

**Audited  
Financial Statements**  
**Archbishop Williams  
High School, Inc.**  
**June 30, 2008**

# Archbishop Williams High School, Inc.

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## Audited Financial Statements

June 30, 2008

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G.T. Reilly & Company

Internationally,

Moore Stephens Reilly, P.C.

Reilly Consulting Group, Inc.

ReillyTech

Reilly Benefits

Reilly Small Business Group

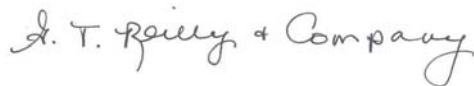
## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Archbishop Williams High School, Inc.

We have audited the accompanying statements of financial position of Archbishop Williams High School, Inc. as of June 30, 2008 and 2007, and the related statements of activities and 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 Archbishop Williams High School, Inc. at June 30, 2008 and 2007, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



G. T. Reilly & Company

Milton, Massachusetts  
March 31, 2009

# Archbishop Williams High School, Inc.

## Statements of Financial Position

June 30

	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
CASH AND CASH EQUIVALENTS (Note 2)	<u>\$ 2,629,776</u>	<u>\$ 3,456,511</u>
CASH DESIGNATED BY THE BOARD (Note 2)	<u>500,000</u>	<u>-</u>
ACCOUNTS RECEIVABLE, less allowance for doubtful accounts of \$4,100 in 2008 and \$3,000 in 2007 (Note 2)	<u>42,613</u>	<u>23,855</u>
CONTRIBUTIONS RECEIVABLE (Note 2)	<u>40,000</u>	<u>-</u>
OTHER ASSETS	<u>9,640</u>	<u>9,898</u>
INVESTMENTS, AT FAIR VALUE (Notes 2 & 3)	<u>1,095,860</u>	<u>1,153,808</u>
PROPERTY AND EQUIPMENT (Notes 2 & 4)		
Land, building and improvements	1,475,317	1,037,432
Furniture, fixtures and equipment	228,464	172,948
Construction-in-progress	3,391,526	360,748
	<u>5,095,307</u>	<u>1,571,128</u>
Accumulated depreciation	<u>(214,773)</u>	<u>(144,937)</u>
	<u>4,880,534</u>	<u>1,426,191</u>
 TOTAL ASSETS	 <u><u>\$ 9,198,423</u></u>	 <u><u>\$ 6,070,263</u></u>
<b><u>Liabilities and Net Assets</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 195,274	\$ 31,818
Accrued expenses	297,872	295,321
Student deposits	79,916	90,040
Deferred tuition revenue (Note 2)	301,614	303,120
Revolving loan agreement with the Archdiocese (Note 4)	2,809,619	-
Mortgage note payable (Note 4)	648,307	662,956
 TOTAL LIABILITIES	 <u>4,332,602</u>	 <u>1,383,255</u>
 NET ASSETS (Note 2)		
Unrestricted:		
Undesignated	3,106,634	3,406,165
Board-designated (Note 2)	500,000	-
	<u>3,606,634</u>	<u>3,406,165</u>
Temporarily restricted (Note 5)	652,496	674,152
Permanently restricted (Note 5)	606,691	606,691
	<u>4,865,821</u>	<u>4,687,008</u>
	<u><u>\$ 9,198,423</u></u>	<u><u>\$ 6,070,263</u></u>

