GT REILLY & COMPANY
CPAs and Advisors

Audited Financial Statements

Archbishop Williams High School, Inc.

June 30, 2015

Archbishop Williams High School, Inc.

Audited Financial Statements

June 30, 2015

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

GT REILLY
& COMPANY
CPAs and Advisors

424 Adams Street, Milton MA 02186-4358
T. 617.696.8900 / F. 617.698.1803
www.gtreilly.com

Independent Auditors' Report

Board of Directors
Archbishop Williams High School, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Archbishop Williams High School, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, 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 audit 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 Archbishop Williams High School, Inc. as of June 30, 2015 and 2014, 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

G.T. Reilly & Company

Milton, Massachusetts
October 13, 2015

Archbishop Williams High School, Inc.

Statements of Financial Position

June 30

	2015	2014
Assets (Note 5)		
CASH AND CASH EQUIVALENTS (Note 2)	$ 2,683,098	$ 1,615,416
CASH DESIGNATED BY THE BOARD (Note 2)	-	865,000
CASH AND CASH EQUIVALENTS - RESTRICTED (Note 2)	300,000	2,564,883
ACCOUNTS RECEIVABLE, less allowance for doubtful accounts of $67,327 in 2015 and $51,256 in 2014 (Note 2)	30,797	57,850
OTHER ASSETS	30,904	22,045
DEFERRED FINANCE COSTS, net of accumulated amortization of $4,972 in 2015 and $2,131 in 2014 (Note 2)	80,253	83,094
INVESTMENTS, AT FAIR VALUE (Notes 2, 3 & 12)	1,409,164	1,559,938
	4,534,216	6,768,226
PROPERTY AND EQUIPMENT (Notes 2, 4 & 5)		
Land, building and improvements	9,292,608	6,191,233
Furniture, fixtures and equipment	428,193	491,781
Vehicles	36,035	42,677
Construction-in-progress (Note 8)	145,495	764,198
	9,902,331	7,489,889
Accumulated depreciation	(1,786,241)	(1,613,987)
	8,116,090	5,875,902
TOTAL ASSETS	$ 12,650,306	$ 12,644,128
Liabilities and Net Assets		
LIABILITIES		
Accounts payable	$ 43,003	$ 355,281
Accrued expenses	643,666	603,040
Student deposits	44,750	41,730
Deferred tuition revenue (Note 2)	429,297	488,132
Bond payable (Note 5)	6,500,000	6,500,000
Interest rate swap agreement, at fair value (Note 5)	348,170	297,527
TOTAL LIABILITIES	8,008,886	8,285,710
NET ASSETS (Note 2)		
Unrestricted:		
Undesignated	3,084,224	1,928,770
Board-designated (Note 2)	-	865,000
	3,084,224	2,793,770
Temporarily restricted (Notes 6 & 7)	950,505	957,957
Permanently restricted (Notes 6 & 7)	606,691	606,691
	4,641,420	4,358,418
	$ 12,650,306	$ 12,644,128

The accompanying notes are an integral part of these financial statements.

