



GT REILLY
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CPAs and Advisors

Audited Financial Statements

St. Mary's High School, Inc.
Lynn, Massachusetts

June 30, 2016

St. Mary's High School, Inc. - Lynn, Massachusetts

Audited Financial Statements

June 30, 2016

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Independent Auditors' Report

Board of Trustees
St. Mary's High School, Inc.
Lynn, Massachusetts

We have audited the accompanying financial statements of St. Mary's High School, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Mary's High School, Inc. as of June 30, 2016 and 2015, 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.

G.T. Reilly & Company

Milton, Massachusetts
July 12, 2017

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

St. Mary's High School, Inc. - Lynn, Massachusetts

Statements of Financial Position

June 30

	<u>2016</u>	<u>2015</u> (As restated -) see Note 2)
<u>Assets</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 327,765	\$ 419,692
Accounts receivable, less allowance for doubtful accounts of \$102,780 in 2016 and \$105,258 in 2015 (Note 2)	24,559	35,392
Pledges receivable, net (Notes 2, 4 & 8)	100,000	147,500
Due from St. Mary's High School Foundation, Inc. (Note 9)	40,048	54,593
Due from St. Mary's Parish (Note 9)	2,156	26,205
Prepaid expenses and other assets	8,200	6,603
TOTAL CURRENT ASSETS	<u>502,728</u>	<u>689,985</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Notes 2 & 5)	<u>1,774,361</u>	<u>1,838,635</u>
OTHER ASSETS		
Cash, restricted funds (Note 2)	19,197	24,029
Pledges receivable, net of current portion (Notes 2, 4 & 8)	238,620	306,678
Interest in net assets of the Catholic Community Fund (Notes 2 & 3)	1,327,311	1,454,358
Interest in net assets of St. Mary's High School Foundation (Notes 2 & 3)	6,647,597	4,708,799
	<u>8,232,725</u>	<u>6,493,864</u>
	<u>\$10,509,814</u>	<u>\$ 9,022,484</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 536,679	\$ 390,002
Current maturities of long-term debt (Note 9)	62,527	59,632
Security deposit payable	15,000	15,000
Deferred revenues (Note 2)	306,240	301,115
TOTAL CURRENT LIABILITIES	<u>920,446</u>	<u>765,749</u>
LONG-TERM DEBT, less current maturities (Note 9)	<u>1,897,833</u>	<u>1,308,282</u>
TOTAL LIABILITIES	<u>2,818,279</u>	<u>2,074,031</u>
NET ASSETS (DEFICIENCY) (Notes 2, 5 & 8)		
Unrestricted	(880,171)	(145,440)
Temporarily restricted	7,293,719	5,815,906
Permanently restricted	1,277,987	1,277,987
	<u>7,691,535</u>	<u>6,948,453</u>
	<u>\$10,509,814</u>	<u>\$ 9,022,484</u>

