

St. Sebastian's School, Inc.

Consolidated Financial Statements as of and
for the Years Ended June 30, 2007 and 2006,
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Trustees
St. Sebastian's School, Inc.
Needham, Massachusetts

We have audited the accompanying consolidated statements of financial position of St. Sebastian's School, Inc. (the "School") as of June 30, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the School's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's 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 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 opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of St. Sebastian's School, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

November 16, 2007

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2007 AND 2006**

ASSETS	2007	2006	LIABILITIES AND NET ASSETS	2007	2006
CASH AND CASH EQUIVALENTS	\$ 2,115,561	\$ 1,002,300	LIABILITIES:		
TUITION RECEIVABLE — Net	36,547	35,816	Accounts payable and accrued expenses	\$ 1,412,788	\$ 860,334
PLEDGES RECEIVABLE — Net	4,477,848	319,150	Deferred revenue	744,170	688,104
PREPAID EXPENSES	159,484	162,659	Notes payable	3,548,462	2,524,599
OTHER ASSETS	47,114	21,987	Accrued pension benefits	15,000	123,641
FINANCIAL AID LOANS RECEIVABLE — Net	140,916	136,989	Total liabilities	5,720,420	4,196,678
ASSETS WHOSE USE IS LIMITED:			NET ASSETS:		
Temporary cash investments	1,536,676	2,652,635	Unrestricted:		
Long-term investments	9,930,354	8,533,388	Undesignated	21,729,436	18,813,590
Long-term investment in partnership	220,851	220,851	Designated funds:		
Total assets whose use is limited	11,687,881	11,406,874	Reserve for operations	2,885,395	2,867,314
ASSETS RESTRICTED TO LONG-TERM INVESTMENT — Long-term investments	2,277,071	2,038,450	Reserve for plant replacement	1,907,966	1,977,515
LAND, BUILDINGS, AND EQUIPMENT — Net	26,172,972	22,923,285	Reserve for retirement benefits	1,170,450	1,102,991
TOTAL	\$47,115,394	\$38,047,510	Financial aid loans	318,589	296,239
			Total unrestricted	28,011,836	25,057,649
			Temporarily restricted	11,106,067	6,754,733
			Permanently restricted	2,277,071	2,038,450
			Total net assets	41,394,974	33,850,832
			TOTAL	\$47,115,394	\$38,047,510

See notes to consolidated financial statements.

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT:				
Tuition and fees	\$ 9,554,850	\$ -	\$ -	\$ 9,554,850
Less financial aid	<u>(1,436,162)</u>			<u>(1,436,162)</u>
Net tuition and fees	<u>8,118,688</u>			<u>8,118,688</u>
CONTRIBUTIONS	<u>1,270,455</u>	<u>939,091</u>		<u>2,209,546</u>
CAMPAIGN CONTRIBUTIONS	<u>1,130,634</u>	<u>4,477,848</u>	<u>238,621</u>	<u>5,847,103</u>
SKATING RINK	<u>327,591</u>			<u>327,591</u>
NET INVESTMENT INCOME:				
Dividends and interest income	116,940	307,024		423,964
Unrealized gain on investments	<u>998,934</u>	<u>396,376</u>		<u>1,395,310</u>
Total net investment income	<u>1,115,874</u>	<u>703,400</u>		<u>1,819,274</u>
LOSS ON DISPOSAL OF BUILDING, IMPROVEMENTS AND EQUIPMENT	<u>(27,173)</u>			<u>(27,173)</u>
OTHER	<u>88,601</u>			<u>88,601</u>
NET ASSETS RELEASED FROM RESTRICTION:				
For expenses	627,913	(627,913)		
For property and equipment expenditures	838,129	(838,129)		
Spending policy transfer to support operations	<u>302,963</u>	<u>(302,963)</u>		
Total net assets released from restriction	<u>1,769,005</u>	<u>(1,769,005)</u>		
Total revenues, gains, and other support	<u>13,793,675</u>	<u>4,351,334</u>	<u>238,621</u>	<u>18,383,630</u>
EXPENSES:				
Instructional	5,657,925			5,657,925
General and administrative	1,188,623			1,188,623
Operations and maintenance	801,322			801,322
General institutional	658,871			658,871
Athletics	374,733			374,733
Student activities	122,653			122,653
Dining hall	307,617			307,617
Fund-raising	776,794			776,794
Admissions	339,910			339,910
Skating rink	408,040			408,040
Other programs	<u>203,000</u>			<u>203,000</u>
Total expenses	<u>10,839,488</u>			<u>10,839,488</u>
CHANGE IN NET ASSETS	2,954,187	4,351,334	238,621	7,544,142
NET ASSETS — Beginning of year	<u>25,057,649</u>	<u>6,754,733</u>	<u>2,038,450</u>	<u>33,850,832</u>
NET ASSETS — End of year	<u>\$28,011,836</u>	<u>\$11,106,067</u>	<u>\$2,277,071</u>	<u>\$41,394,974</u>

See notes to consolidated financial statements.

