

MARIAN HIGH SCHOOL, INC.
(A NON-PROFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Marian High School, Inc.
273 Union Avenue
Framingham, MA 01702

We have audited the accompanying consolidated statements of financial position of Marian High School, Inc. and its affiliate as of June 30, 2006 and 2005, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the corporations' management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marian High School, Inc. and its affiliate as of June 30, 2006 and 2005, and their changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Consolidated Schedules of Expenses and Consolidating Worksheets are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as whole.

Swartz, Polachek & Company, P.C.
Needham, Massachusetts
November 7, 2006

Marian High School, Inc.
Consolidated Statements of Financial Position
June 30, 2006 and 2005

	Assets	
	2006	2005
Current Assets:		
Cash and Equivalents	\$ 1,172,833	\$ 1,268,663
Accounts Receivable, Net	26,540	18,850
Prepaid Expenses	1,292	2,810
Total Current Assets	1,200,665	1,290,323
Property and Equipment:		
Building Improvements	29,687	-
Furniture and Fixtures	39,250	-
	68,937	-
Less: Accumulated Depreciation	(5,112)	-
Net Property and Equipment	63,825	-
Total Assets	\$ 1,264,490	\$ 1,290,323

Liabilities and Net Assets

Current Liabilities:		
Accrued Expenses	\$ 161,964	\$ 173,384
Advance Tuition and Fees	191,550	136,025
Due to Affiliated Scholarship Fund	-	12,995
Deferred Costs	50,000	-
Total Current Liabilities	403,514	322,404
Net Assets:		
Accumulated Other Comprehensive Income	76,003	51,333
Unrestricted Net Assets	247,288	272,849
Permanently Restricted Net Assets	537,685	643,737
Total Net Assets	784,973	916,586
Total Net Assets and Other Comprehensive Income	860,976	967,919
Total Liabilities and Net Assets	\$ 1,264,490	\$ 1,290,323

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005

	2006	2005
Tuition and Fees	\$ 1,740,599	\$ 1,952,468
Less Financial Aid	(74,122)	(60,950)
	1,666,477	1,891,518
Other Revenues:		
Contributions	383,715	307,872
Catholic School Foundation	112,000	135,660
Investment Income, Net	78,350	43,893
Student Activity Revenues	70,457	64,016
Book Store Revenues	49,380	3,698
Cafeteria Revenues	46,806	50,185
Archdiocese Contribution	-	223,392
Other Revenues	4,625	17,900
Total Other Revenues	745,333	846,616
Net Revenues	2,411,810	2,738,134
Total Expenses (See Attached Schedules)	2,543,423	2,488,097
(Decrease) Increase in Net Assets	(131,613)	250,037
Net Assets, Beginning	916,586	666,549
Net Assets, Ending	\$ 784,973	\$ 916,586

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
(Decrease) Increase in Net Assets	\$ (131,613)	\$ 250,037
Adjustments to Reconcile Change in Net Assets To		
Net Cash Provided by Operating Activities:		
Depreciation Expense	5,112	-
Increase in Accounts Receivable, Net	(7,690)	(18,850)
Decrease (Increase) in Prepaid Expense	1,518	(2,810)
(Decrease) Increase in Accrued Expenses	(11,420)	173,384
Increase in Advance Tuition and Fees	55,525	136,025
(Decrease) Increase in Due to Affiliated Scholarship Fund	(12,995)	12,995
Increase in Deferred Costs	50,000	-
Net Cash (Used) Provided By Operating Activities	(51,563)	550,781
Cash Flows from Investing Activities:		
Acquisitions of Fixed Assets	(68,937)	-
Increase in Accumulated Other Comprehensive Income	24,670	51,333
Net Cash (Used) Provided by Investing Activities	(44,267)	51,333
(Decrease) Increase in Cash and Equivalents	(95,830)	602,114
Cash and Equivalents, Beginning	1,268,663	666,549
Cash and Equivalents, Ending	\$ 1,172,833	\$ 1,268,663

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
Notes to Consolidated Financial Statements
June 30, 2006 and 2005

Note 1 - Nature of Organization

Marian High School, Inc. a nonprofit corporation, was incorporated in the Commonwealth of Massachusetts on February 4, 2004 and is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The school is an independent organization providing educational instruction consistent with the education mission of the Roman Catholic Church, the Roman Catholic Archdiocese of Boston and the Roman Catholic Archbishop of Boston for students in grades nine through twelve.

