPLEMENTAL SCHEDULE OF SCHOLARSHIP AND GRANTS AWARDED - CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Institution</u>	<u>City</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
St. Joseph Catholic School	Columbia, South Carolina	2	\$ 6,337
St. Anne Catholic School	Rock Hill, South Carolina	1	2,500
St. John Catholic School	North Charleston, South Carolina	2	2,000
St. Peter Catholic School	Columbia, South Carolina	1	2,100
Blessed Sacrament School	Charleston, South Carolina	1	2,250
Our Lady of Rosary Catholic School	Greenville, South Carolina	1	6,455
			<u>\$ 21,642</u>

See Independent Auditors' Report

April 10, 2015

To Most Rev. Robert E. Guglielmo
Bishop of Charleston
St. Thomas Aquinas Scholarship Funding Organization
Charleston, South Carolina

We have audited the financial statements of St. Thomas Aquinas Scholarship Funding Organization for the year ended June 30, 2014, and have issued our report thereon dated April 10, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 24, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Thomas Aquinas Scholarship Funding Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended June 30, 2014. We noted no transactions entered into by the Organization during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates embodied in the June 30, 2014 audited financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of commitments and contingencies in Note 4 to the financial statements is significant due to the dependency on the renewal and/or extension of the South Carolina State Budget Proviso 1.85 on the Organization.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements or corrections made as part of the audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

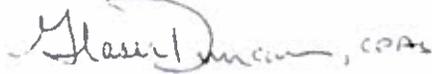
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Bishop of Charleston of St. Thomas Aquinas Scholarship Funding Organization and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



GlaserDuncan, CPAs
Mount Pleasant, South Carolina