Audited
Financial Statements

Cathedral High School, Inc.

June 30, 2011

G.T. Reilly & Company
Certified Public Accountants/Business Consultants

Cathedral High School, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cathedral High School, Inc.

We have audited statements of financial position of Cathedral High School, Inc. as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the School'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Cathedral High School, Inc. at June 30, 2011 and 2010, and the changes in its activities and its and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
November 7, 2011

Statements of Financial Position

June 30

Assets	**2011**	2010
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 & 12)	**$ 409,094**	$ 170,202
Investments at market value (Notes 2, 4 & 7)	**2,525,676**	1,939,409
Accounts receivable, less allowance for doubtful accounts of $58,760 in 2011 and $70,926 in 2010 (Note 2)	**77,000**	26,957
Pledges receivable, restricted, net (Notes 2, 5 & 7)	**276,300**	85,000
Prepaid expenses	**14,208**	11,270
TOTAL CURRENT ASSETS	**3,302,278**	2,232,838
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET (Notes 2 & 6)	**4,353,397**	3,632,315
OTHER ASSETS		
Restricted cash (Note 2)	**1,082,514**	381,854
Investments at market value designated by Board (Notes 2, 4, 7 & 8)	**5,408,038**	5,466,025
Pledges receivable, restricted, net of current portion (Notes 2, 5 & 7)	**510,170**	176,443
Interest in the net assets of the Adopt-A-Student Foundation (Notes 2 & 3)	**407,831**	551,487
Deferred finance costs, net of accumulated amortization of $11,996 and $3,528 at June 30, 2011 and 2010, respectively (Note 2)	**242,054**	250,522
	7,650,607	6,826,331
	$ 15,306,282	$ 12,691,484

Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	**$ 44,946**	$ 68,846
Accrued expenses	**254,638**	229,993
Deferred revenue (Note 2)	**-**	1,760
TOTAL CURRENT LIABILITIES	**299,584**	300,599
BOND PAYABLE (Note 7)	**1,880,329**	1,580,329
TOTAL LIABILITIES	**2,179,913**	1,880,928
COMMITMENTS & CONTINGENCIES (Note 9)		
NET ASSETS (Notes 2 & 8)		
Unrestricted:		
Undesignated surplus	**3,174,908**	2,409,931
Board-designated	**5,940,700**	5,827,118
	9,115,608	8,237,049
Temporarily restricted	**4,010,761**	2,573,507
	13,126,369	10,810,556
	$ 15,306,282	$ 12,691,484

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

Statement of Activities

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT (Note 11)			
Tuition and fees	$ 1,254,558	$ -	$ 1,254,558
Less financial aid	(667,150)	-	(667,150)
Tuition and Fees, net	587,408	-	587,408
Gifts and donations	539,736	1,907,174	2,446,910
Grants from Adopt-A-Student Foundation (Notes 9 & 11)	1,657,832	-	1,657,832
Contributed services (Note 2)	159,051	-	159,051
Contributed facilities (Notes 2 & 9)	264,000	-	264,000
Support from Catholic Schools Foundation	349,650	-	349,650
Interest and dividend income	255,380	1,097	256,477
Realized and unrealized gains on investments (including investment fees)	791,262	251,869	1,043,131
Auxiliary services	119,844	-	119,844
Rental income	15,075	-	15,075
Other program income	79,475	-	79,475
Change in interest in net assets of the Adopt-A-Student Foundation (Note 3)	(143,656)		(143,656)
Net assets released from restrictions (Note 8)	722,886	(722,886)	-
Total revenues and support	5,397,943	1,437,254	6,835,197
EXPENSES			
Program Services:			
Instruction and student activities	2,519,621	-	2,519,621
Auxiliary activities	1,254	-	1,254
Other programs	374,026	-	374,026
Total program services	2,894,901	-	2,894,901
Supporting Services:			
General and administrative	937,243	-	937,243
Facilities	489,594	-	489,594
Fundraising	197,646	-	197,646
Total supporting services	1,624,483	-	1,624,483
Total expenses	4,519,384	-	4,519,384
CHANGE IN NET ASSETS	$ 878,559	$ 1,437,254	$ 2,315,813