St. Mary's High School, Inc. - Lynn, Massachusetts

Statements of Activities and Changes in Net Assets

For the Years Ended June 30

	2016				2015 (As Restated - Note 2)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Tuition and fees, net	\$ 4,263,063	\$ -	\$ -	\$ 4,263,063	\$ 4,081,608	\$ -	\$ -	\$ 4,081,608
Other programs	155,857	-	-	155,857	164,270	-	-	164,270
Auxiliary activities, net	-	-	-	-	2,958	-	-	2,958
Contributions:								
Contributed facilities (Notes 2 & 9)	638,275	-	-	638,275	638,275	-	-	638,275
Other	367,675	566,912	-	934,587	343,538	764,043	-	1,107,581
Interest income	218	-	-	218	64	-	-	64
Interest in change in net assets of the Catholic Community Fund (Notes 2 & 3)	-	(72,801)	-	(72,801)	-	11,973	-	11,973
Interest in change in net assets of St. Mary's High School Foundation, Inc. (Notes 2 & 3)	(149,064)	2,180,262	-	2,031,198	(240,366)	(542,472)	-	(782,838)
Fundraising and special Event	409,141	-	-	409,141	176,850	-	-	176,850
Less costs of direct benefits to donors	(41,477)	-	-	(41,477)	(21,460)	-	-	(21,460)
Rental income	71,365	-	-	71,365	71,365	-	-	71,365
Net assets released from restrictions (Note 7)	1,196,560	(1,196,560)	-	-	793,004	(793,004)	-	-
Total Revenues, Gains & Other Support	6,911,613	1,477,813	-	8,389,426	6,010,106	(559,460)	-	5,450,646
Expenses								
Program services:								
Instruction/student activities	3,709,080	-	-	3,709,080	3,517,040	-	-	3,517,040
Other programs	405,842	-	-	405,842	310,416	-	-	310,416
Total Program Services	4,114,922	-	-	4,114,922	3,827,456	-	-	3,827,456
Supporting services:								
General and administrative	2,330,866	-	-	2,330,866	2,220,888	-	-	2,220,888
Facilities	706,625	-	-	706,625	635,460	-	-	635,460
Fundraising	399,407	-	-	399,407	325,242	-	-	325,242
Depreciation	94,524	-	-	94,524	96,822	-	-	96,822
Total Supporting Services	3,531,422	-	-	3,531,422	3,278,412	-	-	3,278,412
Total Expenses	7,646,344	-	-	7,646,344	7,105,868	-	-	7,105,868
Increase (Decrease) in Net Assets	(734,731)	1,477,813	-	743,082	(1,095,762)	(559,460)	-	(1,655,222)
Net Assets (Deficiency) at Beginning of Year, as reported	(145,440)	5,815,906	1,277,987	6,948,453	927,822	6,375,366	1,300,487	8,603,675
Cumulative effect on prior years of retroactive restatement for change in net asset classification (Note 2)					22,500		(22,500)	-
Net Assets (Deficiency) at End of Year	\$ (880,171)	\$ 7,293,719	\$ 1,277,987	\$ 7,691,535	\$ (145,440)	\$ 5,815,906	\$ 1,277,987	\$ 6,948,453

St. Mary's High School, Inc. - Lynn, Massachusetts

Statements of Cash Flows

For the Years Ended June 30

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 743,082	\$ (1,655,222)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	94,524	96,822
Transfer of assets to St. Mary's High School Foundation, Inc.	-	(135,270)
Interest in the change in net assets of the Catholic Community Fund	72,801	(11,973)
Interest in the change in net assets of St. Mary's High School Foundation, Inc.	(2,031,198)	782,838
Distributions of interest in net assets of the Catholic Community Fund	54,246	58,629
Distributions of interest in net assets of St. Mary's High School Foundation, Inc.	92,400	197,126
Changes in operating assets and liabilities:		
Cash, restricted funds	4,832	7,444
Accounts receivable, net	10,833	(6,617)
Pledges receivable	115,558	124,451
Other assets	(1,597)	9,322
Accounts payable and accrued expenses	146,677	18,661
Due to / from affiliates	38,594	(145,134)
Deferred revenues	5,125	162,877
	<u>(654,123)</u>	<u>(496,046)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to furniture, equipment and leasehold improvements	<u>(30,250)</u>	<u>(70,341)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	750,000	750,000
Payments on long-term debt	<u>(157,554)</u>	<u>(126,777)</u>
	<u>592,446</u>	<u>623,223</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(91,927)</u>	56,836
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>419,692</u>	<u>362,856</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 327,765</u>	<u>\$ 419,692</u>
<u>Supplemental Cash Flow Information</u>		
Cash paid for interest	<u>\$ 21,661</u>	<u>\$ 24,612</u>

St. Mary's High School, Inc. - Lynn, Massachusetts

Notes to Financial Statements

June 30, 2016

Note 1 - Nature of Organization

St. Mary's High School, Inc. of Lynn, Massachusetts (the School), is a private Catholic high school. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition. The School derives its revenue from student tuition, donations, auxiliary activities and other related operating activities. Auxiliary activities for the year ended June 30, 2015 include net proceeds on the bingo program. Other programs consist of revenue from athletics, school lunches and the like.