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT:				
Tuition and fees	\$ 9,132,500	\$ -	\$ -	\$ 9,132,500
Less financial aid	(1,402,843)			(1,402,843)
Net tuition and fees	<u>7,729,657</u>			<u>7,729,657</u>
CONTRIBUTIONS	<u>1,138,273</u>	<u>622,227</u>	<u>70,274</u>	<u>1,830,774</u>
CAMPAIGN CONTRIBUTIONS		<u>450,000</u>	<u>2,500</u>	<u>452,500</u>
SKATING RINK	<u>299,012</u>			<u>299,012</u>
NET INVESTMENT INCOME:				
Dividends and interest income	93,798	268,609		362,407
Realized gain on investments		391,263		391,263
Unrealized loss on investments	(31,941)	(112,973)		(144,914)
Total net investment income	<u>61,857</u>	<u>546,899</u>		<u>608,756</u>
LOSS ON DISPOSAL OF BUILDING	(374,092)			(374,092)
OTHER	<u>95,919</u>			<u>95,919</u>
NET ASSETS RELEASED FROM RESTRICTION:				
For expenses	586,244	(586,244)		
For property and equipment expenditures	66,059	(66,059)		
Spending policy transfer to support operations	279,769	(279,769)		
Total net assets released from restriction	<u>932,072</u>	<u>(932,072)</u>		
Total revenues, gains, and other support	<u>9,882,698</u>	<u>687,054</u>	<u>72,774</u>	<u>10,642,526</u>
EXPENSES:				
Instructional	5,566,635			5,566,635
General and administrative	1,017,055			1,017,055
Operations and maintenance	616,375			616,375
General institutional	555,171			555,171
Athletics	356,978			356,978
Student activities	125,379			125,379
Dining hall	298,887			298,887
Fund-raising	656,364			656,364
Admissions	244,090			244,090
Skating rink	368,219			368,219
Other programs	134,377			134,377
Total expenses	<u>9,939,530</u>			<u>9,939,530</u>
OTHER CHANGES IN NET ASSETS — Reclassification of net assets to conform to donor intent		(50,000)	50,000	
CHANGE IN NET ASSETS	(56,832)	637,054	122,774	702,996
NET ASSETS — Beginning of year	<u>25,114,481</u>	<u>6,117,679</u>	<u>1,915,676</u>	<u>33,147,836</u>
NET ASSETS — End of year	<u>\$25,057,649</u>	<u>\$6,754,733</u>	<u>\$2,038,450</u>	<u>\$33,850,832</u>

See notes to consolidated financial statements.

ST. SEBASTIAN'S SCHOOL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,544,142	\$ 702,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	882,693	846,935
Loss on disposal of assets	27,173	374,092
Donor-restricted contributions	(4,716,469)	(522,774)
Unrealized (gain) loss on investments	(1,395,310)	144,914
Realized gain on investments		(391,263)
Increase in tuition receivable	(731)	(10,291)
Decrease (increase) in prepaid expenses	3,175	(11,760)
(Increase) decrease in other assets	(25,127)	4,003
(Increase) decrease in financial aid loans receivable	(3,927)	1,013
Increase in accounts payable and accrued expenses	52,916	161,688
Increase in deferred revenue	56,066	108,383
Decrease in accrued pension benefits	(108,641)	(198,359)
Net cash provided by operating activities	<u>2,315,960</u>	<u>1,209,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in temporary cash investments	1,115,959	(749,820)
Purchases of investments	(240,277)	(9,647,303)
Proceeds from sales and maturities of investments		9,132,850
Additions to land, buildings, and equipment	<u>(3,660,015)</u>	<u>(1,981,575)</u>
Net cash used in investing activities	<u>(2,784,333)</u>	<u>(3,245,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Increase) decrease in pledges receivable	(4,158,698)	53,000
Temporarily donor-restricted contributions	4,477,848	450,000
Donor-restricted contributions for permanent endowment	238,621	72,774
Repayment of notes payable	(294,637)	(126,183)
Proceeds from issuance of new debt	<u>1,318,500</u>	<u>1,681,500</u>
Net cash provided by financing activities	<u>1,581,634</u>	<u>2,131,091</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,113,261	94,820
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,002,300</u>	<u>907,480</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 2,115,561</u>	<u>\$ 1,002,300</u>

See notes to consolidated financial statements.

