

**Audited
Financial Statements**

**Archbishop Williams
High School, Inc.**

June 30, 2006

Archbishop Williams High School, Inc.

Audited Financial Statements

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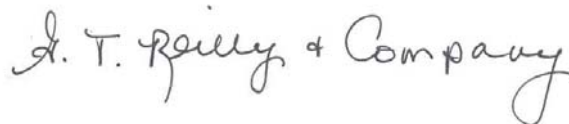
INDEPENDENT AUDITORS' REPORT

Board of Directors
Archbishop Williams High School, Inc.

We have audited the accompanying statements of financial position of Archbishop Williams High School as of June 30, 2006 and 2005, 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 at June 30, 2006 and 2005, 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
August 24, 2006

Archbishop Williams High School, Inc.

Statements of Financial Position

June 30

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
CASH AND CASH EQUIVALENTS (Note 2)	<u>\$2,827,227</u>	<u>\$2,364,754</u>
ACCOUNTS RECEIVABLE, less allowance for doubtful accounts of \$6,400 in 2006 and \$7,400 in 2005 (Note 2)	<u>14,155</u>	<u>29,831</u>
OTHER ASSETS	<u>8,920</u>	<u>7,867</u>
PROPERTY AND EQUIPMENT (Notes 2 & 5)		
Land, building and improvements	1,130,448	992,280
Furniture, fixtures and equipment	<u>168,948</u>	<u>134,022</u>
	1,299,396	1,126,302
Accumulated depreciation	<u>(84,279)</u>	<u>(30,927)</u>
	<u>1,215,117</u>	<u>1,095,375</u>
INVESTMENTS, AT FAIR VALUE (Notes 2 & 4)	<u>1,042,250</u>	<u>978,277</u>
TOTAL ASSETS	<u>\$5,107,669</u>	<u>\$4,476,104</u>
 <u>Liabilities and Net Assets</u>		
LIABILITIES		
Accounts payable	\$ 27,572	\$ 9,924
Accrued expenses	306,379	274,592
Student deposits	120,916	96,439
Deferred tuition (Note 2)	278,745	311,095
Mortgage note payable (Note 5)	<u>675,682</u>	<u>689,880</u>
TOTAL LIABILITIES	<u>1,409,294</u>	<u>1,381,930</u>
NET ASSETS (Note 2)		
Unrestricted	2,598,892	2,063,759
Temporarily restricted (Note 6)	492,792	423,724
Permanently restricted (Note 6)	<u>606,691</u>	<u>606,691</u>
	<u>3,698,375</u>	<u>3,094,174</u>
	<u>\$5,107,669</u>	<u>\$4,476,104</u>

Archbishop Williams High School, Inc.

Statements of Activities and Changes in Net Assets For the Year Ended June 30

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
Tuition and fees	\$4,420,054	\$	\$	\$4,420,054	\$4,409,577	\$	\$	\$4,409,577
Less financial aid	(256,700)			(256,700)	(226,698)			(226,698)
Tuition and fees, net	4,163,354			4,163,354	4,182,879			4,182,879
Contributed services (Note 2)	41,962			41,962	13,552			13,552
Gifts and donations	258,798	11,512		270,310	355,721			355,721
Catholic Schools Foundation Grant	86,000			86,000	86,000			86,000
Dividend and interest income	37,342	34,150		71,492	32,779	23,283		56,062
Net unrealized gain on investments		33,981		33,981	1,064	19,248		20,312
Auxiliary activities	29,658			29,658	36,698			36,698
Rental income	28,036			28,036	36,020			36,020
Other program income	50,130			50,130	62,080			62,080
Net assets released from restrictions (Note 6)	10,575	(10,575)						
Total revenues and support	4,705,855	69,068		4,774,923	4,806,793	42,531		4,849,324
EXPENSES								
Program Services:								
Instruction and student activities	2,357,756			2,357,756	2,271,886			2,271,886
Auxiliary activities	52,714			52,714	36,053			36,053
Other programs	260,762			260,762	279,090			279,090
Total program services	2,671,232			2,671,232	2,587,029			2,587,029
Supporting Services:								
General and administrative	719,788			719,788	719,786			719,786
Operation & maintenance of plant	515,962			515,962	416,389			416,389
Development	167,696			167,696	164,793			164,793
Interest	42,692			42,692	7,456			7,456
Depreciation	53,352			53,352	30,927			30,927
Total supporting services	1,499,490			1,499,490	1,339,351			1,339,351
Total expenses	4,170,722			4,170,722	3,926,380			3,926,380
CHANGE IN NET ASSETS	535,133	69,068		604,201	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 BEGINNING OF YEAR	2,063,759	423,724	606,691	3,094,174				
NET ASSETS AT END OF YEAR	\$2,598,892	\$492,792	\$606,691	\$3,698,375	\$2,063,759	\$423,724	\$606,691	\$3,094,174

Archbishop Williams High School, Inc.