Note 2 - Significant Accounting Policies

Basis of Accounting and Reporting – The financial statements of the School have been prepared under the accrual method of accounting in conformity with generally accepted accounting principles.

Accounting 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results may differ from those estimates.

Financial Statement Presentation – The School presents a statement of financial position and a statement of activities segregated into three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets (see Note 7 regarding restrictions on net assets).

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise. If the fair value of assets associated with an endowment fund falls below historic dollar value, the Massachusetts Uniform Prudent Management of Institutional Funds Act requires such deficiency to be reported as unrestricted net assets (see Note 8).

Contributions and Donor Restrictions – Use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 7).

Cash and Cash Equivalents – For the purpose of reporting the statement of cash flows, cash and cash equivalents includes amounts on-hand and in bank accounts. Restricted cash accounts are excluded from this classification.

Restricted Cash – Restricted cash represents cash that has been earmarked for scholarships and financial aid by donors.

Note 2 - Significant Accounting Policies (Cont.)

Pledges Receivable – Contributions, including unconditional promises to give to the School, are recognized as revenues in the period made. Contributions receivable that are, in effect, “unconditional promises to give” are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based upon management’s judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. As of June 30, 2016 and 2015, there was no such allowance as one was not considered necessary by management (see Note 4).

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts, when considered necessary by management, which would be reported on the face of the School's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts, the School's history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely.

Accounting for Assets Held by Others – Generally accepted accounting principles requires the School to recognize as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the School. Additionally, the statement requires the School to adjust the interest for its share of the change in the related organization’s net assets. The School is the beneficiary of two separate foundations, the Catholic Community Fund and St. Mary’s High School Foundation, Inc. Both of these foundations are considered related parties (see Notes 3 and 9).

Furniture, Equipment and Leasehold Improvements – Furniture, equipment and leasehold improvements are stated at cost (see Note 5). Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives in Years</u>
Furniture and equipment	5 years
Leasehold improvements	39 years

Deferred Revenues – Deferred revenues consist of tuition and fee deposits and advance tuition payments.

Tuition Revenue – Gross tuition and fees reflect the School's normal tuition rates for all students. Scholarships given on the basis of financial need and/or achievement are netted against gross tuition and fees. A summary of net tuition revenue and fees is as follows

	<u>2016</u>	<u>2015</u>
Gross tuition and fees	\$ 5,771,113	\$ 5,350,658
Less:		
Discounts	69,650	121,085
Financial aid	336,803	120,212
Academic scholarships awarded	368,425	244,500
Other scholarships awarded	733,172	783,253
Net tuition revenue and fees	<u>\$ 4,263,063</u>	<u>\$ 4,081,608</u>

Note 2 - Significant Accounting Policies (Cont.)

Auxiliary Services Revenue – For the year ended June 30, 2015, auxiliary services revenue consisted of receipts from bingo. Auxiliary services revenue is recognized in the period to which it relates.

Contributed Facilities – The School pays annual rent of \$1.00 to the Archdiocese for facilities located in Lynn, Massachusetts. The estimated current rental value of the facilities is reported as rent expense and a corresponding amount is reported as support in the statement of activities (see Note 9).

Income Tax Status – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income taxation.

Reclassification and Restatement of 2015 Net Assets - During 2016, certain amounts previously classified as permanently restricted net assets were reclassified to unrestricted net assets. In 2016, management determined that certain funds should have been classified as internally designated, or unrestricted. The individual net asset balances as of June 30, 2015 have been restated to reflect a reclassification of \$22,500 from permanently restricted net assets to unrestricted net assets. Such reclassification had no effect on total net assets or the changes in net assets as previously reported for the year ended June 30, 2015.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the School for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2016 through July 12, 2017, the date the accompanying financial statements were available to be issued.