# Archbishop Williams High School, Inc.

## Statements of Activities and Changes in Net Assets

### For the Year Ended June 30

	2008				2007			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>								
Tuition and fees	\$ 4,886,266	\$	\$	\$ 4,886,266	\$ 4,891,887	\$	\$	\$ 4,891,887
Less scholarships and financial aid	(347,760)			(347,760)	(336,150)			(336,150)
Tuition and fees, net	4,538,506			4,538,506	4,555,737			4,555,737
Contributed equipment and services (Note 2)	48,338			48,338	25,595			25,595
Gifts and donations	368,284	68,091		436,375	377,427	107,258		484,685
Catholic Schools Foundation Grant	87,500			87,500	86,000			86,000
Dividend and interest income	96,216	40,361		136,577	71,280	35,760		107,040
Net realized gain on investments	-			-	8,717			8,717
Net unrealized gain (loss) on investments		(104,408)		(104,408)		73,412		73,412
Auxiliary activities	63,820	32,889		96,709	84,683	64,637		149,320
Rental income	18,156			18,156	24,216			24,216
Other program income	40,313			40,313	43,973			43,973
Net assets released from restrictions (Note 5)	58,589	(58,589)		-	99,707	(99,707)		-
Total revenues and support	5,319,722	(21,656)		5,298,066	5,377,335	181,360		5,558,695
<b>EXPENSES</b>								
Program Services:								
Instruction and student activities	2,607,405			2,607,405	2,525,275			2,525,275
Auxiliary activities	135,876			135,876	130,464			130,464
Other programs	322,704			322,704	273,731			273,731
Total program services	3,065,985			3,065,985	2,929,470			2,929,470
Supporting Services:								
General and administrative	973,898			973,898	761,294			761,294
Operation & maintenance of plant	635,804			635,804	526,260			526,260
Development	336,763			336,763	257,792			257,792
Interest	36,966			36,966	34,588			34,588
Depreciation	69,837			69,837	60,658			60,658
Total supporting services	2,053,268			2,053,268	1,640,592			1,640,592
Total expenses	5,119,253			5,119,253	4,570,062			4,570,062
CHANGE IN NET ASSETS	200,469	(21,656)		178,813	807,273	181,360		988,633
NET ASSETS AT BEGINNING OF YEAR	3,406,165	674,152	606,691	4,687,008	2,598,892	492,792	606,691	3,698,375
NET ASSETS AT END OF YEAR	\$ 3,606,634	\$ 652,496	\$ 606,691	\$ 4,865,821	\$ 3,406,165	\$ 674,152	\$ 606,691	\$ 4,687,008

# Archbishop Williams High School, Inc.

## Statements of Cash Flows

### For the Year Ended June 30

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 178,813	\$ 988,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,837	60,658
Net realized gains on investments	-	(8,717)
Net unrealized loss (gains) on investments	104,408	(73,412)
Changes in operating assets and liabilities:		
Cash designated by the Board	(500,000)	-
Accounts receivable, net	(18,758)	(9,700)
Contributions receivable	(40,000)	-
Other assets	258	(978)
Accounts payable	163,456	4,246
Accrued expenses	2,551	(11,058)
Student deposits	(10,124)	(30,876)
Deferred tuition	(1,506)	24,375
	<u>(51,065)</u>	<u>943,171</u>
<b>NET CASH (USED IN) PROVIDED FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(46,459)	(75,479)
Sales of investments	-	46,050
Additions to property and equipment	(3,524,181)	(271,732)
	<u>(3,570,640)</u>	<u>(301,161)</u>
<b>NET CASH APPLIED TO INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from revolving loan agreement	2,809,619	-
Payments on mortgage note payable	(14,649)	(12,726)
	<u>2,794,970</u>	<u>(12,726)</u>
<b>NET CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(826,735)</b>	<b>629,284</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,456,511</b>	<b>2,827,227</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,629,776</u></b>	<b><u>\$ 3,456,511</u></b>

### Supplemental Cash Flow Information

Cash paid for interest, net of amounts capitalized of \$106,138 in 2008 (zero in 2007)	<u>\$ 36,966</u>	<u>\$ 34,588</u>
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# Archbishop Williams High School, Inc.

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## Notes to Financial Statements

June 30, 2008

### Note 1 – Nature of Organization

Archbishop Williams High School, Inc. (the "School") is a private high school located in Braintree, 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.

### Note 2 – Significant Accounting Policies

Basis of Presentation – The accompanying financial statements of Archbishop Williams High School, Inc. are prepared under 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 Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", 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.

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, 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 (see Note 5 regarding restrictions on net assets).

Contributions and Donor Restrictions - Under SFAS No. 116, "Accounting for Contributions Received and Contributions Made", 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.

Contributed Services and Equipment – Support arising from contributed services of religious personnel to the School has been recognized in the statement of activities 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.