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

Statement of Activities

For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT (Note 11)			
Tuition and fees	$ 1,237,801	$ -	$ 1,237,801
Less financial aid	(858,577)	-	(858,577)
Tuition and Fees, net	379,224	-	379,224
Gifts and donations	559,654	1,129,188	1,688,842
Grants from Adopt-A-Student Foundation (Notes 9 & 11)	1,506,985	-	1,506,985
Contributed services (Note 2)	179,302	-	179,302
Contributed facilities (Notes 2 & 9)	264,000	-	264,000
Support from Catholic Schools Foundation	247,600	-	247,600
Interest and dividend income	243,553	945	244,498
Realized and unrealized gains on investments (including investment fees)	586,495	226,212	812,707
Auxiliary services	97,765	-	97,765
Rental income	23,212	-	23,212
Other program income	88,440	-	88,440
Change in interest in net assets of the Adopt-A-Student Foundation (Note 3)	(359,018)	325,548	(33,470)
Net assets released from restrictions (Note 8)	986,446	(986,446)	-
Total revenues and support	4,803,658	695,447	5,499,105
EXPENSES			
Program Services:			
Instruction and student activities	2,292,037	-	2,292,037
Auxiliary activities	45,400	-	45,400
Other programs	311,002	-	311,002
			-
Total program services	2,648,439	-	2,648,439
Supporting Services:			
General and Administrative	697,516	-	697,516
Facilities	485,356	-	485,356
Fundraising	259,623	-	259,623
Total supporting services	1,442,495	-	1,442,495
Total expenses	4,090,934	-	4,090,934
CHANGE IN NET ASSETS	$ 712,724	$ 695,447	$ 1,408,171

Statements of Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

	Unrestricted				
	Undesignated Surplus	Board Designated Surplus	Total	Temporarily Restricted	Total
NET ASSETS AT JUNE 30, 2009	$ 1,790,652	$ 5,733,673	$ 7,524,325	$ 1,878,060	$ 9,402,385
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010	619,279	93,445	712,724	695,447	1,408,171
NET ASSETS AT JUNE 30, 2010	2,409,931	5,827,118	8,237,049	2,573,507	10,810,556
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011	764,977	113,582	878,559	1,437,254	2,315,813
NET ASSETS AT JUNE 30, 2011	$ 3,174,908	$ 5,940,700	$ 9,115,608	$ 4,010,761	$13,126,369

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

Statements of Cash Flows

For the Years Ended June 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 2,315,813**	$ 1,408,171
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**257,626**	211,962
Realized and unrealized gains on investments	**(1,122,293)**	(848,729)
Change in interest in net assets of the Adopt-A-Student Foundation	**143,656**	33,470
Changes in operating assets and liabilities:		
Accounts receivable, net	**(50,043)**	(1,279)
Pledges receivable	**(525,027)**	(189,218)
Prepaid expenses	**(2,938)**	44,149
Restricted cash	**(700,660)**	597,577
Accounts payable	**(23,900)**	(31,198)
Accrued expenses	**24,645**	(216,183)
Deferred revenue	**(1,760)**	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**315,119**	1,008,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(970,240)**	(1,648,566)
Purchase of investments	**552,123**	(2,905,152)
Proceeds from sale of investments	**41,890**	2,281,040
NET CASH USED IN INVESTING ACTIVITIES	**(376,227)**	(2,272,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of deferred financing costs	**-**	(254,050)
Proceeds from issuance of bond payable	**300,000**	1,580,329
NET CASH PROVIDED BY FINANCING ACTIVITIES	**300,000**	1,326,279
NET INCREASE IN CASH AND CASH EQUIVALENTS	**238,892**	62,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**170,202**	107,879
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 409,094**	$ 170,202

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest, net of amount capitalized of $58,708 in 2011 and $27,536 in 2010	**$ -**	$ -

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

Notes to Financial Statements

June 30, 2011

Note 1 – Nature of Organization

Cathedral High School, Inc. (the "School") is a private high school located in Boston, Massachusetts. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition. A majority of the School's funding is from donations and tuition.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – The books and records of the School are prepared using the accrual method of accounting.

