St. Sebastian's School, Inc.

Consolidated Financial Statements as of and for the Years Ended June 30, 2011 and 2010, Supplemental Schedules for the Years Ended June 30, 2011 and 2010, and Independent Auditors' Reports

ST. SEBASTIAN'S SCHOOL, INC.

TABLE OF CONTENTS

St. Sebastian's School, Inc.

Consolidated Financial Statements as of and for the Years Ended June 30, 2011 and 2010, and Independent Auditors' Report

ST. SEBASTIAN'S SCHOOL, INC.

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
St. Sebastian's School, Inc.
Needham, Massachusetts

We have audited the accompanying consolidated statements of financial position of St. Sebastian's School, Inc. (the "School") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 20, 2011

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CASH AND CASH EQUIVALENTS	$ 2,873,186	$ 1,891,264
ACCOUNTS AND INTEREST RECEIVABLE	78,549	71,102
INVENTORIES AND PREPAID EXPENSES	684,054	78,316
PLEDGES RECEIVABLE — Net	6,085,978	7,053,216
FINANCIAL AID LOANS — Net	150,561	159,537
INVESTMENTS	17,233,596	14,689,432
BOND PROJECT ACCOUNT — Restricted cash	8,788,391	-
PROPERTY AND EQUIPMENT — Net	31,855,275	29,532,917
OTHER ASSETS	133,333	248,041
TOTAL	$ 67,882,923	$ 53,723,825
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 2,008,595	$ 1,329,193
Deferred revenue	942,358	855,245
Accrued pension benefits	674,000	1,120,000
Notes payable	-	2,450,000
Bonds payable	9,890,336	-
Total liabilities	13,515,289	5,754,438
CONTINGENCIES		
NET ASSETS:		
Unrestricted	35,853,810	31,732,833
Temporarily restricted	14,634,869	12,491,549
Permanently restricted	3,878,955	3,745,005
Total net assets	54,367,634	47,969,387
TOTAL	$ 67,882,923	$ 53,723,825

See notes to consolidated financial statements

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT:								
Tuition and fees	$12,133,350	$ -	$ -	$12,133,350	$11,606,350	$ -	$ -	$11,606,350
Less financial aid	(2,041,146)	-	-	(2,041,146)	(1,945,028)	-	-	(1,945,028)
Net tuition and fees	10,092,204	-	-	10,092,204	9,661,322	-	-	9,661,322
Contributions	1,398,609	619,918	93,950	2,112,477	1,396,531	663,431	30,991	2,090,953
Campaign contributions	1,181,126	2,864,362	-	4,045,488	420,079	1,149,006	-	1,569,085
Skating rink	375,390	-	-	375,390	382,185	-	-	382,185
Net investment income:								
Dividends and interest income	105,038	186,128	-	291,166	104,943	188,495	-	293,438
Unrealized/realized gains on investments	641,141	1,386,420	-	2,027,561	274,674	446,065	-	720,739
Total net investment income	746,179	1,572,548	-	2,318,727	379,617	634,560	-	1,014,177
Other	76,327	-	-	76,327	137,321	-	-	137,321
Net assets reclassified to conform to change in donors intent	-	(40,000)	40,000	-	-	(50,000)	50,000	-
Net assets released from restriction:								
For expenses	636,317	(636,317)	-	-	608,396	(608,396)	-	-
For property and equipment expenditures	2,237,191	(2,237,191)	-	-	2,666,572	(2,666,572)	-	-
Total net assets released from restriction	2,873,508	(2,873,508)	-	-	3,274,968	(3,274,968)	-	-
Total revenues, gains, (losses), and other support	16,743,343	2,143,320	133,950	19,020,613	15,652,023	(877,971)	80,991	14,855,043
EXPENSES:								
Instructional	6,359,291	-	-	6,359,291	6,338,373	-	-	6,338,373
General and administrative	1,658,755	-	-	1,658,755	1,578,982	-	-	1,578,982
Operations and maintenance	853,150	-	-	853,150	845,694	-	-	845,694
General institutional	816,460	-	-	816,460	682,116	-	-	682,116
Athletics	761,249	-	-	761,249	783,226	-	-	783,226
Student activities	147,235	-	-	147,235	139,428	-	-	139,428
Dining hall	371,436	-	-	371,436	368,367	-	-	368,367
Fund-raising	923,473	-	-	923,473	905,097	-	-	905,097
Admissions	251,656	-	-	251,656	280,485	-	-	280,485
Skating rink	464,692	-	-	464,692	462,359	-	-	462,359
Other programs	14,969	-	-	14,969	80,768	-	-	80,768
Total expenses	12,622,366	-	-	12,622,366	12,464,895	-	-	12,464,895
CHANGE IN NET ASSETS	4,120,977	2,143,320	133,950	6,398,247	3,187,128	(877,971)	80,991	2,390,148
NET ASSETS — Beginning of year	31,732,833	12,491,549	3,745,005	47,969,387	28,545,705	13,369,520	3,664,014	45,579,239
NET ASSETS — End of year	$35,853,810	$14,634,869	$3,878,955	$54,367,634	$31,732,833	$12,491,549	$3,745,005	$47,969,387