Statements of Activities and Changes in Net Assets
For the Year Ended June 30

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT								
Tuition and fees	$ 7,146,825	$	$	$ 7,146,825	$ 6,398,877	$	$	$ 6,398,877
Less scholarships and financial aid	(966,695)			(966,695)	(892,766)			(892,766)
Tuition and fees, net	6,180,130			6,180,130	5,506,111			5,506,111
Gifts and donations	525,527	178,519		704,046	469,997	205,304		675,301
Catholic Schools Foundation Grant	77,458			77,458	65,860			65,860
Auxiliary activities	79,304	36,814		116,118	74,783	27,251		102,034
Rental income	22,817			22,817	41,305			41,305
Other program income	25,329			25,329	33,159			33,159
Net assets released from restrictions (Note 6)	245,032	(245,032)		-	272,328	(272,328)		-
Total revenues and support	7,155,597	(29,699)		7,125,898	6,463,543	(39,773)		6,423,770
OPERATING EXPENSES								
Program Services:								
Instruction and student activities	3,349,624			3,349,624	3,050,803			3,050,803
Auxiliary activities	168,826			168,826	172,282			172,282
Other programs	416,081			416,081	408,544			408,544
Total program services	3,934,531			3,934,531	3,631,629			3,631,629
Supporting Services:								
General and administrative	1,383,006			1,383,006	1,337,633			1,337,633
Operation & maintenance of plant	686,050			686,050	596,033			596,033
Development	288,015			288,015	307,377			307,377
Interest	215,859			215,859	170,048			170,048
Depreciation	267,561			267,561	239,314			239,314
Amortization	2,841			2,841	2,131			2,131
Total supporting services	2,843,332			2,843,332	2,652,536			2,652,536
Total expenses	6,777,863			6,777,863	6,284,165			6,284,165
CHANGE IN NET ASSETS FROM OPERATIONS	377,734	(29,699)		348,035	179,378	(39,773)		139,605
NON-OPERATING REVENUE AND EXPENSES								
Loss on disposal of fixed assets	(45,926)	-		(45,926)	-	-		-
Dividend and interest income	13,807	45,720		59,527	9,109	44,926		54,035
Net realized gain on investments	-	32,954		32,954	-	-		-
Net unrealized (loss) gain on investments	(4,518)	(56,427)		(60,945)	2,338	104,349		106,687
Unrealized loss on interest rate swap agreement (Note 5)	(50,643)			(50,643)	(297,527)			(297,527)
CHANGE IN NET ASSETS FROM NON-OPERATING REVENUE AND EXPENSES	(87,280)	22,247		(65,033)	(286,080)	149,275		(136,805)
INCREASE (DECREASE) IN NET ASSETS	290,454	(7,452)		283,002	(106,702)	109,502		2,800
NET ASSETS AT BEGINNING OF YEAR	2,793,770	957,957	606,691	4,358,418	2,900,472	848,455	606,691	4,355,618
NET ASSETS AT END OF YEAR	$ 3,084,224	$ 950,505	$ 606,691	$ 4,641,420	$ 2,793,770	$ 957,957	$ 606,691	$ 4,358,418

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended June 30

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 283,002	$ 2,800
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	270,402	241,445
Loss on disposal of fixed assets	45,927	-
Net realized gains on investments	(32,954)	-
Net unrealized losses (gains) on investments	60,945	(106,687)
Unrealized loss on interest rate swap agreement	50,643	297,527
Changes in operating assets and liabilities:		
Cash designated by the Board	865,000	-
Cash and cash equivalents - restricted	2,264,883	(2,564,883)
Accounts receivable, net	27,053	(1,871)
Other assets	(8,859)	(1,334)
Accounts payable	56	20,495
Accrued expenses	40,626	41,174
Student deposits	3,020	14,334
Deferred tuition	(58,835)	86,123
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,810,909	(1,970,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(66,880)	(265,176)
Sales of investments	189,663	-
Additions to property and equipment	(2,866,010)	(441,057)
NET CASH APPLIED TO INVESTING ACTIVITIES	(2,743,227)	(706,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on revolving loan agreement, net	-	(3,204,149)
Payments on vehicle note	-	(6,546)
Payments on notes	-	(562,675)
Payment of deferred financing costs	-	(85,225)
Proceeds from issuance of bond	-	6,500,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	2,641,405
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,067,682	(35,705)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,615,416	1,651,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,683,098	$ 1,615,416

Supplemental Cash Flow Information

Cash paid during the year for interest, net of amount capitalized of $31,803 in 2015 and $68,238 in 2014	$ 215,859	$ 158,369

Notes to Financial Statements

June 30, 2015

Note 1 – Nature of Organization

Archbishop Williams High School, Inc. (the "School") is a Catholic co-educational high school, which educates young men and women spiritually, academically, morally and physically. The School is part of a Christian community that integrates learning with faith and focuses on developing the whole person. The School also seeks to provide an affordable college preparatory education and to graduate capable and confident young people who are responsible members of their communities and who are guided by the values of the Catholic Church.

Note 2 – Significant Accounting Policies

Basis of Presentation – The accompanying financial statements of Archbishop Williams High School, Inc. are prepared under the accrual method of accounting.

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.

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 (see Notes 6 & 7).

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.

Contributed Support – The accompanying statements of activities do not reflect an amount for support with an equal amount reflected for expense representing the difference between the amounts of rent paid and the estimated fair rental value of the facilities (contributed facilities), because management did not believe it was practical to estimate such fair value (see Note 8). If such amount were estimated and recorded, it would have no effect on the amount of the "change in net assets" as reported in the School's accompanying statements of activities for either year.

