

MATIGNON HIGH SCHOOL, INC.

MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2008





January 16, 2009

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

In planning and performing our audit of the financial statements of Matignon High School, Inc. (the School) for the year ended June 30, 2008, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 16, 2009, on the financial statements of Matignon High School, Inc.

Investments:

During our review of investments, we noted that interest, dividends and realized gains/losses were accounted for in the same general ledger account.

We recommend breaking these items out into their own separate accounts in order to keep track of them for purposes of the preparation of the School's financial statements.

Accounts Receivable:

During our review of accounts receivable, we noted that the School does not maintain an accounts receivable aged trial balance.

We recommend that there should be tracking of accounts receivable on a separate system, which should be updated on a regular basis when current information is received from FACTS.

Property and Equipment:

During our review of property and equipment and repairs and maintenance, we noted several capital expenditures were charged to expense accounts.

We recommend that the School establish a written capitalization policy whereby expenditures over a certain amount, such as \$2,000, be capitalized.

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

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Deferred Revenue:

During our review of deferred revenue, we noted that the School does not maintain a schedule of deferred revenue received from individual students.

We recommend that the School maintain such a schedule detailing the student name, date paid and the period covered by the payment. In addition, the schedule of deferred revenue should be reconciled to the general ledger on a monthly basis.

Accounting Manual:

The School does not have an Accounting Manual to document its accounting procedures.

We recommend that the School develop an Accounting Manual to document its accounting procedures. The Accounting Manual can also be a valuable resource when training new accounting personnel.

Policies:

During our review of internal controls, we noted that the School does not have written policies and procedures in place.

We recommend that the School develop written policies and procedures in the following areas:

- Conflicts of interest
- Whistleblower
- Document destruction

Internal Control

During our audit of cash, we noted that checks received in the mail are stamped "for deposit only" subsequent to the opening and distribution of the mail by the secretary. In addition, the secretary does not prepare a listing of total checks received in the mail on a daily basis.

We recommend that the secretary stamp checks received in the mail "for deposit only" prior to distributing the mail to School personnel. We recommend that the secretary prepare a listing of total checks received in the mail on a daily basis and compare it with the amount actually deposited.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, or to assist you in implementing the recommendations. We appreciate the outstanding cooperation our representatives received from your personnel during our recent engagement.

Sincerely,

Parent, McLaughlin & Nangle

PARENT, McLAUGHLIN & NANGLE
Certified Public Accountants



MATIGNON HIGH SCHOOL, INC.

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION
FOR THE
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE AMOUNTS FOR 2007)**

(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, 2008, 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 2007 financial statements and, in our report dated October 22, 2007 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 2008 financial statements referred to above present fairly, in all material respects, the financial position of Matignon High School, Inc. as of June 30, 2008, 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.

Certified Public Accountants, Inc.

January 16, 2009

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

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MATIGNON HIGH SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

(With Comparative Amounts for 2007)

	<u>June 30</u>	
<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 382,655	\$ 606,807
Accounts receivable	40,466	28,715
Investments	66,009	70,438
Other assets	13,491	14,535
Property and equipment, net	3,446,204	818,923
Total assets	<u>\$ 3,948,825</u>	<u>\$ 1,539,418</u>
<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
Liabilities:		
Revolving loan payable	\$ 3,533,247	\$ 790,423
Accounts payable and accrued expenses	217,866	134,319
Deferred revenues	494,290	250,167
Accrued interest payable on revolving loan	183,944	18,680
Other liabilities	2,854	1,011
Total liabilities	<u>4,432,201</u>	<u>1,194,600</u>
Net Assets:		
Unrestricted (deficiency)	(585,752)	256,585
Temporarily restricted	52,776	38,733
Permanently restricted	49,600	49,500
Total net assets (deficiency)	<u>(483,376)</u>	<u>344,818</u>
Total liabilities and net assets (deficiency)	<u>\$ 3,948,825</u>	<u>\$ 1,539,418</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008
(With Comparative Totals for 2007)