See notes to consolidated financial statements.

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,398,247	$ 2,390,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,168,257	1,188,905
Bad debt expense	35,000	30,000
Donor-restricted contributions	(1,863,868)	(1,179,997)
Unrealized and realized gains on investments	(2,318,727)	(720,739)
Increase in accounts and interest receivable	(32,447)	(55,923)
Decrease in pledges receivable	391,631	501,961
(Increase) decrease in inventories, prepaid expenses and other assets	(491,030)	6,678
Increase in financial aid loans receivable	(1,024)	(29,200)
Increase in accounts payable and accrued expenses	39,606	194,037
Increase (decrease) in deferred revenue	87,113	(180,557)
Decrease in accrued pension benefits	(446,000)	(66,000)
Net cash provided by operating activities	2,966,758	2,079,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,508,815)	(3,451,802)
Proceeds from sales and maturities of investments including the bond project account	4,494,987	2,518,587
Additions to property and equipment	(2,850,819)	(1,831,246)
Net cash used in investing activities	(1,864,647)	(2,764,461)
CASH FLOW S FROM FINANCING ACTIVITIES:		
Donor-restricted contributions	2,169,918	2,105,062
Donor-restricted contributions for permanent endowment	269,557	30,991
Repayment of bonds and notes payable	(2,559,664)	(1,550,000)
Net cash (used in) provided by financing activities	(120,189)	586,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	981,922	(99,095)
CASH AND CASH EQUIVALENTS — Beginning of year	1,891,264	1,990,359
CASH AND CASH EQUIVALENTS — End of year	$ 2,873,186	$ 1,891,264
INTEREST PAID	$ 255,457	$ 67,099
SUPPLEMENTAL DISCLOSURE - Noncash operating and investing activities — property, plant, and equipment accrued	$ 808,806	$ 169,010
SUPPLEMENTAL DISCLOSURE — Noncash financing activity — escrow funding from bank-qualified tax-exempt bonds	$ 10,000,000	$ -

See notes to consolidated financial statements.

1. GENERAL

St. Sebastian's School, Inc. is a nonprofit private institution, which provides a Catholic secondary education covering grades 7 through 12.

During the year ended June 30, 2003, St. Sebastian's School, Inc. created a separate Massachusetts charitable corporation known as St. Sebastian's School Fund, Inc. (the "Fund"), of which St. Sebastian's School, Inc. is the sole member with the power to elect the Fund's Board of Directors. The Fund is structured to serve as a supporting organization with respect to St. Sebastian's School, Inc. St. Sebastian's School, Inc. has transferred certain property to the Fund to hold on St. Sebastian's School, Inc.'s behalf. The Fund conducts fund-raising and receives donations on behalf of St. Sebastian's School, Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of St. Sebastian's School, Inc. and the Fund (collectively, the "School"). Intercompany balances and transactions are eliminated in consolidation.