Note 3 – Interest in Foundations

The School is the beneficiary of donations collected on its behalf by two related parties, the Catholic Community Fund and the St. Mary's High School Foundation, Inc. As discussed in Note 2, "Accounting for Assets Held by Others", the School has recorded as assets its interests in the foundations' net assets, as follows at June 30:

	<u>2016</u>	<u>2015</u>
Catholic Community Fund	\$ 1,327,311	\$ 1,454,358
St. Mary's High School Foundation, Inc.	<u>6,647,597</u>	<u>4,708,799</u>
	<u>\$ 7,974,908</u>	<u>\$ 6,163,157</u>

During the reporting years, the School's interests in the net assets of the foundations increased (decreased) as follows:

	<u>2016</u>	<u>2015</u>
Catholic Community Fund	\$ (72,801)	\$ 11,973
St. Mary's High School Foundation, Inc.	<u>2,031,198</u>	<u>(782,838)</u>
	<u>\$ 1,958,397</u>	<u>\$ (770,865)</u>

Distributions received from the foundations were as follows:

	<u>2016</u>	<u>2015</u>
Catholic Community Fund	\$ 54,246	\$ 58,629
St. Mary's High School Foundation, Inc.	<u>92,400</u>	<u>197,126</u>
	<u>\$ 146,646</u>	<u>\$ 255,755</u>

Transfer to one foundation was as follows:

	<u>2016</u>	<u>2015</u>
St. Mary's High School Foundation, Inc.	<u>\$ -</u>	<u>\$ (135,270)</u>

Note 4 – Pledges Receivable, Restricted

Pledges receivable, net of discounts, scheduled to be received over future periods consist of the following amounts at June 30:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected in one year or less	\$ 100,000	\$ 147,500
Amounts expected to be collected in one year to five years	<u>300,000</u>	<u>400,000</u>
	400,000	547,500
Less unamortized discount (Note 1)	<u>(61,380)</u>	<u>(93,322)</u>
Net present value of pledges receivable	<u>\$ 338,620</u>	<u>\$ 454,178</u>

Pledges are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a risk adjusted discount rate of 8% at June 30, 2016 and 2015.

For the years ended June 30, 2016 and 2015, 100% and 90% of pledges receivable, respectively, represent pledges made from one member of the board and are restricted for academic scholarships. The School's remaining pledges receivable for the year ended June 30, 2015 represent donor pledges due from various individuals.

Note 5 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 1,303,468	\$ 1,273,219
Building improvements	1,445,920	1,445,920
Leasehold improvements	<u>654,562</u>	<u>654,562</u>
	3,403,950	3,373,701
Less accumulated provisions for depreciation	<u>(1,629,589)</u>	<u>(1,535,066)</u>
	<u>\$ 1,774,361</u>	<u>\$ 1,838,635</u>

Depreciation expense totaled \$94,524 and \$96,822 for the years ended June 30, 2016 and 2015, respectively.

Note 6 - Financial Instruments and Concentrations of Credit Risk

The School's financial instruments that potentially subject it to concentrations of credit risk consist of cash, accounts receivable, pledges receivable and interests in net assets of two foundations.

The School maintains its cash accounts and equivalents in high quality financial institutions. At times, the amounts on deposit at any institution may exceed insured limits. At June 30, 2016, there was approximately \$81,000 of deposits in excess of FDIC insured limits based on bank balances.

The School also has approximately \$19,000 on deposit with the RCAB at June 30, 2016. These funds are uninsured and pooled together with other related organizations' funds in the RCAB's revolving loan fund.

The School's accounts receivable reflect amounts due from its students and special activity fees. The School's pledges receivable reflect amounts due from one member of the Board and various other individuals.

See Note 4 regarding pledges receivable.

In addition, the School has significant interests in the net assets of two foundations approximating \$1,327,000 and \$6,648,000 at June 30, 2016 (see Note 3).

