

**BISHOP FENWICK  
HIGH SCHOOL, INC.**

**FINANCIAL STATEMENTS**

**BISHOP FENWICK HIGH SCHOOL, INC.**

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June 30, 2006 and 2005**

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# Grandmason & Tripoli, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
and BUSINESS ADVISORS

## Independent Auditors' Report

We have audited the accompanying statements of financial position of Bishop Fenwick High School, Inc. (the "Corporation") as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 Bishop Fenwick High School, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of General and Administrative Expenses on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Grandmason & Tripoli, LLP  
Danvers, MA  
October 25, 2006

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BISHOP FENWICK HIGH SCHOOL, INC.  
 Statements of Financial Position  
 June 30, 2006 and 2005

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,492,904	\$ 2,928,058
Accounts Receivable, Net Realizable Value	62,207	59,052
Inventories	9,897	-
Other Assets	27,823	32,783
	2,592,831	3,019,893
<b>Property, Plant and Equipment</b>		
Land, Building and Equipment, Net	407,151	391,101
	407,151	391,101
<b>Long Term Investments</b>		
Investments	1,693,002	1,638,964
	1,693,002	1,638,964
Total Assets	\$ 4,692,984	\$ 5,049,958
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 73,515	\$ 4,389
Accrued Expenses	374,321	559,215
Other Current Liabilities	9,305	-
	457,141	563,604
<b>Deferred Revenue</b>		
Deferred Revenue	928,487	1,359,705
	1,385,628	1,923,309
<b>Net Assets</b>		
Unrestricted	2,957,606	2,829,071
Temporarily Restricted	232,242	195,743
Permanently Restricted	117,508	101,835
	3,307,356	3,126,649
Total Liabilities and Net Assets	\$ 4,692,984	\$ 5,049,958

See accountants' report and notes to the financial statement.

BISHOP FENWICK HIGH SCHOOL, INC.  
 Statements of Activities  
 For the Year Ended June 30, 2006  
 (With summarized information for the year ended June 30, 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006	2005
<b>Revenues, Gains and Other Support</b>					
Tuition and Fees	\$ 5,734,037	\$ -	\$ -	\$ 5,734,037	\$ 5,924,232
Less Financial Aid	(388,425)	-	-	(388,425)	(385,795)
Total Revenues, Gains and Other Support	5,345,612	-	-	5,345,612	5,538,437
<b>Contributions</b>					
Donated Services and Equipment	49,366	-	-	49,366	68,554
Catholic School Foundation	102,000	-	-	102,000	101,675
Other	64,029	-	-	64,029	100,503
Total Contributions	215,395	-	-	215,395	270,732
<b>Other</b>					
Interest Income	111,142	-	-	111,142	44,704
Unrealized Gain On Investment	(19,496)	36,499	15,673	32,676	41,086
Realized Gain On Investment	61,590	-	-	61,590	-
Auxiliary Services	305,313	-	-	305,313	287,101
Rental Income	5,684	-	-	5,684	6,440
Other Programs	68,302	-	-	68,302	37,388
Total Other	532,535	36,499	15,673	584,707	416,719
<b>Program Services</b>					
Instruction/student Activities	4,064,262	-	-	4,064,263	4,160,853
Auxiliary Services	199,489	-	-	199,489	208,978
Other Programs	2,512	-	-	2,512	2,132
Total Program Services	4,266,264	-	-	4,266,264	4,371,963
<b>Supporting Services</b>					
General and Administrative	1,460,493	-	-	1,460,493	1,450,716
Fundraising	238,250	-	-	238,250	226,883
Total Supporting Services	1,698,743	-	-	1,698,743	1,677,599
Change in Net Assets	128,535	36,499	15,673	180,707	176,326
Net Assets, Beginning of Year	2,829,071	195,743	101,835	3,126,649	3,634,036
Net Assets, Not transferred from Archdiocese	-	-	-	-	(683,713)
Net Assets, End of Year	\$ 2,957,606	\$ 232,242	\$ 117,508	\$ 3,307,356	\$ 3,126,649

See accountants' report and notes to the financial statements.