The consolidated financial statements of the School have been prepared on the accrual basis of accounting. Resources are reported for accounting purposes in separate classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose by the School has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity.

The presentation of the statement of financial position has been changed to conform to industry practice. The prior year balances as reported on the statement of financial position have been reclassified to conform to the current year presentation.

Cash Equivalents — Cash equivalents include short-term, highly liquid investments with remaining maturities of three months or less when purchased.

Accounts and Interest Receivable — Accounts and interest receivable is reported net of management's estimated allowance for uncollectible receivables of $106,675 and $81,675 at June 30, 2011 and 2010, respectively.

Pledges Receivable — Contributions, including unconditional promises to give, are recognized at fair value as either restricted support or unrestricted support in the period received. Conditional promises to give and indications of promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. The allowance for uncollectible pledges as of June 30, 2011, was $465,000 and June 30, 2010, was $500,000. Expected collections as of June 30 are as follows:

	2011	2010
Amounts due in:		
Less than one year	$2,508,904	$2,419,086
One to five years	4,196,893	5,426,555
Total	6,705,797	7,845,641
Discount on pledges receivable (discounted at rates ranging from 1.76% to 5.10%)	(154,819)	(292,425)
Allowance on pledges receivable	(465,000)	(500,000)
Net	$6,085,978	$7,053,216

The summary of the change in contributions receivable — net as of June 30 are as follows:

	2011	2010
Balance — beginning of the year	$ 7,053,216	$ 8,511,233
New pledges	3,907,883	1,569,085
Collections on pledges	(5,012,727)	(3,066,942)
Decrease in unamortized discounts	137,606	39,840
Balance — end of year	$ 6,085,978	$ 7,053,216

Investments and Investment Income — Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair market value.

Investment income from unrestricted investments and unrestricted investment income of permanently restricted assets are reported as unrestricted revenue and other support. Unrealized and realized gains (losses) from unrestricted investments are reported as other changes in unrestricted net assets. Restricted investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets, unless permanently donor restricted, in which case they are recorded as increases (decreases) in permanently restricted net assets. Net gains (losses) of permanently restricted net assets, classified as temporarily restricted remain in temporarily restricted net assets until appropriated by the Board of Trustees (the "Board" or the "Trustees") and expended. Investment income and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets.

The Trustees have interpreted Massachusetts General Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Trustees and expended. Massachusetts General Law allows the Trustees to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the School's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

The Board of the School has adopted a spending policy, which provides for the School to utilize an amount the donor has designated or up to 4% annually of the average market value of the donor-restricted and Board-designated endowment funds for current operating needs. The average market value is measured using the quarterly market values for the previous three years. Amounts appropriated under the spending policy are drawn from accumulated income and gains and unexpended net gains. Temporarily restricted net assets appropriated under the spending rule reported as a component of net assets released from restriction for the years ended June 30, have been used as follows:

	2011	2010
Faculty salaries and benefits	$ 250,000	$ 250,000
General expenses	21,212	-
Financial aid	36,288	15,420
Total	$ 307,500	$ 265,420

Investment securities, 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 investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

The purpose of the endowment is to support the School and its mission over the long term. The objective is to manage the funds within the endowment so that the future growth of the investments will be sufficient to offset normal inflation, plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the School for future generations. Additionally, management of the fund is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the fund to generate an average total annual return that exceeds the spending payout/rate, plus inflation.

To satisfy the long-term rate of return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The School targets an asset allocation strategy wherein assets are diversified among several asset classes. The School seeks broad diversification among assets having different characteristics to attain the appropriate levels of risk and return objectives in light of the School's risk tolerance and investment time horizon.

Other Investments not Recorded at Fair Value — The School has a 33.3% interest in a real estate partnership that was donated to the School in 1997. The investment is recorded at $220,851 which was the appraised value at the time of the donation.