Accounting 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 certain reported amounts and disclosures.

Financial Statement Presentation - Under generally accepted accounting principles, the School presents a statement of financial position and a statement of activities segregated into three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see Note 8 regarding restrictions on net assets).

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated there from, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise. If the fair value of the assets associated with an endowment fund falls below the level that the donor or state Prudent Management of Institutional Funds Act requires the School to maintain as a fund of perpetual duration, such deficiency is reported in unrestricted net assets.

Contributions and Donor Restrictions - Under generally accepted accounting principles, use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 8).

Quasi-Endowment – The School's net assets include funds designated by the Board of Trustees to function as a quasi-endowment, which are classified as unrestricted net assets. The Board of Trustees reserves the right to "undesignate" quasi-endowment funds at its discretion. However, it is not the Board's intent to do so (see Note 8).

Investment and Spending Policies – The School's quasi-endowments are invested principally in equity securities. The School has adopted investment and spending policies for quasi-endowment assets that attempt to provide a predictable stream of funding to programs by its quasi-endowment while seeking to maintain the purchasing power of the quasi-endowment assets. Under this policy, as approved by the Board of Trustees, the quasi-endowment assets are invested with an emphasis on securities of medium sized companies with market capitalization in a range of $500 million to $10 billion in order to maximize capital growth through capital appreciation. The School does not have an explicit targeted rate of return as part of its investment objectives.

Note 2 - Summary of Significant Accounting Policies (Cont.)

The Board's intent is to withdraw from the quasi-endowment assets in accordance with the demonstrated operational financial needs of the School or on an "as needed" basis. The Board's goal is to maintain the purchasing power of the quasi-endowment assets held in perpetuity as well as to provide additional real growth through investment return.

Cash and Equivalents – The School considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents.

Restricted Cash – Restricted cash represents cash equivalents from brokerage accounts held with Fidelity as part of the School's quasi-endowment fund. In addition, a portion of the restricted cash has been earmarked for specific purposes by donors such as scholarships. For purposes of presenting the statement of cash flows, the School adopted a policy of excluding restricted cash from cash and cash equivalents.

Pledges Receivable – Contributions, including unconditional promises to give to the School, are recognized as revenues in the period made. Contributions receivable that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. As of June 30, 2011 and 2010, there was no such allowance as one was not considered necessary by management (see Note 5).

Accounts Receivable - Accounts receivable are stated net of an allowance for doubtful accounts, when considered necessary by management, which would be reported on the face of the School's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, the School's history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Investments – The School's investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Investments designated by the School's Board of Trustees for other than current needs are classified as non-current assets (see Notes 4 & 8).

Fair Value Measurements - The School follows Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures" (ASC Topic 820), for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting. Fair value measurements principles apply to the reporting of the School's investments (Note 4).

Accounting for Assets Held by Others - The School recognizes as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the School. The School adjusts the interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. The transfer of funds from the related organization is reported as a reduction to the School's recorded interest (see Note 3).

Note 2 - Summary of Significant Accounting Policies (Cont.)

Leasehold Improvements and Equipment – Leasehold improvements and equipment are stated at cost. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized.

Depreciation is calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are between three and twenty years.

Deferred Finance Costs – Finance costs associated with the bond payable (Note 7) were deferred and are being amortized over the life of the bond, 30 years. Amortization expense for the years ended June 30, 2011 and 2010 was $8,468 and $3,528, respectively.

Deferred Revenue – Deferred revenue consists of deposits received in the current fiscal year that are applicable to future fiscal years.

Tuition Revenue – Gross tuition and fees reflect the School's normal tuition rates for all students. Scholarships given on the basis of financial need and/or achievement are presented as a reduction to gross tuition and fees.