Development of Marian Education, Inc. (DOME), an affiliate, was incorporated as a not-for-profit corporation in 1984 to advance the cause of education at Marian High School and to establish a mutually beneficial relationship between Marian High School and its alumni. DOME is included in these consolidated financial statements and all material inter-company accounts and transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Support that is restricted by donors is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Accounting Method

These Consolidated Financial Statements have been prepared on the accrual basis and the presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organization. Under SFAS No.117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classifications used by the school are defined as follows:

Unrestricted Net Assets - Assets and contributions that are not restricted by the donor or for which restrictions have expired.

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.

In addition to classifying the net assets as indicated above, DOME also maintains its books and records on the principles of fund accounting. This is to insure observance of limitations and restrictions placed on the use of the resources available.

Marian High School, Inc.
Notes to Consolidated Financial Statements
June 30, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies - Continued

Use of Estimate

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Compensated Absences

The School has not accrued compensated absences since no amount can be carried over from year to year.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maximum of three months or less when purchased to be cash equivalents. At June 30, 2006 and 2005, the School had amounts on deposit with banks in excess of the federal deposit insurance limits in the amounts of \$434,430 and \$473,593 respectively. At June 30, 2006 and 2005, amounts on deposit with registered investment companies that were uninsured amounted to \$538,400 and \$639,193.

Accounts Receivable

The School considers accounts receivable to be due in two equal installments prior to July 1st and November 1st of this year. Amounts collected for the school years before the commencement of that academic period are recorded as current liabilities. The School considers its accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 3 - Pension Benefits

The School has a contributory tax-sheltered annuity plan covering substantially all full-time personnel who have completed one year of service. The School makes no matching contribution relating to this plan.

The School also participates in the Pension Plan of the Roman Catholic Archdiocese of Boston. This plan is non-contributory. Substantially all full-time personnel participate in the non-contributory plan. Employees become covered as participants on the first day of the first month next following the earlier of (i) completion of three years of service or (ii) attainment of age 21 and completion of either 1,000 hours of service during the first twelve months following date of hire or one year of service. Employees become fully vested upon completion of five years of service.

Note 4 - Due to Affiliated Scholarship Fund

Amounts have been received by Marian High School, Inc. that have been designated as amounts due to related scholarship programs. Such amounts are recorded as current liabilities.

Marian High School, Inc.
Notes to Consolidated Financial Statements
June 30, 2006 and 2005

Note 5 - Income Taxes

Marian High School, Inc. is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except any unrelated business income as may be earned from time-to-time. Internal Revenue Code section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the operation of the School's exempt purpose.

Note 6 - Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using straight-line and accelerated methods over the related assets' estimated useful lives, ranging from 5 to 31 years.

Note 7 - 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.

Supplementary Information

Marian High School, Inc.
Consolidated Schedules of Expenses
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Expenses:		
Compensation	\$ 1,487,631	\$ 1,491,874
Employee Benefits	292,521	298,288
Facility Expense	198,965	211,187
Activity Costs	152,433	112,670
Athletic Program Costs	79,947	80,559
Book Sale Expense	50,642	3,029
Printing and Duplication	43,028	23,446
Cafeteria Expense	40,962	48,417
Office Expense	32,084	34,647
Academic and Instructional Costs	30,507	12,171
Computer Expense	24,441	20,977
Other Operational Costs	17,826	5,661
Postage	17,031	9,627
Professional Fees	16,531	3,169
Promotional Costs	14,432	13,867
Fundraising Expense	11,947	1,748
Telephone	10,660	13,859
Dues and Subscriptions	9,454	5,453
Contract Services	7,269	5,498
Depreciation Expense	5,112	-
Repairs and Maintenance	-	91,950
Total Expenses	<u>\$ 2,543,423</u>	<u>\$ 2,488,097</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
Consolidating Worksheet - Statement of Financial Position
June 30, 2006