Financial Aid Loans Receivable — The School has provided tuition loans to students as part of its financial aid program. Payments are to be made in 32 installments, commencing on January 1 in the year following graduation. Payments consist of eight consecutive semiannual payments of interest only, followed by 24 consecutive quarterly payments of principal and interest. At June 30, 2011 and 2010, the interest rate on the loans was 5%. Allowance is made for uncollectible loans based upon management's judgment, past collection experience, and other relevant factors. The allowance for uncollectible loans as of June 30, 2011 and 2010, was $40,623 and $30,623, respectively. Financial aid loans receivable as of June 30, 2011, expected to be collected are as follows.

Years Ending June 30	
2012	$ 12,053
2013	14,976
2014	16,485
2015	13,564
2016	9,824
Thereafter	124,282
Total financial aid loans receivable	191,184
Less allowance for uncollectible loans	(40,623)
Total financial aid loans receivable — net	$ 150,561

Tuition Revenue — Tuition revenue is recorded net of financial aid discounts. The School defers recognition of registration and tuition revenue to the period in which the related educational instruction is performed and the related expenses incurred. Accordingly, registration and tuition fees received for the next School term are deferred until the first day of the new fiscal year.

Land, Buildings, and Equipment — Land, buildings, and equipment are recorded at cost. Depreciation is computed on buildings and equipment using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 50 years. Expenditures for maintenance and repairs that do not extend the useful life of an asset are charged to expense as incurred. Donated land, buildings, and equipment are recorded at their fair value at the date of the gift.

Expenditures for capital projects in process are capitalized at cost as incurred. Depreciation is not computed on such assets until such time as the capital project is completed and the asset is placed in service.

Impairment of Long-Lived Assets — Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the School compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended June 30, 2011 and 2010, no impairments have occurred.

Deferred Revenue — Deferred revenue results from the fact that the School recognizes registration and tuition revenue in the period in which the related educational instruction is performed, not when cash is received. Accordingly, registration and tuition fees received for the next school term are deferred until the school term commences.

Contributions — Contributions received are recognized as restricted support or unrestricted support in the period received and as assets, decreases in liabilities, or expenses, depending on the form of benefits received, and are measured at their fair values.

Donor-Restricted Gifts — Unconditional promises to give cash and other assets to the School are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value at the date the conditional promise becomes unconditional or the gift is received. Gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year of receipt are reported as unrestricted contributions in the accompanying consolidated financial statements.

Net Asset Reclass to Conform to Donor Intent — During the years ended June 30, 2011 and 2010, management of the School determined, based on notification from donors or subsequent clarification of donor instruments, that certain contributions totaling $40,000 and $50,000 in 2011 and 2010, respectively, received in the prior year and recorded as temporarily restricted contributions, were permanently restricted contributions and accordingly, reclassified those amounts to permanently restricted net assets.

Federal Income Tax — The School has been determined to be a tax-exempt, nonprofit organization under Section 501(c) of the Internal Revenue Code (the "Code") and is exempt from federal income tax on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal income tax has been recorded in the accompanying consolidated financial statements.

Functional Allocation of Expenses — The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

GAAP defines fair value, provides a framework for measuring fair value, and expands disclosures for fair value measurements. The fair value hierarchy is as follows:

Level 1 — Quoted (unadjusted) prices for identical assets in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability overtime, etc.);

- Inputs other than quoted prices are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.); and

- Inputs that are derived principally from or corroborated by other observable market data

Level 3 — Unobservable inputs that cannot be corroborated by observable market data.

Following is a description of the valuation methodologies used for items measured at fair value.

Mutual Funds — The fair values of mutual funds are based on quoted market prices for such funds as reported at the closing price reported on the active market on which the individual securities are traded.

U.S. Treasuries —The fair values of U.S. Treasury notes are based on quoted market prices for identical instruments in active markets.