ST. SEBASTIAN'S SCHOOL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

1. GENERAL

St. Sebastian's School, Inc., formerly St. Sebastian's Country Day School, Inc., is a nonprofit private institution which provides a Catholic secondary education covering grades 7 through 12.

During the year ended June 30, 2003, St. Sebastian's School, Inc. created a separate Massachusetts charitable corporation known as St. Sebastian's School Fund, Inc. (the "Fund"), of which St. Sebastian's School, Inc. is the sole member with the power to elect the Fund's Board of Directors. The Fund is structured to serve as a supporting organization with respect to St. Sebastian's School, Inc. St. Sebastian's School, Inc. has transferred certain property to the Fund to hold on St. Sebastian's School, Inc.'s behalf. Also, it is anticipated that the Fund will conduct future fund-raising and receive donations on St. Sebastian's School, Inc.'s behalf.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements include the accounts of St. Sebastian's School, Inc. and the Fund (collectively, the "School"). Intercompany balances and transactions are eliminated in consolidation.

The consolidated financial statements of the School have been prepared on the accrual basis of accounting and in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Resources are reported for accounting purposes in separate classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents — Cash and cash equivalents include highly liquid investments with a remaining maturity of three months or less at the date of purchase, excluding amounts whose use is limited or restricted to long-term investment.

Tuition Receivable — Tuition receivable is reported net of management's estimated allowance for uncollectible receivables of \$71,500 at June 30, 2007 and 2006, respectively.

Pledges Receivable — Contributions, including unconditional promises to give, are recognized as restricted support and unrestricted support in the period received. Conditional promises to give and indications of promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. The allowance for uncollectible pledges as of June 30, 2007 was \$299,000 and as of June 30, 2006 was \$179,850. Expected collections as of June 30, 2007 are as follows:

Due in:	
Less than one year	\$ 1,549,000
One to five years	3,619,316
Total	<u>5,168,316</u>
Discount and allowance	<u>(690,468)</u>
Net	<u>\$ 4,477,848</u>

The School is in the quiet phase of a campaign to raise money for the general purposes of the School and for the endowment. During the fiscal year ending June 30, 2007, \$6,238,571 was raised for the campaign of which \$238,621 was for the endowment. During 2007, \$1,130,634 of the general purpose contributions were received. The remaining \$4,869,316 of the general purpose contributions are in the form of pledges receivable and therefore are classified as temporarily restricted at June 30, 2007. The pledges receivable at June 30, 2007 have been discounted by \$391,468 to reflect the net present value at June 30, 2007. Since the start of the quiet phase in fiscal year 2005, the School has raised \$6,084,756 in general purpose contributions, \$555,000 in specific purpose contributions, and \$691,121 in endowment contributions.

Investments and Investment Income — Investments in equity securities with readily determinable market values and all debt securities are recorded at fair market value.

Investment income from unrestricted investments and unrestricted investment income of permanently restricted assets are reported as unrestricted revenue and other support. Unrealized and realized gains (losses) from unrestricted investments are reported as other changes in unrestricted net assets. Restricted investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets, unless permanently donor restricted, in which case they are recorded as increases (decreases) in permanently restricted net assets. Net gains of permanently restricted net assets classified as temporarily restricted remain in temporarily restricted net assets until appropriated by the Board of Trustees (the “Board” or the “Trustees”) and expended. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets.

The Trustees have interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Trustees and expended. State law allows the Trustees to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the School’s long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Chapter 180A (the “Uniform Management of Institutional Funds”) of the Commonwealth of Massachusetts General Laws allows expending realized and unrealized gains up to 7% of such assets.

