Audited
Financial Statements
Archbishop Williams
High School, Inc.
June 30, 2005
INDEPENDENT AUDITORS' REPORT

Board of Directors
Archbishop Williams High School, Inc.

We have audited the accompanying statement of financial position of Archbishop Williams High School as of June 30, 2005, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 at June 30, 2005, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

Milton, Massachusetts
November 16, 2005
Archbishop Williams High School, Inc.

Statement of Financial Position
June 30, 2005

Assets

CASH AND CASH EQUIVALENTS (Note 2) $2,376,036

ACCOUNTS RECEIVABLE, less allowance for doubtful accounts of $7,400 (Note 2) 29,831

OTHER ASSETS 7,867

PROPERTY AND EQUIPMENT (Note 2)
   Land, building and improvements 992,280
   Furniture, fixtures and equipment 134,022
   Accumulated depreciation (30,927)
   1,126,395

INVESTMENTS, AT FAIR MARKET VALUE (Notes 2 & 4) 966,995

TOTAL ASSETS $4,476,104

Liabilities and Net Assets

LIABILITIES
   Accounts payable $ 9,924
   Accrued expenses 274,592
   Deferred revenue (Note 2) 407,534
   Mortgage note payable (Note 5) 689,880
   TOTAL LIABILITIES 1,381,930

NET ASSETS
   Unrestricted 2,063,759
   Temporarily restricted (Note 6) 423,724
   Permanently restricted (Note 6) 606,691
   3,094,174

$4,476,104

The accompanying notes are an integral part of these financial statements.
Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2005

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES AND SUPPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$4,409,577</td>
<td>$</td>
<td>$</td>
<td>$4,409,577</td>
</tr>
<tr>
<td>Less financial aid</td>
<td>(226,698)</td>
<td>$</td>
<td></td>
<td>(226,698)</td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>4,182,879</td>
<td></td>
<td></td>
<td>4,182,879</td>
</tr>
<tr>
<td>Contributed services</td>
<td>13,552</td>
<td></td>
<td></td>
<td>13,552</td>
</tr>
<tr>
<td>Gifts and donations</td>
<td>315,721</td>
<td></td>
<td></td>
<td>315,721</td>
</tr>
<tr>
<td>Catholic Schools Foundation</td>
<td>86,000</td>
<td></td>
<td></td>
<td>86,000</td>
</tr>
<tr>
<td>Dividend and interest income</td>
<td>32,779</td>
<td>23,283</td>
<td></td>
<td>56,062</td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>1,064</td>
<td>19,248</td>
<td></td>
<td>20,312</td>
</tr>
<tr>
<td>Auxiliary activities</td>
<td>76,698</td>
<td></td>
<td></td>
<td>76,698</td>
</tr>
<tr>
<td>Rental income</td>
<td>36,020</td>
<td></td>
<td></td>
<td>36,020</td>
</tr>
<tr>
<td>Other program income</td>
<td>62,080</td>
<td></td>
<td></td>
<td>62,080</td>
</tr>
<tr>
<td><strong>Total revenues and support</strong></td>
<td>4,806,793</td>
<td>42,531</td>
<td></td>
<td>4,849,324</td>
</tr>
</tbody>
</table>

**EXPENSES**

Program Services:
- Instruction and student activities | 2,271,886 | 2,271,886 |
- Auxiliary activities                | 36,053    | 36,053    |
- Other programs                      | 279,090   | 279,090   |
| **Total program services**          | 2,587,029 | 2,587,029 |

Supporting Services:
- General and administrative         | 1,136,175 | 1,136,175 |
- Development                         | 164,793   | 164,793   |
- Interest                            | 7,456     | 7,456     |
- Depreciation                        | 30,927    | 30,927    |
| **Total supporting services**       | 1,339,351 | 1,339,351 |
| **Total expenses**                  | 3,926,380 | 3,926,380 |

**CHANGE IN NET ASSETS**

- 880,413
- 42,531
- 922,944

**NET ASSETS RECEIVED UPON FORMATION (Notes 2 & 3)**

- 1,183,346
- 381,193
- 606,691
- 2,171,230

**NET ASSETS AT END OF YEAR**

- $2,063,759
- $423,724
- $606,691
- $3,094,174

The accompanying notes are an integral part of these financial statements.
Statement of Cash Flows
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $ 922,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:
Depreciation 30,927
Net unrealized gains on investments (20,312)
Changes in operating assets and liabilities:
Accounts receivable, net (29,831)
Other assets (7,867)
Accounts payable 9,924
Accrued expenses 266,172
Deferred revenue (76,674)

NET CASH PROVIDED FROM OPERATING ACTIVITIES 1,095,283

CASH FLOWS FROM INVESTING ACTIVITIES
Purchase of investments (194,189)
Purchase of property and equipment (989,006)

NET CASH APPLIED TO INVESTING ACTIVITIES (1,183,195)

CASH FLOWS FROM FINANCING ACTIVITIES
Net cash contributed at formation (Notes 2 & 3) 1,774,068
Long-term financing 692,000
Payments on long-term debt (2,120)

NET CASH PROVIDED FROM FINANCING ACTIVITIES 2,463,948

NET INCREASE IN CASH AND CASH EQUIVALENTS 2,376,036

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 0

NET CASH AND CASH EQUIVALENTS AT END OF YEAR $2,376,036

Supplemental Cash Flow Information
Cash paid for interest $ 7,456

The accompanying notes are an integral part of these financial statements.
Notes to Financial Statements
June 30, 2005

Note 1 – Nature of Organization

Archbishop Williams High 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.