The accompanying statements of activities do not reflect an amount for support with an equal amount reflected for expense representing the difference between the amounts of rent paid and the estimated fair rental value of the facilities (contributed facilities), because management did not believe it was practical to estimate such fair value. If such amount were estimated and recorded, it would have no effect on the amount of the "Change in Net Assets" as reported in the School's accompanying statements of activities for either year.

## Note 2 – Significant Accounting Policies (Cont.)

Cash and Equivalents – The School considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents. Cash designated by the board consists of funds that are designated by the School's Board of Directors for future replacement, improvement or additions to property and equipment.

Accounts Receivable - Accounts receivable are stated net of an allowance for doubtful accounts, which is 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.

Contributions Receivable – Under SFAS No. 116, "Accounting for Contributions Receivable and Contributions Made", contributions, including unconditional promises to give, 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 of assets other than cash are recorded at their estimated fair value.

For the year ended June 30, 2008, the School's contributions receivable represent amounts due within one year. There were no contributions receivable for the year ended June 30, 2007.

Investments - The School reports investments in mutual funds and certificates of deposit at fair value. Increases or decreases in the fair value of such investments are reflected in the statement of activity (see Note 3).

Property and Equipment – Property and equipment are stated at cost. Donated equipment is reported at the estimated value at the time of donation. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives in Years</u>
Building and improvements	10 - 39
Furniture, fixtures and equipment	3 - 7

Deferred Tuition Revenue – Deferred revenue consists of tuition and seat 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 netted against gross tuition and fees.

Auxiliary Activities' Revenue – Auxiliary activities' revenue includes activities related to the School's operations, such as the School bookstore. Auxiliary activities' 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.



### Note 3 – Investments

Investments consist of the following at June 30:

	2008		2007	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in Common Investment Fund	\$ 812,031	\$ 950,634	\$ 771,413	\$ 1,014,424
Certificates of Deposit	145,226	145,226	139,384	139,384
	<u>\$ 957,257</u>	<u>\$ 1,095,860</u>	<u>\$ 910,797</u>	<u>\$ 1,153,808</u>

The investment in the Common Investment Fund represents shares in a mutual fund established by The Roman Catholic Archbishop of Boston, A Corporation Sole (RCAB), to provide a common investment pool in which it and other related entities may participate.

The School currently receives a quarterly dividend from the Common Investment Fund equaling 1% (4% annually) of the prior quarter's fair value. These dividends are reinvested on a quarterly basis.

### Note 4 - Notes Payable

Mortgage Note Payable - The School entered into a \$692,000 note payable with Braintree Co-operative Bank in April, 2005 to partially fund the acquisition of real estate at 40 Independence Avenue in Braintree, Massachusetts. The note bears interest at a fixed rate of 5.625% through April 15, 2010, at which time the interest rate may change no more than +/- 2% based upon the current index at that time made available by the Federal Reserve Board. The interest rate will continue to be reviewed and updated based upon the current index every 60 months thereafter starting on April 15, 2010. The interest rate may never exceed 11.625% nor drop below 5.625% at any time during the term of the note. The note is currently payable in monthly interest and principal installments of \$4,301 and it matures April 15, 2030. This note is collateralized by a first mortgage on land and a building. The outstanding balance of this note at June 30, 2008 and 2007 is \$648,307 and \$662,956, respectively.

Annual principal maturities on long-term debt are as follows:

<u>Year Ending</u> <u>June 30</u>	
2009	\$ 15,556
2010	16,454
2011	17,403
2012	18,408
2013	19,470
Thereafter	<u>561,016</u>
	<u>\$ 648,307</u>

Revolving Loan Agreement - In August, 2007, the School entered into a \$3.25 million revolving loan agreement with the RCAB as a means of financing a \$3.5 million contract to renovate the School's athletic field. Interest is charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans (6% on June 30, 2008). The School has the option to prepay all or part of the principal balance at any time. As of June 30, 2008, the outstanding balance for the revolving loan agreement is \$2,809,619. The School expects the athletic fields to be completed during the fall of 2008. Through June 30, 2008, the School capitalized approximately \$3,392,000 of construction-related costs for the athletic field.

