

**MATIGNON HIGH SCHOOL, INC.**

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**FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION  
FOR THE  
YEAR ENDED JUNE 30, 2006  
(WITH COMPARATIVE AMOUNTS FOR 2005)**

**(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

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INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES  
MATIGNON HIGH SCHOOL, INC.  
Cambridge, Massachusetts

We have audited the accompanying statement of financial position of Matignon High School, Inc. (a not-for-profit corporation) as of June 30, 2006, and the related statements of activities 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. The prior year summarized comparative information has been derived from the School's 2005 financial statements and, in our report dated October 19, 2005 we expressed an unqualified opinion on those financial statements.

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 2006 financial statements referred to above present fairly, in all material respects, the financial position of Matignon High School, Inc. as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Parent, McLaughlin + Nangle*

Certified Public Accountants

October 13, 2006

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

(With Comparative Amounts for 2005)

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 974,766	\$ 1,009,244
Tuition receivable	16,297	-
Investments	61,829	58,837
Other assets	12,809	12,809
Property and equipment, net	32,725	25,470
Total assets	<u>\$ 1,098,426</u>	<u>\$ 1,106,360</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 185,045	\$ 126,296
Deferred revenues	159,510	289,372
Other liabilities	6,950	6,954
Total liabilities	<u>351,505</u>	<u>422,622</u>
Net Assets:		
Unrestricted	670,029	610,336
Temporarily restricted	28,392	24,902
Permanently restricted	48,500	48,500
Total net assets	<u>746,921</u>	<u>683,738</u>
Total liabilities and net assets	<u>\$ 1,098,426</u>	<u>\$ 1,106,360</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006  
(With Comparative Totals for 2005)

	2006			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2006	2005
REVENUES AND SUPPORT:					
Tuition and fees	\$ 2,042,672	\$ -	\$ -	\$ 2,042,672	\$ 2,054,983
Grants and contributions	218,299	-	-	218,299	389,534
Miscellaneous	76,064	-	-	76,064	247,161
Fundraising	73,832	-	-	73,832	112,176
Rental income	43,585	-	-	43,585	47,525
Books and supplies	5,691	-	-	5,691	10,991
Interest and dividends	4,946	2,418	-	7,364	1,746
Unrealized appreciation on investments	-	2,078	-	2,078	1,362
Realized gain on sales of investments	-	497	-	497	163
Net assets released from restrictions	1,503	( 1,503 )	-	-	-
Total revenues and support	<u>2,466,592</u>	<u>3,490</u>	<u>-</u>	<u>2,470,082</u>	<u>2,865,641</u>
EXPENSES:					
Program services expenses	<u>1,488,503</u>	<u>-</u>	<u>-</u>	<u>1,488,503</u>	<u>1,747,162</u>
Supporting services expenses:					
General and administrative	883,692	-	-	883,692	795,561
Fundraising	<u>34,704</u>	<u>-</u>	<u>-</u>	<u>34,704</u>	<u>80,555</u>
Total supporting services expenses	<u>918,396</u>	<u>-</u>	<u>-</u>	<u>918,396</u>	<u>876,116</u>
Total expenses	<u>2,406,899</u>	<u>-</u>	<u>-</u>	<u>2,406,899</u>	<u>2,623,278</u>
CHANGE IN NET ASSETS	59,693	3,490	-	63,183	242,363
NET ASSETS, beginning of year	610,336	24,902	48,500	683,738	-
TRANSFER OF ASSETS PURSUANT TO TRANSFER AGREEMENT (NOTE K)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,375</u>
NET ASSETS, end of year	<u>\$ 670,029</u>	<u>\$ 28,392</u>	<u>\$ 48,500</u>	<u>\$ 746,921</u>	<u>\$ 683,738</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 63,183	242,363
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,481	8,195
Unrealized appreciation on investments	( 2,078 )	( 1,362 )
Realized gain on sales of investments	( 497 )	( 163 )
Increase in tuition receivable	( 16,297 )	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	58,749	126,296
Deferred revenues	( 129,862 )	( 23,858 )
Other liabilities	( 4 )	6,954
Total adjustments	( 82,508 )	116,062
Net cash provided by (used in) operating activities	( 19,325 )	358,425
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	2,001	1,500
Purchases of investments	( 2,418 )	( 1,746 )
Purchases of property and equipment	( 14,736 )	( 22,129 )
Net cash used in investing activities	( 15,153 )	( 22,375 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Transfer of assets pursuant to asset transfer agreement (Note K)	-	673,194
Net cash provided by financing activities	-	673,194
<b>NET (DECREASE) INCREASE IN CASH</b>	( 34,478 )	1,009,244
CASH, beginning of year	1,009,244	-
CASH, end of year	<u>\$ 974,766</u>	<u>1,009,244</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Transfer of assets and liabilities pursuant to asset transfer agreement (Note K):		
Assets:		
Investments	\$ -	57,066
Other assets	-	12,809
Equipment	-	11,536
Liabilities:		
Deferred revenues - tuition	-	( 313,230 )
Net	<u>\$ -</u>	<u>( 231,819 )</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

A. Organization:

Matignon High School, Inc., a nonprofit corporation, is a private Catholic high school located in Cambridge, Massachusetts (the "School" or the "Corporation"). The purpose of the School is to fulfill the education mission of the Roman Catholic Church, the Roman Catholic Archdiocese of Boston and the Roman Catholic Archbishop of Boston.