Assets	<u>Marian</u>	<u>DOME</u>	<u>Eliminating Entry</u>	<u>Consolidated Totals</u>
Current Assets:				
Cash and Equivalents	\$ 537,145	\$ 635,688	\$ -	\$ 1,172,833
Accounts Receivable, Net	26,540	-	-	26,540
Accounts Receivable, DOME	22,000	-	(22,000)	-
Prepaid Expenses	1,292	-	-	1,292
Total Current Assets	<u>586,977</u>	<u>635,688</u>	<u>(22,000)</u>	<u>1,200,665</u>
Property and Equipment:				
Building Improvements	29,687	-	-	29,687
Furniture and Fixtures	39,250	-	-	39,250
	<u>68,937</u>	<u>-</u>	<u>-</u>	<u>68,937</u>
Less: Accumulated Depreciation	(5,112)	-	-	(5,112)
Net Property and Equipment	<u>63,825</u>	<u>-</u>	<u>-</u>	<u>63,825</u>
Total Assets	\$ <u>650,802</u>	\$ <u>635,688</u>	\$ <u>(22,000)</u>	\$ <u>1,264,490</u>
Liabilities and Net Assets				
Current Liabilities:				
Accrued Expenses	\$ 161,964	\$ -	\$ -	\$ 161,964
Advance Tuition and Fees	191,550	-	-	191,550
Deferred Costs	50,000	-	-	50,000
Due to Affiliated Scholarship Funds	-	22,000	(22,000)	-
Total Current Liabilities	<u>403,514</u>	<u>22,000</u>	<u>(22,000)</u>	<u>403,514</u>
Net Assets:				
Accumulated Other Comprehensive Income	-	76,003	-	76,003
Unrestricted Net Assets	247,288	-	-	247,288
Permanently Restricted Net Assets	-	537,685	-	537,685
Total Net Assets	<u>247,288</u>	<u>613,688</u>	<u>-</u>	<u>860,976</u>
Total Liabilities and Net Assets	\$ <u>650,802</u>	\$ <u>635,688</u>	\$ <u>(22,000)</u>	\$ <u>1,264,490</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
 Consolidating Worksheet - Statement of Activities
 For the Year Ended June 30, 2006

	<u>Marian</u>	<u>DOME</u>	<u>Eliminating Entry</u>	<u>Consolidated Totals</u>
Tuition and Fees	\$ 1,840,599	\$ -	\$ (100,000)	\$ 1,740,599
Less Financial Aid	(74,122)	-	-	(74,122)
	<u>1,766,477</u>	<u>-</u>	<u>(100,000)</u>	<u>1,666,477</u>
Other Revenues:				
Contributions	377,940	5,775	-	383,715
Catholic School Foundation	112,000	-	-	112,000
Investment Income, Net	14,237	64,113	-	78,350
Financial Aid	74,122	-	(74,122)	-
Student Activity Revenues	70,457	-	-	70,457
Book Store Revenues	49,380	-	-	49,380
Cafeteria Revenues	46,806	-	-	46,806
Other Revenues	4,625	-	-	4,625
Total Other Revenues	<u>749,567</u>	<u>69,888</u>	<u>(74,122)</u>	<u>745,333</u>
Net Revenues	<u>2,516,044</u>	<u>69,888</u>	<u>(174,122)</u>	<u>2,411,810</u>
Total Expenses (See Attached Schedule)	<u>2,543,423</u>	<u>174,122</u>	<u>(174,122)</u>	<u>2,543,423</u>
Changes in Net Assets	\$ <u>(27,379)</u>	\$ <u>(104,234)</u>	\$ <u>-</u>	\$ <u>(131,613)</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
Consolidating Worksheet - Statement of Expenses
For the Year Ended June 30, 2006

	<u>Marian</u>	<u>DOME</u>	<u>Eliminating Entry</u>	<u>Consolidated Totals</u>
Expenses:				
Compensation	\$ 1,487,631	\$ -	\$ -	\$ 1,487,631
Employee Benefits	292,521	-	-	292,521
Facility Expense	198,965	-	-	198,965
Activity Costs	152,433	-	-	152,433
Athletic Program Costs	79,947	-	-	79,947
Book Sale Expense	50,642	-	-	50,642
Printing and Duplication	43,028	-	-	43,028
Cafeteria Expense	40,962	-	-	40,962
Office Expense	32,084	-	-	32,084
Academic and Instructional Costs	30,507	-	-	30,507
Computer Expense	24,441	-	-	24,441
Postage	17,031	-	-	17,031
Professional Fees	16,531	-	-	16,531
Promotional Costs	14,432	-	-	14,432
Fundraising Expense	11,947	-	-	11,947
Telephone	10,660	-	-	10,660
Dues and Subscriptions	9,454	-	-	9,454
Contract Services	7,269	-	-	7,269
Depreciation Expense	5,112	-	-	5,112
Contributions to MHS	-	100,000	(100,000)	-
Scholarships to MHS	-	74,122	(74,122)	-
Other Operational Costs	17,826	-	-	17,826
Total Expenses	\$ <u>2,543,423</u>	\$ <u>174,122</u>	\$ <u>(174,122)</u>	\$ <u>2,543,423</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
 Consolidating Worksheet - Statement of Financial Position
 June 30, 2005