	2008			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
REVENUES AND SUPPORT:					
Tuition and fees	\$ 1,998,291	\$ -	\$ -	\$ 1,998,291	\$ 1,691,822
Grants and contributions	298,459	19,572	100	318,131	288,577
Miscellaneous	136,344	-	-	136,344	112,663
Fundraising	45,795	-	-	45,795	49,611
Rental income	46,040	-	-	46,040	37,450
Books and supplies	-	-	-	-	1,321
Interest and dividends	2,579	1,720	-	4,299	10,698
Unrealized (depreciation) appreciation on investments	-	(7,249)	-	(7,249)	6,029
Total revenues and support	<u>2,527,508</u>	<u>14,043</u>	<u>100</u>	<u>2,541,651</u>	<u>2,198,171</u>
EXPENSES:					
Program services expenses	<u>1,930,105</u>	<u>-</u>	<u>-</u>	<u>1,930,105</u>	<u>1,627,802</u>
Supporting services expenses:					
General and administrative	1,417,429	-	-	1,417,429	947,452
Fundraising	<u>22,311</u>	<u>-</u>	<u>-</u>	<u>22,311</u>	<u>25,020</u>
Total supporting services expenses	<u>1,439,740</u>	<u>-</u>	<u>-</u>	<u>1,439,740</u>	<u>972,472</u>
Total expenses	<u>3,369,845</u>	<u>-</u>	<u>-</u>	<u>3,369,845</u>	<u>2,600,274</u>
CHANGE IN NET ASSETS	(842,337)	14,043	100	(828,194)	(402,103)
NET ASSETS , beginning of year	<u>256,585</u>	<u>38,733</u>	<u>49,500</u>	<u>344,818</u>	<u>746,921</u>
NET ASSETS (DEFICIENCY), end of year	(<u>\$ 585,752</u>)	<u>\$ 52,776</u>	<u>\$ 49,600</u>	(<u>\$ 483,376</u>)	<u>\$ 344,818</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 828,194)	(\$ 402,103)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	193,639	21,859
Unrealized depreciation (appreciation) on investments	6,205	(6,029)
Increase in accounts receivable	(11,751)	(12,418)
Decrease (increase) in other assets	1,044	(1,726)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	83,547	(50,726)
Deferred revenues	244,123	90,657
Accrued interest payable on revolving loan	165,264	18,680
Other liabilities	1,843	(5,939)
Total adjustments	<u>683,914</u>	<u>54,358</u>
Net cash used in operating activities	(<u>144,280</u>)	(<u>347,745</u>)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,776)	(2,580)
Purchases of property and equipment	(<u>2,820,920</u>)	(<u>808,057</u>)
Net cash used in investing activities	(<u>2,822,696</u>)	(<u>810,637</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	<u>2,742,824</u>	<u>790,423</u>
Net cash provided by financing activities	<u>2,742,824</u>	<u>790,423</u>
NET DECREASE IN CASH	(224,152)	(367,959)
CASH, beginning of year	<u>606,807</u>	<u>974,766</u>
CASH, end of year	<u>\$ 382,655</u>	<u>\$ 606,807</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	<u>\$ 16,572</u>	<u>\$ 6,238</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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, 2008

(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, 2008

(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, 2008

(continued)

C. Investments:

Investments consist of shares held in the Roman Catholic Archdiocese of Boston Common Investment Fund, as follows at June 30, 2008:

<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
\$ 26,509	\$ 39,500	\$ 66,009	\$ 55,299	\$ 10,710
				Unrealized appreciation at June 30, 2007 (17,959)
				Decrease in unrealized appreciation - year ended June 30, 2008 (\$ 7,249)

D. Property and Equipment:

Property and equipment at June 30, 2008, consists of the following:

Land and building improvements	\$ 3,059,993
Furniture, fixtures and equipment	910,574
Vehicles	24,255
	<u>3,994,822</u>
Less accumulated depreciation	(548,618)
	<u>\$ 3,446,204</u>

E. Revolving Loan Payable:

During the 2007 fiscal year, the School entered into a revolving loan agreement with The Archdiocese of Boston, (a related party), with interest at 6% per annum. Outstanding borrowings on the revolving loan at June 30, 2008 amounted to \$3,533,247. There are no specific requirements in the loan agreement for the timing of repayment of borrowings. Property and equipment is pledged as collateral.

Interest expense on the Revolving Loan Payable, amounted to \$181,836 and \$22,469 for the years ended June 30, 2008 and 2007, respectively.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

(continued)

F. Net Assets:

Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2008, are comprised of \$52,776 restricted by donors for financial assistance and scholarships.

Permanently restricted net assets:

Permanently restricted net assets of \$49,600 at June 30, 2008 are to be held in perpetuity, the income of which is to be used for scholarships, library books, periodicals, and electronic media.

G. 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 \$80,391 for the year ended June 30, 2008.

H. 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, 2008, the School's uninsured cash balance totaled approximately \$272,000.

I. 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.

J. Related Party Transactions:

The Catholic School Foundation is an affiliated organization of the Archdiocese of Boston and provided tuition support amounting to \$147,996 during the year ended June 30, 2008, which is included in grants and contributions in the accompanying Statement of Activities.

The School borrowed an additional \$2,742,824 from the Archdiocese of Boston during the year ended June 30, 2008.

Interest expense on the revolving loan payable to the Archdiocese of Boston, amounted to \$181,836 for the year ended June 30, 2008.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

(continued)

K. Lease Agreement:

The Archdiocese of Boston (the "Archdiocese") owns the property which the School occupies. The School 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. The School currently leases the property as a tenant at will.

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, 2007, 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, 2008 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, 2008 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 2007 financial statements and, in our report dated October 22, 2007, we expressed an unqualified opinion on those financial statements.

Parent, McLaughlin + Nangle

Certified Public Accountants, Inc.

January 16, 2009

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES

YEAR ENDED JUNE 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Salaries	\$ 1,409,448	\$ 1,162,813
Fringe benefits	299,579	262,150
Student activities and summer school	56,149	56,011
Athletic events	46,918	45,947
Athletic equipment	42,748	34,630
Referees	23,005	19,674
Graduation	21,702	14,204
Transportation	21,593	22,052
Fees	8,348	8,153
Books and publications	615	2,168
	<u>\$ 1,930,105</u>	<u>\$ 1,627,802</u>

See independent auditor's report on accompanying information.

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED JUNE 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Salaries	\$ 402,566	\$ 293,878
Depreciation	193,639	21,859
Interest expense	181,836	22,469
Maintenance	158,591	191,267
Utilities	104,952	84,957
Miscellaneous	85,711	66,200
Fringe benefits	85,566	66,253
Office supplies	49,058	30,428
Equipment rental and maintenance	33,483	36,039
Professional services	28,900	26,041
Insurance	25,839	21,932
Contracted services	23,524	24,865
Printing	19,309	31,514
Vehicle lease	13,453	6,637
Postage	5,723	15,526
Telephone	5,279	7,587
	<u>\$ 1,417,429</u>	<u>\$ 947,452</u>

See independent auditor's report on accompanying information.