The Board of the School has adopted a spending policy which provides for the School to utilize an amount the donor has designated or up to 4% annually of the average market value of the donor-restricted and board-designated endowment funds for current operating needs. The average market value is measured using the quarterly market values for the previous three years. Amounts appropriated under the spending policy are drawn from accumulated income and gains and expendable principle on donor-restricted and board-designated endowment funds. Temporarily restricted net assets appropriated under the spending rule reported as a component of net assets released from restriction for the years ended June 30, 2007 and 2006, have been used as follows:

	2007	2006
Faculty salaries and benefits	\$ 250,000	\$ 250,000
Financial aid	39,090	15,595
Other	<u>13,873</u>	<u>14,174</u>
Total	<u>\$ 302,963</u>	<u>\$ 279,769</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Financial Aid Loans Receivable — The School has provided tuition loans to students as part of its financial aid program. Payments are to be made in 32 installments, commencing on January 1 in the year following graduation. Payments consist of eight consecutive semiannual payments of interest only, followed by 24 consecutive quarterly payments of principal and interest. At June 30, 2007 and 2006, the interest rate on the loans was 5%. Allowance is made for uncollectible loans based upon management's judgment, past collective experience, and other relevant factors. The allowance for uncollectible loans as of June 30, 2007 was \$19,445 and as of June 30, 2006 was \$15,445. Financial aid loans receivable at June 30, 2007, expected to be collected are as follows.

Years Ending June 30	
2008	\$ 8,633
2009	10,654
2010	11,223
2011	11,894
2012	10,810
Thereafter	<u>107,147</u>
Total financial aid loan receivable at June 30, 2007	160,361
Less allowance for uncollectible loans	<u>(19,445)</u>
Total financial aid loan receivable at June 30, 2007 — net	<u>\$ 140,916</u>

Long-Term Investment in Partnership — The School has a 33.3% interest in a real estate partnership that was donated to the School in 1997. The interest is recorded at \$220,851, which was the appraised value at the time of the donation.

Land, Buildings, and Equipment — Land, buildings, and equipment and capital projects in process are recorded at cost. Depreciation is computed on buildings and equipment using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 50 years. Expenditures for maintenance and repairs are charged to expense as incurred. Donated land, buildings, and equipment are recorded at their fair market value at the date of the gift.

Expenditures for capital projects in process are capitalized as incurred. Depreciation is not computed on such assets until such time as the capital project is completed and the asset is placed in service.

Deferred Revenue — Deferred revenue results from the 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 school term commences.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity.

Contributions — Contributions received are recognized as restricted support and unrestricted support in the period received and as assets, decreases in liabilities, or expenses, depending on the form of benefits received, and are measured at their fair values.

Donor-Restricted Gifts — Unconditional promises to give cash and other assets to the School are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value at the date the conditional promise becomes unconditional or the gift is received. Gifts are reported as either temporarily or permanently restricted if they are 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 as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year of receipt are reported as unrestricted contributions in the accompanying consolidated financial statements.

Reclassifications to Conform to Donor Intent — During the year ended June 30, 2006, management of the School determined, based on a review of donor instruments, that certain contributions totaling \$50,000 received in the prior year and recorded as temporarily restricted contributions, were permanently restricted contributions, and, accordingly, reclassified those amounts to permanently restricted net assets.

Federal Income Tax — The School has been determined to be a tax-exempt, nonprofit organization under Section 501(c) of the Internal Revenue Code (the "Code") and is exempt from federal income tax on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal income tax has been recorded in the accompanying consolidated financial statements.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Investments are recorded in the consolidated financial statements at market value. Such investments at June 30, 2007 and 2006 are composed of the following:

	2007	2006
Equity securities	\$ 7,474,505	\$ 6,081,204
Fixed income securities	<u>4,732,920</u>	<u>4,490,634</u>
Total	<u>\$ 12,207,425</u>	<u>\$ 10,571,838</u>

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2007 and 2006, consist of the following:

	2007	2006
Land and improvements	\$ 10,858,842	\$ 6,875,544
Land acquired for future expansion		1,981,956
Buildings	18,767,731	18,767,731
Furniture, fixtures, and equipment	<u>3,753,380</u>	<u>3,470,419</u>
	33,379,953	31,095,650
Less accumulated depreciation	<u>(9,154,827)</u>	<u>(8,274,225)</u>
	24,225,126	22,821,425
Capital projects in process	<u>1,947,846</u>	<u>101,860</u>
Land, buildings, and equipment — net	<u>\$ 26,172,972</u>	<u>\$ 22,923,285</u>

Depreciation expense for the years ended June 30, 2007 and 2006, was \$882,693 and \$846,935, respectively.