Contributed Services – Support arising from contributed services to the School has been recognized in the accompanying financial statements with an equal amount recognized as expense, if the services provided require special skills and would need to be purchased by the School if not contributed. The computation of the value of the contributed services represents the difference between stipends and other amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to lay persons if lay persons were to occupy those positions.

Contributed Facilities - The School operates free of rent in facilities located in Boston, Massachusetts, which are owned by the Roman Catholic Archdiocese of Boston. The estimated rental value of the facilities is reported as rent expense and a corresponding amount is reported as support in the statement of activities (see Note 9).

Auxiliary Services Revenue – Auxiliary services revenue includes the School’s cafeteria activities. Auxiliary services revenue is recognized in the period to which it relates.

Income Tax Status - The School is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the School for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2011 through November 7, 2011, the date these financial statements were available to be issued.

Note 3 - Interest in the Net Assets of the Adopt-A-Student Foundation

The School is the beneficiary of donations collected on its behalf by the Adopt-A-Student Foundation, a related party. As discussed in Note 2, "Accounting for Assets Held by Others", the School has recorded as an asset its interest in the Foundation's net assets, which is $407,831 at June 30, 2011 ($551,487 at June 30, 2010). The change in the School's interest is reflected in the statement of activities as a decrease in net assets of $143,656 in 2011 ($33,470 in 2010).

Note 4 - Investments

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market.

Level 3 - Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions and are significant to the fair measurement.

The School's investments are valued based on Level 1 inputs within the fair value hierarchy and are summarized as follows:

	Cost	Fair Value Level 1
June 30, 2011		
Equity Securities:		
Consumer	**$ 259,018**	**$ 304,735**
Energy	**145,614**	**135,971**
Financial Services	**126,132**	**125,968**
Health Care	**225,299**	**249,148**
Industrial	**39,877**	**52,272**
Technology	**94,594**	**149,001**
Mining	**148,098**	**193,735**
Insurance	**170,595**	**196,744**
Utilities	**488,145**	**548,724**
Real Estate Trusts	**504,022**	**545,687**
	2,201,394	**2,501,985**
Mutual Funds:		
Fixed Income	**3,587**	**4,441**
Stock Funds	**812,812**	**840,291**
International Funds	**1,000,564**	**1,038,661**
Bond Funds	**2,601,505**	**2,626,285**
Real Asset Funds	**510,410**	**516,273**
World Equity	**404,568**	**405,778**
	5,333,446	**5,431,729**
	$ 7,534,840	**$ 7,933,714**
June 30, 2010		
Equity Securities:		
Common Stock	$ 1,688,184	$ 1,664,338
Mutual Funds:		
Fixed Income	1,799,320	1,840,746
Stock Funds	1,462,941	1,158,838
International Funds	1,506,991	1,186,996
Bond Funds	1,161,579	1,178,704
World Equity	501,375	375,812
	6,432,206	5,741,096
	$ 8,120,390	$ 7,405,434

Note 4 – Investments (Cont.)

The following is a description of the valuation methodologies used for the School's investments measured at fair value, including the general description of such instruments pursuant to the valuation hierarchy.

> Equity Securities – These investments are actively traded on open markets and are valued in accordance with their last published price.
>
> Mutual Funds – These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Investment fees for the years ended June 30, 2011 and 2010 were $37,272 and $36,022, respectively, and have been netted against realized and unrealized gains or losses in the accompanying statements of activities.

Investments are presented in the accompanying statement of financial position as follows at June 30:

	2011	2010
Current assets	**$2,525,676**	$1,939,409
Other assets – designated by the Board (Note 8)	**5,408,038**	5,466,025
	$7,933,714	$7,405,434

Note 5 – Pledges Receivable, Restricted

Pledges receivable, net of discounts, scheduled to be received over future periods consist of the following amounts as of June 30:

	2011	2010
In one year less	**$ 276,300**	$ 85,000
Between one and five years	**541,200**	200,000
	817,500	285,000
Less discount to net present value	**(31,030)**	(23,557)
	$ 786,470	$ 261,443

For the year ended June 30, 2011, $417,500 of pledges receivable are restricted as the pledges relate to a capital campaign for the School and $400,000 are restricted for academic programs for the School (see Note 8). For the year ended June 30, 2010 the entire pledge receivable balance was restricted for the capital campaign for the School. Pledges are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a risk-free rate of return that coincides with the cash flow of the individual pledge.