Statements of Cash Flows

For the Year Ended June 30

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 604,201	\$ 922,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,352	30,927
Net unrealized gains on investments	(33,981)	(20,312)
Changes in operating assets and liabilities:		
Accounts receivable, net	15,676	(29,831)
Other assets	(1,053)	(7,867)
Accounts payable	17,648	9,924
Accrued expenses	31,787	266,172
Student deposits	24,477	(26,540)
Deferred tuition	<u>(32,350)</u>	<u>(50,134)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>679,757</u>	<u>1,095,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(29,992)	(205,471)
Purchase of property and equipment	<u>(173,094)</u>	<u>(989,006)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(203,086)</u>	<u>(1,194,477)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash contributed at formation (Notes 2 & 3)	0	1,774,068
Long-term financing	0	692,000
Payments on long-term debt	<u>(14,198)</u>	<u>(2,120)</u>
NET CASH (APPLIED TO) PROVIDED FROM FINANCING ACTIVITIES	<u>(14,198)</u>	<u>2,463,948</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	462,473	2,364,754
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,364,754</u>	<u>0</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$2,827,227</u>	<u>\$2,364,754</u>

Supplemental Cash Flow Information

Cash paid for interest	\$ <u>42,692</u>	\$ <u>7,456</u>
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Archbishop Williams High School, Inc.

Notes to Financial Statements

June 30, 2006

Note 1 – Nature of Organization

Archbishop Williams High School (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.

Until June 30, 2004, the School was a division of Archdiocesan Central High Schools, Inc. ("ACHS"). Effective July 1, 2004, the School was incorporated as an entity independent of ACHS. At this date, ACHS 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.

Net Assets Contributed at Formation – The School received cash and certain assets, and assumed certain liabilities from ACHS when it became an independent entity. The School recorded these assets and liabilities at their book 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 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.

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, 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.

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:

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

Deferred Tuition – 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.

Reclassifications - Certain amounts in the statement of financial position and the statement of activities and changes in net assets at June 30, 2005 have been reclassified to conform with 2006 classifications. Such reclassifications had no effect on net assets and the change in net assets as previously reported at June 30, 2005.

Note 3 – Net Assets Contributed at Formation

The School received assets and assumed liabilities from ACHS, at its formation as an independent entity (see Note 1), as follows:

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

Note 4 – Investments

Investments consist of the following at June 30:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in Common Investment Fund	\$ 698,864	\$ 868,463	\$ 660,222	\$ 795,839
Certificates of Deposit	173,787	173,787	182,438	182,438
	<u>\$ 872,651</u>	<u>\$1,042,250</u>	<u>\$ 842,660</u>	<u>\$ 978,277</u>

The investment in the Common Investment Fund represents shares in a mutual fund established by the Roman Catholic Archbishop of Boston (RCAB), 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 value. These dividends are reinvested on a quarterly basis.

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 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, 2006 and 2005 is \$675,682 and \$689,880, respectively.

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

<u>Year Ending</u> <u>June 30</u>	
2007	\$ 13,904
2008	14,708
2009	15,556
2010	16,454
2011	17,403
Thereafter	597,657
	<u>\$ 675,682</u>

Note 6 - 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>2006</u>	<u>2005</u>
Scholarships	\$ 79,630	\$ 79,630
Capital campaign	<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>2006</u>	<u>2005</u>
Scholarships	\$ 121,162	\$ 115,878
Capital campaign	<u>202,032</u>	<u>172,229</u>
	<u>323,194</u>	288,107
Unrealized gains on investments related to permanently restricted net assets	<u>169,598</u>	<u>135,617</u>
	<u>\$ 492,792</u>	<u>\$ 423,724</u>

Temporarily restricted net assets of \$10,575 were released for scholarships for the year ended June 30, 2006. There were no amounts released from restrictions for the year ended June 30, 2005.

Note 7 - Related Party Transactions

During the years ended June 30, 2006 and 2005, the School was charged \$239,486 and \$262,168, respectively, for health, life, disability, workers' compensation and property insurance administered by the RCAB, A Corporation Sole (an entity related by common board members). There were no amounts due to the RCAB at June 30, 2006 or 2005.

The School leases land and a building from 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 ACHS.

In addition, the RCAB is holding certain amounts in the Common Investment Fund (see Note 4).

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 \$121,808 and \$135,000 for the years ended June 30, 2006 and 2005, respectively, 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 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, cash equivalents and investments.

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, 2006, the excess approximated \$2,403,000 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 \$868,463 at June 30, 2006.