The following table presents information as of June 30 about the School's financial assets that are measured at fair value on a recurring basis:

2011	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Cash and cash equivalents:				
Cash	$ 4,475,663	$ -	$ -	$ 4,475,663
Money market funds	86,347	-	-	86,347
Mutual funds:				
Fixed income	2,416,573	-	-	2,416,573
Domestic equity	5,593,754	-	-	5,593,754
International equity	2,546,944	-	-	2,546,944
Natural resources	782,944	-	-	782,944
Real estate	379,607	-	-	379,607
U.S. Treasury notes	730,912	-	-	730,912
Total investments at fair value	17,012,744	-	-	17,012,744
Other investments not recorded at fair value	220,852	-	-	220,852
Total investments	$ 17,233,596	$ -	$ -	$ 17,233,596

2010	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Cash and cash equivalents:				
Cash	$ 3,619,486	$ -	$ -	$ 3,619,486
Money market funds	23,539	-	-	23,539
Mutual funds:				
Fixed income	3,007,937	-	-	3,007,937
Domestic equity	4,367,676	-	-	4,367,676
International equity	1,739,025	-	-	1,739,025
Natural resources	303,445	-	-	303,445
Real estate	372,289	-	-	372,289
U.S. Treasury notes	1,256,035	-	-	1,256,035
Total investments at fair value	$ 14,689,432	$ -	$ -	$ 14,689,432

4. PROPERTY AND EQUIPMENT

Land, buildings, and equipment at June 30 consist of the following:

	2011	2010
Land and improvements	$ 17,829,755	$ 17,635,071
Buildings	18,526,101	18,526,101
Furniture, fixtures, and equipment	4,456,580	4,349,870
	40,812,436	40,511,042
Less accumulated depreciation	(13,603,098)	(12,434,841)
	27,209,338	28,076,201
Capital projects in process	4,645,937	1,456,716
Land, buildings, and equipment — net	$ 31,855,275	$ 29,532,917

Depreciation expense for the years ended June 30, 2011 and 2010, was $1,168,257 and $1,188,905, respectively.

5. NOTES PAYABLE

In 2010, the School made payments of $50,000 in July, August, September, October, and November and $2,200,000 in December to retire the note payable which had a balance of $2,450,000 at June 30, 2010. In December 2010, the School secured a direct purchase of outstanding bank-qualified tax-exempt bonds in the amount of $10,000,000 to finance the construction of the science and math building. The proceeds are maintained in a separate restricted account until they are used to pay construction costs. The unspent balance is reported as "Bond project account – restricted cash" in the Statements of Financial Position. The issuer of the bonds is the Massachusetts Development Finance Agency. Eastern Bank is both the purchaser of the bonds and the disbursing agent. The rate is fixed at 3.75% for the first 10 years with a 30-year amortization schedule requiring monthly payments. The rate will reset at the end of year 10 and year 20. The reset formula is the Federal Home Loan Bank of Boston rate plus 200 basis points to be taxed adjusted as of the reset date. The School was required to comply with certain financial covenants. In 2011, the School incurred interest expense of $255,457, of which $209,260 was capitalized as part of the science and math building.

Annual maturities of bonds payable for the year ended June 30, 2011, are as follows:

2012	$ 186,140
2013	194,253
2014	201,655
2015	209,358
2016	216,416
Thereafter	8,882,514
Total bonds payable	$ 9,890,336

6. PENSION PLANS

Prior to June 30, 2004, the School participated in a multiemployer, noncontributory, defined benefit pension plan administered by the Roman Catholic Archdiocese of Boston (the "Archdiocese"). The Archdiocese amended the pension plan as of January 1, 2004, by reducing various factors, which had the effect of reducing employees' pension benefits. Effective June 30, 2004, the School ceased participating in the plan, but did not take its assets out of the plan. The plan is currently underfunded. As such, the School remains responsible for the portion of the unfunded liability relating to its participants in the plan and must continue to make payments to the plan. The payments are required to insure that the value of the assets in the Pension Plan and Trust of the Roman Catholic Archdiocese of Boston (the "Trust") is sufficient to cover the cost of providing the pension benefits that have been earned by the employees of the School. Effective July 1, 2004, the monthly payment by the School to the Trust is $4,300. This payment reflects the amortization of the unfunded present value of accrued benefits, which approximates $674,000 as of June 30, 2011. The discount rate as of June 30, 2011, is 6.5%. This amount will be reviewed each calendar year and may be adjusted as deemed necessary to consider the effects of asset appreciation or depreciation and changes in the actuarial assumptions.