Note 6 – Leasehold Improvements and Equipment

The School's leasehold improvements and equipment consists of the following at June 30:

	2011	2010
Computer hardware and software	**$ 243,845**	$ 177,825
Furniture and equipment	**161,194**	186,232
Leasehold improvements	**4,647,079**	3,811,520
	5,052,118	4,175,577
Accumulated depreciation	**(698,721)**	(543,262)
	$ 4,353,397	$ 3,632,315

Depreciation expense was $249,458 and $208,434 for the years ended June 30, 2011 and 2010, respectively.

Leasehold improvements at June 30, 2011 and 2010 includes $86,244 and 27,536, respectively, of capitalized interest related to the bond payable (see Note 7).

Note 7 – Bond Payable

In February of 2010, the School obtained a $12 million draw down bond facility through Massachusetts Development Finance Agency and Century Bank in order to fund ongoing and future planned renovation projects at the School. In September of 2010 the School took an additional principal draw down of $300,000.

Under the terms of the agreement, the School can draw on principal of the bond as it incurs capital expenditures in connection with the projects. Any principal draws are subject to interest-only payments at the prime rate for the first two years (through February 2012). Commencing in March 2012, equal installments of principal and interest are payable using a 30 year amortization. At that time, interest will be calculated using a fixed rate equal to the sum of the Federal Home Loan Bank rate in effect plus 2.50% and then divided by 1.51. The rate will be subject to floor of 4.75% and will be re-priced in five-year increments. The interest rate in effect at June 30, 2011 and 2010 was 4.75%. Any outstanding principal can be paid in part or in full any time without penalty before the maturity date of February 1, 2040. The bond is collateralized by the School's investments and pledges receivable in connection with its capital campaign.

In addition, the Roman Catholic Archdiocese of Boston (a related party to the School) has guaranteed and pledged the real property leased by the School as collateral for the bond under a mortgage agreement. At June 30, 2011 and 2010, $1,880,329 and $1,580,329, respectively, was outstanding on the bond and is classified in "other liabilities" in the accompanying statements of financial position.

Assuming that there are no further draw downs and no pre-payments of the bond, annual principal maturities would be as follows:

Year Ending June 30	
2012	$ 10,866
2013	33,646
2014	35,279
2015	36,992
2016	38,788
Thereafter	1,724,758
	$ 1,880,329

Note 8 – Net Assets

At June 30, temporarily restricted net assets are to be used for the following:

	2011	2010
Scholarships	**$ 2,334,576**	$ 1,534,707
Capital campaign	**838,354**	425,472
Literacy	**30,000**	30,000
Academic programs (Lynch Foundation)	**400,000**	-
Other	**-**	31,850
Interest in temporarily restricted net assets of The Adopt-A-Student	**407,831**	551,478
	$ 4,010,761	$ 2,573,507

Temporarily restricted net assets were released from restrictions and used during the years ended June 30 for the following:

	2011	2010
Scholarships	**$ 30,931**	$ 219,189
Capital campaign	**506,985**	562,600
Academic programs (Lynch Foundation)	**100,000**	-
Literacy	**35,000**	42,500
Library	**-**	3,500
Career planning and counseling	**-**	61,250
El Centro	**-**	18,907
Furniture	**-**	75,000
Other	**49,970**	3,500
	$ 722,886	$ 986,446

Unrestricted net assets include net assets designated by the School's Board of Trustees, which serves as a quasi-endowment that helps fund the future needs of School operations.