Note 7 - Classification of Net Assets

Permanently restricted net assets totaling \$1,277,987 at both June 30, 2016 and 2015 are restricted in perpetuity, the income from which is expendable to support scholarships for needy students as follows:

	<u>2016</u>	<u>2015</u>
Interest in restricted net assets of the Catholic Community Fund	\$ 1,000,000	\$ 1,000,000
Interest in restricted net assets of St. Mary's High School Foundation, Inc.	<u>277,987</u>	<u>277,987</u>
	<u>\$ 1,277,987</u>	<u>\$ 1,277,987</u>

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Interest in restricted net assets of the Catholic Community Fund	\$ 327,311	\$ 454,358
Interest in restricted net assets of St. Mary's High School Foundation, Inc.	6,307,977	4,220,115
Scholarships and financial aid	658,431	906,705
Lynn Collaborative	-	234,728
	<u>\$ 7,293,719</u>	<u>\$ 5,815,906</u>

Net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes as follows for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Student scholarships and financial assistance	\$ 946,082	\$ 727,732
Lynn Collaborative	250,478	65,272
	<u>\$ 1,196,560</u>	<u>\$ 793,004</u>

Note 8 - Endowments

The School's endowments consist of funds established for scholarships to students of St. Mary's High School. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The School has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the School to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the “historic dollar value” of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as “net appreciation” is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence presented in UPMIFA.

Funds with Deficiencies – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value”. Deficiencies of this nature are reported by a charge to unrestricted net assets. Deficiencies may result from unfavorable market fluctuations that occurred. Over time, these deficiencies may reverse due to the appreciation of the underlying investments. There were no such deficiencies as of June 30, 2016.

Note 8 - Endowments (Cont.)

Endowment Investment Policy – The School has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for donor-specified periods.

Under the School's Investment Policy and spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School is the beneficiary of St. Mary's High School Foundation ("Foundation") and the Catholic Community Fund, which has invested its endowment investment portfolio in the Common Investment Fund, which in-turn invests in the Collective Investment Partnership. The Investment Committee of Corporation Sole is responsible for selecting the investment managers of the Collective Investment Partnership.

The Investment Committee's investment rationale is to include an array of different strategy and investment managers for the Collective Investment Partnership's portfolio to reduce overall volatility while providing investment returns above industry benchmarks.

Endowment net asset composition by type of fund as of June 30, 2016 and 2015 is as follows:

	Endowment Fund Net Assets			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
For the year ended June 30, 2016:				
Endowment net assets at beginning of year	\$ -	\$ 500,919	\$ 1,277,987	\$ 1,778,906
Interest in net assets of the Catholic Community Fund	-	(72,801)	-	(72,801)
Interest in net assets of St. Mary's High School Foundation	-	13,194	-	13,194
Appropriation of endowment assets for expenditure	-	(70,646)	-	(70,646)
Endowment net assets at end of year	\$ -	\$ 370,666	\$ 1,277,987	\$ 1,648,653
For the year ended June 30, 2015:				
Endowment net assets at beginning of year	\$ -	\$ 612,895	\$ 1,277,987	\$ 1,890,882
Interest in net assets of the Catholic Community Fund	-	11,973	-	11,973
Interest in net assets of St. Mary's High School Foundation	-	7,316	-	7,316
Appropriation of endowment assets for expenditure	-	(131,265)	-	(131,265)
Endowment net assets at end of year	\$ -	\$ 500,919	\$ 1,277,987	\$ 1,778,906

Note 9 - Related Party Transactions

During the years ended June 30, 2016 and 2015, the School was charged \$674,842 and \$644,955, respectively, for health, life, disability, workers' compensation and property insurance administered by the Roman Catholic Archdiocese of Boston ("Archdiocese") (an entity related by common board members).

The School leases land and a building from the Archdiocese. Effective August 1, 2006, the School entered into a lease agreement for a four-year period ending July 1, 2010 requiring annual lease payments of \$1.00. The School is obligated under the lease agreement to pay all utilities, maintenance and insurance on the premises, subject to certain limitations.

Note 9 - Related Party Transactions (Cont.)

The estimated current rental value of the facilities approximated \$638,275 for the years ended June 30, 2016 and 2015. The estimated value of the rental is recorded as both support and expense in the accompanying statements of activities (see Note 2). The School has yet to sign a new lease agreement and is currently a tenant-at-will.