Members of the Corporation include the Chairman (Archbishop of the Archdiocese of Boston), the Secretary of Education of the Archdiocese of Boston and other persons who may be appointed by the Chairman. Members of the Corporation appoint and remove Trustees and Officers as defined in the Corporation's by-laws. The Trustees are responsible for the property and business affairs of the Corporation.

B. Summary of Significant Accounting Policies:

Basis of accounting:

The School prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

MATIGNON HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006  
(continued)

B. Summary of Significant Accounting Policies – (continued):

Basis of presentation – (continued)

Unrestricted net assets:

Unrestricted net assets represent those assets which the School may use at its discretion.

Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted net assets:

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met whether by actions of the School and/or the passage of time.

Permanently restricted net assets:

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

Tuition revenue:

Tuition revenue is recorded at rates established by the School.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.



MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

B. Summary of Significant Accounting Policies – (continued):

Investments:

The School follows Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment:

Property and equipment are recorded at cost or at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Deferred revenues:

Deposits and advance payments received for tuition and fees which relate to the School's tuition billed for the following academic year are deferred and are recorded as unrestricted revenues as earned.

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 (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

C. Investments:

Investments consist of shares held in the Roman Catholic Archdiocese of Boston Common Investment Fund, as follows at June 30, 2006:

<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
\$ 23,329	\$ 38,500	\$ 61,829	\$ 49,901	\$ 11,928
				<u>9,850</u>
				<u>\$ 2,078</u>

D. Property and Equipment:

Property and equipment consists of the following:

Furniture, fixtures and equipment	\$ 341,590
Vehicles	<u>24,255</u>
	365,845
Less accumulated depreciation	( <u>333,120</u> )
	<u>\$ 32,725</u>

E. Net Assets:

Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2006, are comprised of \$28,392 restricted by donors for financial assistance and scholarships.

Permanently restricted net assets:

Permanently restricted net assets of \$48,500 at June 30, 2006 are to be held in perpetuity, the income of which is to be used for scholarships.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

F. Pension plan:

Nonreligious faculty members of the School who meet eligibility requirements are participants in a noncontributory retirement annuity plan which is funded annually. There are no prior service costs under the plan. Pension expense amounted to \$64,645 for the year ended June 30, 2006.

G. Concentration of Credit Risk:

The School maintains a cash balance with one financial institution located in eastern Massachusetts. The account at the institution is insured by the Federal Deposit Insurance Corporation, up to \$100,000. At June 30, 2006, the School's uninsured cash balance totaled approximately \$898,000.

H. 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.

I. Related Party Transactions:

The Catholic School Foundation is an affiliated organization of the Archdiocese of Boston and provided tuition support amounting to \$94,224 during the year ended June 30, 2006, which is included in grants and contributions in the accompanying Statement of Activities.

J. Lease Agreement:

The Archdiocese of Boston (the "Archdiocese") owns the property which the School occupies. The School has entered into a lease agreement with the Archdiocese (dated July 1, 2004) in exchange for \$1 per year for a period of four years. The School has the option to purchase the property during the lease period.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

K. Asset Transfer Agreement:

The School entered into an Asset Transfer Agreement on June 30, 2004 with the Roman Catholic Archdiocese of Boston, a related party, in which the Archdiocese agreed to transfer \$754,605 of assets to the School as follows:

Cash and cash equivalents	\$ 673,194
Equipment	11,536
Investments	57,066
Other assets	<u>12,809</u>
	<u>\$ 754,605</u>

The liabilities and net assets were received by the School in July 2004 and recorded as follows:

Deferred revenues - tuition	<u>\$ 313,230</u>
Unrestricted net assets	277,100
Temporarily restricted net assets	115,775
Permanently restricted net assets	<u>48,500</u>
	<u>441,375</u>
	<u>\$ 754,605</u>

L. Prior Year Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

THE BOARD OF TRUSTEES  
MATIGNON HIGH SCHOOL, INC.  
Cambridge, Massachusetts

Our report on our audit of the financial statements of Matignon High School, Inc. for the year ended June 30, 2006 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information for the year ended June 30, 2006 on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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. The prior year accompanying information has been derived from the School's 2005 financial statements and, in our report dated October 19, 2005, we expressed an unqualified opinion on those financial statements.



Certified Public Accountants, Inc.

October 13, 2006

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES

YEAR ENDED JUNE 30, 2006  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Salaries	\$ 1,076,147	\$ 1,287,993
Fringe benefits	270,969	263,905
Athletic events	42,442	57,914
Athletic equipment	31,465	39,548
Transportation	21,234	21,788
Referees	18,723	18,968
Graduation	11,214	25,203
Supplies	7,344	24,640
Fees	5,849	6,001
Books and publications	3,116	1,202
	<u>\$ 1,488,503</u>	<u>\$ 1,747,162</u>

See independent auditor's report on accompanying information.

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED JUNE 30, 2006  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Salaries	\$ 321,394	\$ 263,601
Maintenance	152,214	146,275
Utilities	82,258	70,717
Fringe benefits	80,925	54,053
Miscellaneous	53,246	52,600
Printing	37,587	26,513
Equipment rental and maintenance	30,500	37,634
Insurance	25,044	17,554
Office supplies	20,663	22,210
Vending	19,652	19,158
Professional services	17,244	18,256
Postage	12,177	18,269
Telephone	8,846	7,627
Contracted services	8,774	26,450
Depreciation	7,481	8,195
Vehicle lease	5,687	6,449
	<u>\$ 883,692</u>	<u>\$ 795,561</u>

See independent auditor's report on accompanying information.