The School sponsors a defined contribution plan, the Defined Contribution Retirement Plan (the "Plan"). All employees with at least 1,000 hours of service annually and one year of service are eligible to participate and all participants are fully vested. Years of service with any educational organization will be counted for meeting the eligibility requirement. The Plan was amended effective July 1, 2004, to require eligible employees to contribute 2% of their salary to the Plan. The amendment also increased the School's match from 2% of the employee's annual salary to 7% of the employee's salary for employees who have 1 to 5 years of service, 9% for employees who have 6 to 10 years of service, and 11% for employees who have more than 10 years of service. The expense under the Plan was $565,503 and $539,205 for the years ended June 30, 2011 and 2010, respectively.

The School also sponsors a voluntary defined contribution plan for eligible employees pursuant to Section 403(b) of the Code. The School makes no contributions to this plan.

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Trustees of
St. Sebastian's School, Inc.
Needham, Massachusetts

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the St Sebastian's School Inc.'s management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

October 20, 2011

ST. SEBASTIAN'S SCHOOL, INC.

SUPPLEMENTAL SCHEDULE OF CONSOLIDATED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Total	Instructional	General and Administrative	Operations and Maintenance	General Institutional	Athletics	Student Activities	Dining Hall	Fund-Raising	Admissions	Skating Rink	Other Programs
Salaries	$ 6,568,274	$4,412,800	$1,136,256	$228,419	$ -	$ -	$ -	$ -	$512,394	$168,000	$110,405	$ -
Heat, light, and water	558,163	205,201	-	-	48,195	95,580	-	-	-	-	209,187	-
Employee benefits	924,099	632,534	140,524	7,533	-	-	-	-	100,873	19,832	22,803	-
Materials and supplies	284,348	80,018	3,116	57,484	55,964	21,487	-	18,928	44,376	2,103	872	-
Payroll taxes	447,900	300,915	77,483	15,576	-	-	-	-	34,941	11,456	7,529	-
Repairs and maintenance	246,998	14,456	355	107,261	88,407	-	-	-	-	-	36,519	-
Food service	132,302	-	-	-	-	-	-	132,302	-	-	-	-
Equipment expense	221,062	35,807	120,810	210	2,135	62,100	-	-	-	-	-	-
Transportation and travel	132,979	3,178	10,466	-	5,438	93,618	-	-	20,279	-	-	-
Conferences and workshops	35,102	28,146	-	-	-	3,457	-	-	1,879	1,620	-	-
Tuition remission	279,025	212,825	66,200	-	-	-	-	-	-	-	-	-
Bad debts	35,000	-	-	-	35,000	-	-	-	-	-	-	-
Telephone	24,891	-	-	-	21,360	-	-	-	3,531	-	-	-
Professional fees	199,362	-	-	-	139,591	-	-	32,900	26,871	-	-	-
Insurance	103,854	-	-	-	103,854	-	-	-	-	-	-	-
Student publications	34,002	-	-	-		-	34,002	-	-	-	-	-
Miscellaneous — other	147,159	29,886	303	-	86,358	27,899	-	-	1,422	-	1,291	-
Entertainment	153,386	-	1,592	-	13,314	-	-	-	129,035	9,445	-	-
Game officials	38,326	-	-	-	-	38,326	-	-	-	-	-	-
Commencement	24,515	-	-	-	24,515	-	-	-	-	-	-	-
Postage	58,315	-	-	-	48,564	-	-	-	5,743	4,008	-	-
Advertising and printing	123,549	154	-	-	46,639	-	-	-	42,084	34,672	-	-
Dues and memberships	32,908	2,580	3,102	-	20,865	5,796	-	-	45	520	-	-
Student events	113,233	-	-	-	-	-	113,233	-	-	-	-	-
Contracted services	474,191	1,674	-	292,367	866	-	-	179,044	-	-	240	-
Summer camp	14,969	-	-	-	-	-	-	-		-	-	14,969
Interest	46,197	-	-	-	46,197	-	-	-	-	-	-	-
Depreciation	1,168,257	399,117	98,548	144,300	29,198	412,986	-	8,262	-	-	75,846	-
TOTAL	$12,622,366	$6,359,291	$1,658,755	$853,150	$816,460	$761,249	$147,235	$371,436	$923,473	$251,656	$464,692	$14,969