Assets	<u>Marian</u>	<u>DOME</u>	<u>Eliminating Entry</u>	<u>Consolidated Totals</u>
Current Assets:				
Cash and Equivalents	\$ 573,593	\$ 695,070	\$ -	\$ 1,268,663
Accounts Receivable, Net	18,850	-	-	18,850
Prepaid Expenses	2,810	-	-	2,810
Total Current Assets	<u>595,253</u>	<u>695,070</u>	<u>-</u>	<u>1,290,323</u>
 Total Assets	 <u>\$ 595,253</u>	 <u>\$ 695,070</u>	 <u>\$ -</u>	 <u>\$ 1,290,323</u>
 Liabilities and Net Assets				
Current Liabilities:				
Accrued Expenses	\$ 173,384	\$ -	\$ -	\$ 173,384
Advance Tuition and Fees	136,025	-	-	136,025
Due to Affiliated Scholarship Funds	12,995	-	-	12,995
Total Current Liabilities	<u>322,404</u>	<u>-</u>	<u>-</u>	<u>322,404</u>
 Net Assets:				
Accumulated Other Comprehensive Income	-	51,333	-	51,333
Unrestricted Net Assets	272,849	-	-	272,849
Permanently Restricted Net Assets	-	643,737	-	643,737
Total Net Assets	<u>272,849</u>	<u>695,070</u>	<u>-</u>	<u>967,919</u>
 Total Liabilities and Net Assets	 <u>\$ 595,253</u>	 <u>\$ 695,070</u>	 <u>\$ -</u>	 <u>\$ 1,290,323</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
 Consolidating Worksheet - Statement of Activities
 For the Year Ended June 30, 2005

	Marian	DOME	Eliminating Entry	Consolidated Totals
Tuition and Fees	\$ 1,952,468	\$ -	\$ -	\$ 1,952,468
Less Financial Aid	(60,950)	-	-	(60,950)
	<u>1,891,518</u>	<u>-</u>	<u>-</u>	<u>1,891,518</u>
Other Revenues:				
Contributions	307,372	500	-	307,872
Archdiocese Contribution	223,392	-	-	223,392
Catholic School Foundation	135,660	-	-	135,660
Student Activity Revenues	64,016	-	-	64,016
Cafeteria Revenues	50,185	-	-	50,185
Investment Income, Net	6,028	37,865	-	43,893
Book Store Revenues	3,698	-	-	3,698
Financial Aid	60,950	-	(60,950)	-
Other Revenues	17,900	-	-	17,900
Total Other Revenues	<u>869,201</u>	<u>38,365</u>	<u>(60,950)</u>	<u>846,616</u>
Net Revenues	<u>2,760,719</u>	<u>38,365</u>	<u>(60,950)</u>	<u>2,738,134</u>
Total Expenses (See Attached Schedule)	<u>2,487,870</u>	<u>61,177</u>	<u>(60,950)</u>	<u>2,488,097</u>
Changes in Net Assets	<u>\$ 272,849</u>	<u>\$ (22,812)</u>	<u>\$ -</u>	<u>\$ 250,037</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).

Marian High School, Inc.
 Consolidating Worksheet - Statement of Expenses
 For the Year Ended June 30, 2005

	<u>Marian</u>	<u>DOME</u>	<u>Eliminating Entry</u>	<u>Consolidated Totals</u>
Expenses:				
Compensation	\$ 1,491,874	\$ -	\$ -	\$ 1,491,874
Employee Benefits	298,288	-	-	298,288
Facility Expense	211,187	-	-	211,187
Activity Costs	112,670	-	-	112,670
Repairs and Maintenance	91,950	-	-	91,950
Athletic Program Costs	80,559	-	-	80,559
Cafeteria Expense	48,417	-	-	48,417
Office Expense	34,420	227	-	34,647
Printing and Duplication	23,446	-	-	23,446
Computer Expense	20,977	-	-	20,977
Promotional Costs	13,867	-	-	13,867
Telephone	13,859	-	-	13,859
Academic and Instructional Costs	12,171	-	-	12,171
Postage	9,627	-	-	9,627
Contract Services	5,498	-	-	5,498
Dues and Subscriptions	5,453	-	-	5,453
Professional Fees	3,169	-	-	3,169
Book Sale Expense	3,029	-	-	3,029
Fundraising Expense	1,748	-	-	1,748
Scholarships to MHS	-	60,950	(60,950)	-
Other Operational Costs	5,661	-	-	5,661
Total Expenses	<u>\$ 2,487,870</u>	<u>\$ 61,177</u>	<u>\$ (60,950)</u>	<u>\$ 2,488,097</u>

(The Accompanying Notes are an Integral Part of These Financial Statements).