Until June 30, 2004, the School was a division of Archdiocesan Central High Schools, Inc. Effective July 1, 2004, the School was incorporated as an entity independent of Archdiocesan Central High Schools, Inc. At this date, the Archdiocesan Central High Schools distributed certain assets and liabilities to the corporation (see Note 3).

Note 2 – Significant Accounting Policies

Basis of Presentation – The accompanying financial statements of Archbishop Williams High School 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.

Estimated Net Assets Contributed at Formation – The School received cash and certain assets, and assumed certain liabilities from the Archdiocesan Central High Schools when it became an independent entity. The School recorded these assets and liabilities at their estimated fair values on the date received (see Note 3). The net contribution is segregated from operating activities on the accompanying statement of activities and changes in net assets in order to present the results of current year operations with greater clarity.

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 6 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.
Note 2 – Significant Accounting Policies (Cont.)

Contributed Services and Equipment – Support arising from contributed services of religious personnel 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.

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

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 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 4).

Property and Equipment – Property and equipment are stated at cost. 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:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Estimated Useful Lives in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>39</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>5</td>
</tr>
</tbody>
</table>

Deferred 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 Services Revenue – Auxiliary services revenue includes activities related to the School’s operations, such as the School bookstore. 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.
Note 3 – Estimated Net Assets Contributed at Formation

The School estimates the assets received and liabilities assumed from the Archdiocesan Central High Schools, at its formation as an independent entity (see Note 1), as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>$1,543,449</td>
<td>$218,059</td>
<td>$12,560</td>
<td>$1,774,068</td>
</tr>
<tr>
<td>Common Investment Fund</td>
<td>(4,771)</td>
<td>163,134</td>
<td>594,131</td>
<td>752,494</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>137,296</td>
<td>0</td>
<td>0</td>
<td>137,296</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(8,420)</td>
<td>0</td>
<td>0</td>
<td>(8,420)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(484,208)</td>
<td>0</td>
<td>0</td>
<td>(484,208)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,183,346</strong></td>
<td><strong>$381,193</strong></td>
<td><strong>$606,691</strong></td>
<td><strong>$2,171,230</strong></td>
</tr>
</tbody>
</table>

Note 4 – Investments

Investments consist of the following at June 30, 2005:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Common Investment Fund</td>
<td>$660,222</td>
<td>$795,839</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>171,156</td>
<td>171,156</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$831,378</strong></td>
<td><strong>$966,995</strong></td>
</tr>
</tbody>
</table>

The investment in the Common Investment Fund represents shares in a mutual fund established by the Roman Catholic Archbishop of Boston, A Corporation Sole, 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 market value.

Note 5 - 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 a fixed rate of interest 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, 2005 is $689,880.

Maturities on the above long-term debt over the next five years are as follows:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$13,145</td>
</tr>
<tr>
<td>2007</td>
<td>13,904</td>
</tr>
<tr>
<td>2008</td>
<td>14,708</td>
</tr>
<tr>
<td>2009</td>
<td>15,556</td>
</tr>
<tr>
<td>2010</td>
<td>16,454</td>
</tr>
<tr>
<td>Thereafter</td>
<td>616,113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$689,880</td>
</tr>
</tbody>
</table>
Note 6 - Classification of Net Assets

Permanently restricted net assets at June 30, 2005 are restricted to investment in perpetuity, the income from which is expendable to support:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$79,630</td>
</tr>
<tr>
<td>Capital campaign</td>
<td>527,061</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$606,691</strong></td>
</tr>
</tbody>
</table>

Temporarily restricted net assets at June 30, 2005 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$115,878</td>
</tr>
<tr>
<td>Capital campaign</td>
<td>172,229</td>
</tr>
<tr>
<td>Unrealized gains on investments related to permanently restricted net assets</td>
<td>135,617</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$423,724</strong></td>
</tr>
</tbody>
</table>

Note 7 - Related Party Transaction

During the year ended June 30, 2005, the School was charged $262,168 for health, life, disability, workers’ compensation and property insurance administered by the Roman Catholic Archbishop of Boston (RCAB), A Corporation Sole (an entity related by common board members).

The School leases land and a building from the Archdiocesan Central High Schools, 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 $1.00. The School is obligated under the lease agreement to pay all utilities, maintenance and insurance on the premises, subject to certain limitations.

Under the terms of the lease agreement, the School has the option to purchase the property subject to certain conditions established by the Archdiocese Central High Schools, Inc.

Note 8 - 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 $135,000 for the year ended June 30, 2005, and represents contributions assessed to the School for the year.

Accumulated plan benefits 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. The June 30, 2005 financial statements of the entire plan reflected net of assets available for plan benefits of approximately $226 million, and an actuarial present value of accumulated plan benefits of approximately $252 million.
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 and investments.

The School maintains its cash accounts 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, 2005, the excess approximated $1,915,000 based on bank balances.

As more fully discussed in Note 4, the School's investments consist principally of common investment funds administered by the Roman Catholic Archdiocese of Boston in the amount of $795,839 at June 30, 2005.