BISHOP FENWICK HIGH SCHOOL, INC.  
 Statements of Cash Flow  
 For the Years Ended June 30, 2006 and 2005

	2006	2005
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 180,707	\$ 176,326
Adjustments To Reconcile Net Income (loss) To Net Cash Provided		
By (used by) Operating Activities:		
Unrealized Gain On Investment	(32,676)	(41,087)
Increase (decrease) In Deferred Revenue	(431,218)	950,909
Increase (decrease) Due To Archdiocese	-	(1,646,870)
Depreciation and Amortization	158,221	144,426
(Gain) Loss On Disposal of Property	13,627	-
(Increase) Decrease In Accounts Receivable	(3,155)	(13,790)
(Increase) Decrease In Inventories	(9,897)	-
(Increase) Decrease In Other Assets	4,960	(27,420)
Increase (decrease) In Accounts Payable	69,126	(76,680)
Increase (decrease) In Accrued Expenses	(184,894)	(321,510)
Increase (decrease) In Other Liabilities	9,305	-
Total Adjustments	(406,601)	(1,032,022)
Net Cash Provided By (used in) Operating Activities	(225,894)	(855,696)
<b>Cash Flows From Investing Activities</b>		
Purchase/Donation of Equipment	(187,898)	(96,865)
Investment Activities	(21,362)	(1,071,223)
Net Cash Provided By (used in) Investing Activities	(209,260)	(1,168,088)
<b>Cash Flows From Financing Activities</b>		
Fixed Assets Kepy By Archdiocese		2,276,920
Spin Off From Archdiocese	-	(683,713)
Net Cash Provided By (used in) Financing Activities	-	1,593,207
Net Increase (decrease) In Cash and Cash Equivalents	(435,154)	(430,577)
Cash and Cash Equivalents At Beginning of Year	2,928,058	3,358,635
Cash and Cash Equivalents At End of Year	\$ 2,492,904	\$ 2,928,058

See accountants' report and notes to the financial statements.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE A – NATURE OF ORGANIZATION**

Bishop Fenwick High School, Inc. is a Catholic College Preparatory High School which provides young men and women with a nurturing environment, rooted in the Gospel message of Jesus Christ, while challenging and enhancing the personal development of each individual on a spiritual, intellectual and emotional level.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The financial statements of the High School have been prepared on the accrual basis of accounting. A summary of the High School's significant accounting policies are described below:

The High School reports three classes of net assets and the changes in those net assets in the statement of financial position and a statement of activities, respectively. The three classes of net assets – unrestricted, temporarily restricted and permanently restricted – are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The three classifications are defined as follows:

Unrestricted net assets – Assets and contributions that are not restricted by the donor or for which restrictions have expired.

Temporarily restricted net assets – Donated assets that can be used or expended by the High School according to donor-imposed restrictions. Certain restricted contributions are recorded as unrestricted assets if they were received in the current year and the restrictions are satisfied in that same year.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the High School. Generally, the donors of these assets permit the High School to use all, or in part, of the income earned on related investments for general or specific purposes.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

The High School reports gifts of cash and other assets as restricted support if they were 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts received without donor stipulations are recognized at fair value in the period that the promise is made. Conditional promises to give are not included in the support until the conditions are substantially met.

Net assets released from restrictions were as follows at June 30:

	2006	2005
Scholarships	<u>\$ -</u>	<u>\$ -</u>

Temporarily restricted net assets have purpose restrictions as follows at June 30:

	2006	2005
Scholarship Funds	<u>\$232,242</u>	<u>\$195,743</u>

Accumulated unspent gains on permanently restricted net assets are reflected as temporarily restricted net assets. In the event that losses exceed the accumulated gains, such amounts are charged to unrestricted net assets in the period incurred.

Permanently restricted net assets have purpose restrictions as follows at June 30:

	2006	2005
Scholarship Funds	<u>\$117,508</u>	<u>\$101,835</u>



BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Cash Equivalents

The High School considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents. Additionally a Sweep Investment account totaling approximately \$1,903,508 and \$1,468,932 at June 30, 2006 and 2005 respectively. These accounts exceed the limit of FDIC insured accounts.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or if received by gift, the fair market value on the date of receipt. Purchases and gifts of long lived assets are capitalized if they exceed \$1,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets using the following lives:

Building and improvements	45 years
Land improvements	10 years
Furniture and fixtures	7 years
Office, computer equipment and vehicles	5 years
Computer software	3 years

Investments

The High School's investments are carried at fair value. Accordingly, changes in market value are reflected in the statement of activities as gains or losses on investments.