5. NOTES PAYABLE

The School has a \$4,500,000 line of credit with the Bank of America. This line of credit was obtained by the School to fund improvements made to the academic building and to the gymnasium. The line of credit bears interest at the Eurodollar rate plus 1.85% (7.19% at June 30, 2007), and is collateralized by the School's unrestricted assets and all pledges relating to fund-raising campaigns from which capital campaign proceeds are to be delivered. The maturity date for this line of credit is December 31, 2008. At June 30, 2007 and 2006, the outstanding balance on the line of credit was \$548,462 and \$843,099, respectively.

In October 2005, the School obtained an additional \$3,000,000 line of credit with the Bank of America to fund the purchase of contiguous properties and to fund the improvements thereon. The line of credit bears interest equal to the Bank of America's prime rate (8.25% at June 30, 2007). As of June 30, 2007, the outstanding balance on the line of credit was \$3,000,000. \$2,000,000 of the line of credit was repaid in July 2007 and \$1,000,000 was repaid in September 2007.

6. PENSION PLANS

The School participated in a multi employer, noncontributory, defined benefit pension plan administered by the Roman Catholic Archdiocese of Boston (the "Archdiocese"). The Archdiocese amended the pension plan as of January 1, 2004, by reducing various factors, which had the effect of reducing employees' pension benefits. Effective June 30, 2004, the School ceased participating in the plan, but did not take its assets out of the plan. The plan is currently under funded, so the School must make payments to the pension plan in order to insure that the value of the assets in the Pension Plan and Trust of the Roman Catholic Archdiocese of Boston (the "Trust") is sufficient to cover the cost of providing the pension benefits that have been earned by the employees of the School. Effective July 1, 2004, the monthly payment by the School to the Trust is \$4,300. This payment reflects a nine-year amortization of the unfunded present value of accrued benefits, which approximates \$15,000 as of June 30, 2007. This amount will be reviewed each calendar year and may be adjusted as deemed necessary to consider the effects of asset appreciation or depreciation and changes in the actuarial assumptions.

In connection with the withdrawal and resulting deduction in benefits, the School's trustees voted, effective July 1, 2004, to provide supplemental benefits to those employees whose pension benefits declined due to the withdrawal from the Trust. The School estimates that the supplemental benefits, which will be funded on a pay-as-you-go basis, could be as much as \$1,264,033 as of June 30, 2007. These supplemental benefits, which amount to \$105,991 for the year ended June 30, 2007, are paid to the impacted employees as compensation on a monthly basis.

The School sponsors a defined contribution plan, the Defined Contribution Retirement Plan (the "Plan"). All employees with at least 1,000 hours of service annually and one year of service are eligible to participate and all participants are fully vested. Years of service with any educational organization will be counted for meeting the eligibility requirement. The Plan was amended effective July 1, 2004, to require eligible employees to contribute 2% of their salary to the Plan. The amendment also increased the School's match from 2% of the employee's annual salary to 7% of the employee's salary for employees who have 1 to 5 years of service, 9% for employees who have 6 to 10 years of service, and 11% for employees who have more than 10 years of service. The expense under the Plan was \$437,832 and \$421,882 for the years ended June 30, 2007 and 2006, respectively.

The School also sponsors a voluntary defined contribution plan for eligible employees pursuant to Section 403(b) of the Code. The School makes no contributions to this plan.

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2007 and 2006, consist of donor-restricted gifts as of June 30:

	2007	2006
Available for capital purposes	\$ 73,684	\$ 695,374
Available for student financial aid	231,295	307,421
Available for operations and other	<u>10,801,088</u>	<u>5,751,938</u>
Total	<u>\$ 11,106,067</u>	<u>\$ 6,754,733</u>

Permanently restricted net assets at June 30, 2007 and 2006, consisted generally of investments to be held in perpetuity, the income from which is expendable for the purposes designated by the donor.

8. OPERATING LEASE

The School leases certain classrooms under a lease expiring in 2015 at an annual rental cost of \$33,715, subject to adjustment based on the lesser of tuition increases or increases in the Consumer Price Index, commencing in July, 2002. The lease contains automatic renewal provisions for 15 successive 5-year periods. The School has entered into discussions to purchase the land and buildings currently under lease.

SUBSEQUENT EVENTS

In August 2007 the School purchased contiguous property located at 88 South Street for the purchase price of \$625,000.

In September 2007 the School obtained a \$4,000,000 construction loan with the Bank of America to fund the acquisition and installation of two synthetic turf fields and other field improvements. The loan bears interest at the Eurodollar rate plus .85%.

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