The following schedule is a summary of changes in the quasi-endowment net assets for the years ended June 30:

	2011	2010
Unrestricted		
Quasi-endowment net assets, beginning of year	**$ 5,827,118**	$ 5,733,673
Investment return:		
Investment income	**255,380**	242,608
Net appreciation (realized and unrealized)	**791,262**	586,495
Total investment return	**1,046,642**	829,103
Appropriation of quasi-endowment assets for expenditure	**(933,060)**	(735,658)
Quasi-endowment net assets, end of year	**$ 5,940,700**	$ 5,827,118

Note 9 – Related Party Transactions

Lease Commitment - As part of the initial incorporation of the School on July 1, 2004, the School entered into an agreement with Archdiocesan Central High Schools, Inc. ("ACHS") for the lease of the School facility. The lease requires a payment of one dollar per year and it expired June 30, 2008. Under the terms of this lease, the School was responsible for insurance, real estate taxes, utilities and all operating costs. The School had the option, at any time during the lease period with 120 days notice, to purchase the School facility or a portion of the facility from ACHS. The School did not exercise this option during the initial lease term. Effective July 1, 2008, the School entered into a new lease with ACHS. The new lease requires payments of one dollar per year and is for 99 years.

As discussed in Note 2, "Contributed Facilities", the estimated rental value of the facilities ($264,000 for each of the years ended June 30, 2011 and 2010) is reflected as an expense of the School via an offsetting amount recorded as support. If the School were to lease the facility from unrelated parties, operating results would be adversely affected.

Grants from Adopt-A-Student Foundation - The School is the sole beneficiary of the Adopt-A-Student Foundation (the "Foundation"). The School is related through common Board of Directors/Trustees membership to the Foundation. The Foundation provided grants to the School totaling $1,657,832 and $1,506,985 for the years ended June 30, 2011 and 2010, respectively.

Note 10 – Pension Plan

The School participates with other organizations affiliated with the Roman Catholic Archdiocese of Boston in a multiemployer noncontributory, defined-benefit pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the Plan). The Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Pension expense approximated $89,000 and $97,000 for the years ended June 30, 2011 and 2010, respectively.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multi-employer plan and, therefore, such information is not presented herein. The June 30, 2011 financial statements (the latest period available) of the Roman Catholic Archdiocese of Boston Pension Plan reflect the following:

Net assets available for benefits	$284,800,000
Actuarial present value of accumulated plan benefits	328,900,000
Unfunded status	$ 44,100,000

The Plan Trustees had voted to amend the Plan to implement a hard freeze effective December 31, 2011. Under the provision of the amendment, any employee hired after December 1, 2010 would not be eligible to become a participant in the Plan. As of December 31, 2011, all participants will stop accruing benefits. Employees with five or more years of service will remain vested. Employees with at least one year of service as of December 31, 2011, will be allowed to continue to add years of service towards vesting after the freeze date. Voluntary lump sum distributions and monthly in-service annuities were also offered.

A new Archdiocese of Boston 401(k) Retirement Savings Plan will be available to eligible employees effective January 1, 2012.

Note 11 – Concentrations and Credit Risk

The School's cash and cash equivalents are placed with high-quality financial institutions. At June 30, 2011, based on bank balances, the School has on deposit approximately $368,600 in excess of the federal insured limit.

Note 11 – Concentrations and Credit Risk (Cont.)

Pledges from two foundations accounted for 67% of the pledge receivable balance at June 30, 2011. Pledges from one of the above-mentioned foundations and two individuals accounted for 70% and 28% of the pledge receivable balance at June 30, 2010.

For the years ended June 30, 2011 and 2010, approximately 23% ($1.7 million) and 28% ($1.5 million), respectively, of the School's total revenues and support was derived from one donor organization, the Adopt-A-Student Foundation. While it has been the Adopt-A-Student Foundation's intent to raise funds on behalf of the School, there is no obligation to continue this effort (see Note 9).

In addition, all of the students who are enrolled at the School are from the greater Boston metropolitan area.

Note 12 – Subsequent Events

In July 2011 the School terminated the two main individuals in charge of operating the School. The School entered into severance packages with these individuals. The severance packages amounted to approximately $67,000, and were paid subsequent to the end of the fiscal year.