Interest costs incurred on borrowed funds during the period of construction have been capitalized as a component of the athletic field renovations. Interest capitalized during the year ended June 30, 2008 amounted to \$106,638 (none in 2007).

## Note 5 - Classification of Net Assets

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 79,630	\$ 79,630
Financial aid	<u>527,061</u>	<u>527,061</u>
	<u>\$ 606,691</u>	<u>\$ 606,691</u>

Temporarily restricted net assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 192,469	\$ 142,752
Financial aid	298,873	263,288
Auxiliary activities	12,552	22,552
Hall of fame future fund	10,000	-
Alumni golf tournament	-	2,550
	<u>513,894</u>	<u>431,142</u>
Unrealized gains on investments related to permanently restricted net assets	<u>138,602</u>	<u>243,010</u>
	<u>\$ 652,496</u>	<u>\$ 674,152</u>

Temporarily restricted net assets were released for the following purposes for the year ended June 30:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 13,150	\$ 11,600
Financial aid	-	45,022
Auxiliary activities	42,889	42,085
Alumni golf tournament	2,550	1,000
	<u>\$ 58,589</u>	<u>\$ 99,707</u>

## Note 6 - Related Party Transactions and Lease Agreement

During the years ended June 30, 2008 and 2007, the School was charged \$239,225 and \$239,761, respectively, for health, life, disability, workers' compensation and property insurance administered by the RCAB (an entity related by common board members).

The School leases land and a building from Archdiocese Central High School, Inc. (ACHS). Effective July 1, 2004, the School entered into a lease agreement for a four-year period ending June 30, 2008, requiring annual lease payments of \$1. The School was obligated under the lease agreement to pay all utilities, maintenance and insurance on the premises, subject to certain limitations.

Effective July 1, 2008, the School is a tenant-at-will with an annual lease payment of one dollar per year. The School is also paying certain operating expenses of the property.

## Note 6 - Related Party Transactions (Cont.)

A significant amount of the School's investments are in the Common Investment Fund of the RCAB (see Note 3). Additionally, as more fully discussed in Note 4, the School has a \$3.5 million revolving loan agreement with the RCAB.

In addition, during the years ended June 30, 2008 and 2007, the School, with board approval, purchased professional services from a firm owned by a board member (Note 4) in the amount of \$34,852 and \$40,774, respectively. Amounts payable to the firm totaled zero and \$22,774 at June 30, 2008 and 2007, respectively.

## Note 7 - Pension Plan

The School participates with other organizations affiliated with the 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 \$154,000 and \$147,000 for the years ended June 30, 2008 and 2007, respectively, and represents contributions assessed to the School for the year.

Accumulated plan benefit information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multiemployer plan and, therefore, such information is not presented herein. At June 30, 2007, the financial statements of the entire multi-employer plan reflected net assets available for plan benefits of \$293 million, and an actuarial present value of accumulated plan benefits of approximately \$286 million.

## Note 8 – Other Leases Commitments

The School also has a lease agreement for copier machines and accounts for it as an operating lease. Copier equipment lease expense was \$24,596 and \$22,622 for the years ended June 30, 2008 and 2007, respectively. The future minimum lease payments for the copier lease are as follows:

Fiscal Year Ending June 30	
2008	\$ 22,680
2009	<u>3,780</u>
	<u>\$ 26,460</u>

## Note 9 - Financial Instruments and Concentrations of Credit Risk

The School's financial instruments that potentially subject it to concentrations of credit risk consist of cash, cash equivalents, investments and debt.

The School maintains its cash, cash equivalents and certificates of deposit in high-quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2008, the excess approximated \$2,657,000 based on bank balances.

As more fully discussed in Note 3, the School's investments consist principally of common investment funds administered by the RCAB in the amount of \$950,634 at June 30, 2008.

The School has a \$3.5 million revolving loan agreement with the RCAB with an outstanding balance of approximately \$2.8 million at June 30, 2008 (see Note 4).