During 2012, the School entered into a \$350,000 revolving loan agreement with the Archdiocese for the use of property in which the title is in the name of the RCAB Corporation Sole. Interest is charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans (3.75% as of June 30, 2016 and 2015). Commencing May 15, 2012, the note is payable in monthly interest and principal installments of \$5,596 and it matures April, 2018. The School has the option to prepay all or part of the principal balance at any time. As of June 30, 2016 and 2015, the outstanding balance under the revolving loan agreement is \$145,631 and \$211,485, respectively.

During 2013, the School entered into a \$500,000 revolving line of credit agreement with the Archdiocese for working capital purposes. Interest is charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans (3.75% as of June 30, 2016 and 2015). Commencing August 15, 2013, the note is payable in monthly interest only payments and it matures August, 2018, at which time the remaining outstanding principal balance and unpaid interest will be due. The School has the option to prepay all or part of the principal balance at any time. Outstanding borrowings under this line of credit agreement are \$314,729 and \$406,429 at June 30, 2016 and 2015, respectively.

During 2015, the School entered into a \$1,500,000 revolving line of credit agreement with the Archdiocese for working capital purposes. Interest is charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans (3.75% as of June 30, 2016 and 2015). Commencing June 15, 2015, the note is payable in monthly interest only payments and it matures June 15, 2018, at which time the remaining outstanding principal balance and unpaid interest will be due. The School has the option to prepay all or part of the principal balance at any time. Outstanding borrowings under this line of credit agreement are \$1,500,000 and \$750,000 at June 30, 2016 and 2015, respectively.

For the years ended June 30, 2016 and 2015, interest expense on the above agreements was \$51,872 and \$24,612, respectively.

Principal Maturities - Annual principal maturities on long-term debt are as follows:

<u>Year Ending</u> <u>June 30</u>	
2017	\$ 62,527
2018	1,583,104
2019	<u>314,729</u>
	<u>\$1,960,360</u>

The property mentioned in the above note is being rented by two tenants with agreements directly with the Archdiocese. The rental income is payable to the School as an offset to the monthly note payments.

Each tenant is currently a tenant-at-will. For each of the years ended June 30, 2016 and 2015, the School received approximately \$71,000 in rental income.

Amounts due from St. Mary's Parish to the School were \$2,156 and \$26,205 at June 30, 2016 and 2015, respectively.

Amounts due from St. Mary's High School Foundation, Inc. were \$40,048 and \$54,593 at June 30, 2016 and 2015, respectively.

The School also received approximately \$8,000 and \$25,000 in direct financial support from St. Mary's Parish for the years ended June 30, 2016 and 2015, respectively.

Note 9 - Related Party Transactions (Cont.)

As discussed in Note 3, "Interest in Foundations", the School is a beneficiary of the Catholic Community Fund and St. Mary's High School Foundation, Inc. The School is related through common Board membership to St. Mary's High School Foundation, Inc.

For the years ended June 30, 2016 and 2015, the School was charged \$164,518 and \$161,559, respectively, by companies affiliated with certain members of the Board for various services and products.

Note 10 - Employee Pension Plan

The School participated with other organizations affiliated with the Archdiocese in a noncontributory, defined-benefit multiemployer pension plan covering substantially all employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

Effective December 31, 2011, the Pension Plan Trustees amended the plan to curtail benefit accruals for plan participants. No additional participants are allowed into the plan. The amount of the School's annual contribution was actuarially determined and was accrued and funded annually through the year ended June 30, 2014, at which time the plan was fully funded. As a result, there was no pension expense for the year ended June 30, 2016 and 2015. In October of 2015, the School executed a withdrawal agreement with the RCAB, and an annuity contract was purchased by the Plan on behalf of the School to cover all the contingent retirement liabilities for current and past employees of the School who participated in the Plan. With this agreement there are no future liabilities to the Plan.

To replace the curtailed defined benefit pension plan, the Archdiocese of Boston established a 401(k) defined contribution plan on January 1, 2012. The School contributes a matching contribution subject to formulas defined in the plan document. Each eligible employee may defer up to 100% of compensation subject to limits of the maximum amount allowed by law. Matching contributions related to the 401(k) defined contribution plan approximated \$57,000 and \$34,000 for the years ended June 30, 2016 and 2015.