See independent auditors' report on consolidated supplemental schedules.

ST. SEBASTIAN'S SCHOOL, INC.

SUPPLEMENTAL SCHEDULE OF CONSOLIDATED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Total	Instructional	General and Administrative	Operations and Maintenance	General Institutional	Athletics	Student Activities	Dining Hall	Fund-Raising	Admissions	Skating Rink	Other Programs
Salaries	$ 6,226,733	$4,146,118	$1,080,133	$216,275	$ -	$ -	$ -	$ -	$506,374	$170,500	$107,333	$ -
Heat, light, and water	506,561	199,950	-	-	46,903	78,880	-	-	-	-	180,828	-
Employee benefits	1,268,894	834,118	225,710	45,194	-	-	-	-	105,814	35,629	22,429	-
Materials and supplies	287,700	89,753	2,725	54,048	55,291	11,733	-	19,455	52,526	1,195	974	-
Payroll taxes	459,725	306,112	79,747	15,968	-	-	-	-	37,386	12,588	7,924	-
Repairs and maintenance	208,866	42,477	-	109,206	-	-	-	-	-	-	57,183	-
Food service	133,988	-	-	-	-	-	-	133,988	-	-	-	-
Equipment expense	159,563	76,860	32,935	9,668	2,896	33,403	-	-	-	-	3,801	-
Transportation and travel	133,163	5,054	8,477	-	5,980	95,591	-	-	18,061	-	-	-
Conferences and workshops	33,791	23,325	-	-		7,486	-	-	769	2,211	-	-
Tuition remission	211,413	159,863	51,550	-	-	-	-	-	-	-	-	-
Bad debts	30,000	-	-	-	30,000	-	-	-	-	-	-	-
Telephone	30,312	-	-	-	30,312	-	-	-	-	-	-	-
Professional fees	180,285	-	-	-	130,707	-	-	31,156	18,422	-	-	-
Insurance	84,402	-	-	-	84,402	-	-	-	-	-	-	-
Student publications	33,664	-	-	-	-	-	33,664	-	-	-	-	-
Miscellaneous — other	199,896	23,070	842	-	84,244	88,688	-	-	-	-	3,052	-
Entertainment	165,217	-	1,913	-	20,258	-	-	-	130,096	12,950	-	-
Game officials	36,208	-	-	-	-	36,208	-	-	-	-	-	-
Commencement	18,785	-	-	-	18,785	-	-	-	-	-	-	-
Postage	62,693	-	-	-	55,409	-	-	-	6,758	526	-	-
Advertising and printing	143,547	382	-	-	70,110	-	-	-	28,641	44,414	-	-
Dues and memberships	27,553	3,418	900	-	18,905	3,608	-	-	250	472	-	-
Student events	105,764	-	-	-	-	-	105,764	-	-	-	-	-
Contracted services	446,499	1,563	-	268,247	1,775	-	-	174,455	-	-	459	-
Summer camp	13,669	-	-	-	-	-	-	-	-	-	-	13,669
Interest	67,099	-	-	-	-	-	-	-	-	-	-	67,099
Depreciation	1,188,905	426,310	94,050	127,088	26,139	427,629	-	9,313	-	-	78,376	-
TOTAL	$12,464,895	$6,338,373	$1,578,982	$845,694	$682,116	$783,226	$139,428	$368,367	$905,097	$280,485	$462,359	$80,768

See independent auditors' report on consolidated supplemental schedules.