Investments include holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), a separate related entity established to provide a common investment pool in which the High School and other related entities may participate. The Common Investment Fund invests primarily in equity and fixed-income securities (U.S. Government securities and corporate bonds). The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund incurs service fees from the Roman Catholic Archbishop of Boston, A Corporation Sole for administrative and clerical services performed on behalf of the Common Investment Fund. These fees are reflected in the calculation of the value per unit.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Investments (Continued)

At the High School's discretion, they may elect annually to receive a quarterly distribution from the Common Investment Fund equaling 1% (4% annually) at the prior quarter's fair market value.

Beginning in fiscal year 2005 holdings have been established at LPL Financial Services. These holding consist primarily of money market funds, mutual funds, corporate bonds, and government and agency bonds. These funds are unrestricted and held solely for the benefit of the High School. A fee of \$7,833 and 2,944 was paid in 2006 and 2005 respectively.

The High School has received two, \$10,000, 14%, Treasury Bonds. The bonds have been called on July 14, 2006 for redemption at par on November 15, 2006.

Deferred Revenue

Deferred revenue results from the High School recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction period commences.

Financial Aid

Tuition and fees reflect the High School's gross nominal tuition rates for all students. Financial aid is reported as a reduction in gross tuition and fees.

Donated Services and Equipment

Donated services have been recorded for the full-time services performed by the religious and clergy in the High Schools. This amount represents an approximation of the difference in actual compensation paid to the religious and clergy, and the compensation paid to lay individuals performing similar services. Donated services were used substantially for program activities.

Donated equipment is recorded at fair market value on the date received.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Catholic School Foundation

The Catholic School Foundation is an affiliated organization of the Archdiocese that provides support in the way of contributions to the High School.

Auxiliary Services Revenue

Auxiliary services revenue includes activities related to bookstore, school store, and food services provided by the High School. Auxiliary services revenue is recognized as revenue in the period to which it relates.

Functional Allocation of Expenses

The costs of providing 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 the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these amounts.

Income Tax Status

The Corporation is recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), whereby only unrelated business income, as defined by Section 512 (a) (1) of the Code, is subject to income tax.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE C – DISCONTINUED OPERATING ACTIVITIES**

During fiscal year 2004, the Archdiocesan Central High Schools, Inc. established eight new independent high school corporations to replace each of its eight current operating schools. In accordance with each new corporation's by-laws, the Roman Catholic Archbishop of Boston, acting in his capacity as an individual, serves as the Chairman of the Board of each corporation. On July 1, 2004, the Archdiocesan Central High Schools, Inc. sold to each of the eight newly formed organizations all of the personal assets and restricted funds used in the operations of each respective school for \$10.00 per corporation. The Archdiocesan Central High Schools, Inc. also entered into an operating lease with each new corporation to lease the respective school's real estate for a period of four years for a dollar per year. Under each lease, the new corporation is responsible for all of the operating expenses and capital improvements of the leased real estate. The Archdiocesan Central High Schools, Inc. has also offered each new corporation a four year option to purchase their respective real estate at a four year sliding scale discount below fair market value.

The Archdiocesan Central High School, Inc. management eventually plans on selling the majority of the respective real estate to the newly formed corporations and eventually dissolving the corporation.

A summary of assets, liabilities and net assets sold to Bishop Fenwick High School's newly formed organization is as follows:

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE C – DISCONTINUED OPERATING ACTIVITIES (Continued)**

ASSETS

Cash and cash equivalents	\$ 2,393,790
Equipment, net	438,664
Investments	<u>526,654</u>
Total assets	<u>\$ 3,359,108</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred revenue	\$ 408,796
Total liabilities	<u>408,796</u>

NET ASSETS:

Unrestricted	2,683,104
Temporarily restricted	175,104
Permanently restricted	<u>92,105</u>
Total net assets	<u>2,950,312</u>

Total liabilities and net assets	<u>\$ 3,359,108</u>
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**NOTE D – LAND, BUILDINGS AND EQUIPMENT**

A summary of land, buildings and equipment is as follows at June 30:

	2006	2005
Land and improvements	\$ 0	\$ 0
Buildings and improvements	59,600	23,680
Equipment and vehicles	<u>1,608,601</u>	<u>1,477,302</u>
	1,668,201	1,500,982
Less accumulated depreciation	<u>(1,261,050)</u>	<u>(1,109,881)</u>
	<u>\$ 407,151</u>	<u>\$ 391,101</u>

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE E - INVESTMENTS**

Investments were as follows at June 30:

	2006	2005
Common Investment Fund, Roman Catholic of Boston	\$ 1,544,197	\$ 627,291
LPL Financial Services	125,361	1,011,673
Treasury Bonds	<u>23,444</u>	<u>0</u>
	<u>\$ 1,693,002</u>	<u>\$ 1,638,964</u>

**NOTE F – LEASE COMMITMENTS**

The High School leases equipment for operations. Minimum future lease payments under all leases are as follows:

Year Ending June 30,	
2007	60,782
2008	41,917
2009	37,029
2010	35,400
2011	<u>23,600</u>
Total	<u>\$198,728</u>

Rent expense under leases for equipment amounted to \$72,291 and \$75,690 for both years ended June 30, 2006 and 2005 respectively.

BISHOP FENWICK HIGH SCHOOL, INC.  
Notes to Financial Statements

**NOTE G – PENSION PLAN**

The High School participates with other organizations affiliated with the Archdiocese 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 "Pension Plan"). The High School's employees are approximately 1.5% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the High School is based on payroll cost and amounted to \$178,289 and \$191,988 for the years ended June 30, 2006 and 2005, respectively.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multiemployer Pension Plan and, accordingly, such information is not presented herein, however the June 30, 2004 audited financial statements of the Pension Plan, reflected approximately \$211 million in net assets available for benefits and \$231 million in accumulated plan benefits under the Pension Plan.

**NOTE H – NET ASSETS NOT TRANSFERRED**

When assets were transferred to the High School from the Archdiocese, certain assets were not part of the transaction. This created a one-time adjustment to the net asset account which is summarized as follows:

Land, Buildings and Equipment	\$ 2,276,918
Due to the Archdiocese	( 1,646,870)
Miscellaneous	<u>53,665</u>
Total	<u>\$ 683,713</u>

BISHOP FENWICK HIGH SCHOOL, INC.  
 Statements of General and Administrative  
 For the Years Ended June 30, 2006 and 2005

	2006	2005
Depreciation Expense	\$ 158,221	\$ 144,425
Salaries & Wages	563,882	610,513
Insurance	28,067	33,716
Legal & Accounting	27,018	22,395
Service Charges	3,694	8,130
Payroll Taxes	27,891	26,581
Employee Benefits	27,168	33,850
Utilities	182,278	141,032
Professional Development	8,721	17,882
Office Supplies	16,194	14,495
Computer Software and Supplies	6,214	30,309
Telephone	14,980	9,562
Dues & Subscriptions	11,180	3,470
Meetings & Conference	1,380	933
Printing & Production	15,695	16,690
Postage & Delivery	18,339	15,942
Graduation	18,112	20,557
Miscellaneous	18,053	23,702
Building Maintenance & Repair	50,431	43,248
Equipment Maintenance & Repair	6,471	4,394
Water and Sewer	6,395	8,441
Grounds Maintenance	62,689	67,264
Maintenance Supplies	8,550	7,540
Custodial Contract	112,278	112,060
Waste Removal	18,467	16,899
Vehicles	14,389	13,143
School Nights	7,983	3,543
Board of Trustees	4,786	-
Admiss Office	7,340	-
Disposal of asset	13,627	-
<b>Total General and Administrative</b>	<b>\$ 1,460,493</b>	<b>\$ 1,450,716</b>

See accountants' report and notes to the financial statements.