Fair Value Measurements – The School follows Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures", for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. Fair value measurement principles apply to the reporting of the School's investments and the interest rate swap agreement (see Notes 3, 5 and 12).

Note 2 – Significant Accounting Policies (Cont.)

Cash and Equivalents – The School considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents. Cash designated by the board consists of funds that are designated by the School's Board of Directors for future replacement, improvement or additions to property and equipment.

Cash and Cash Equivalents - Restricted – For the year ended June 30, 2014, the majority of restricted cash represented proceeds from the School's bond financing earmarked to fund the cost for the heating ventilation and air conditioning (HVAC) project that commenced in June 2014. Approximately $2.6 million of the bond financing had been earmarked for this project of which approximately $335,000 was expended prior to June 30, 2014.

In addition, as part of its financing arrangements with its primary lender, the lender requires that the School maintain a minimum of $300,000 on deposit with the lender until such time as the School has successfully maintained compliance with its debt service covenant for a period of two years following commencement of its principal payments. As of June 30, 2015, no principal has been repaid.

The balance in restricted cash at June 30, 2015 and 2014 is $300,000 and $2,564,883, respectively.

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts, which is 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.

Investments - The School reports investments in mutual funds and certificates of deposit at fair value. Increases or decreases in the fair value of such investments are reflected in the statement of activity (see Note 3).

Property and Equipment – Property and equipment are stated at cost. Donated equipment is reported at the estimated value at the time of donation. 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:

Asset	Estimated Useful Lives in Years
Building and improvements	10 - 39
Furniture, fixtures and equipment	3 – 7
Vehicles	5

Construction-in-Progress – At June 30, 2015, construction in progress represents various capital improvement projects which the School has not completed and therefore have not been placed in service. At June 30, 2014, construction in progress represented costs incurred to date for the renovation of the School's HVAC system which was completed during the year ended June 30, 2015.

Capitalized Interest – Interest costs incurred on borrowed funds during the period of construction have been capitalized as a component of the property constructed. Building improvements at June 30, 2015 and June 30, 2014 include $31,803 and $68,238, respectively, of capitalized interest related to the bond payable (see Note 5).

Deferred Finance Costs - Finance costs associated with the bond payable (Note 5) are deferred and are amortized over the life of the bond, 30 years. Amortization expense for the years ended June 30, 2015 and 2014 was $2,841 and $2,131, respectively.

Note 2 – Significant Accounting Policies (Cont.)

Deferred Tuition Revenue – Deferred revenue consists of tuition and seat deposits received in the current fiscal year that are applicable to future fiscal years.

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.

Hedging Activities - The School accounts for hedging activities under current accounting standards which require the School to measure all derivative instruments at fair value and record the amount on the statement of financial position as either an asset or a liability. Changes in the fair value of derivatives are recorded each period in the statement of activities. Management of the School designated its interest rate swap agreement as a cash flow hedge on its long-term debt (see Note 5).

Auxiliary Activities' Revenue – Auxiliary activities' revenue includes activities related to the School's operations, such as the School bookstore. Auxiliary activities' revenue is recognized in the period to which it relates.

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

Evaluation of Subsequent Events – Management evaluates 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, 2015 through October 13, 2015, the date these financial statements were available to be issued.

Note 3 – Investments

Investments consist of the following at June 30:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Common Investment Fund	$ 1,026,037	$ 1,253,017	$ 1,116,971	$ 1,404,896
Certificates of Deposit	156,147	156,147	155,042	155,042
	$ 1,182,184	$ 1,409,164	$ 1,272,013	$ 1,559,938

The investment in the Common Investment Fund represents shares in a mutual fund established by The Roman Catholic Archbishop of Boston, A Corporation Sole (RCAB), to provide a common investment pool in which it and other related entities may participate.

The School currently receives a quarterly dividend from the Common Investment Fund equaling 1% (4% annually) of the prior quarter's fair value. These dividends are reinvested on a quarterly basis.

The certificates of deposits' cost approximates fair market value.

Note 4 – Notes Payable

Mortgage Note Payable - The School entered into a $692,000 note payable with Braintree Co-operative Bank in April, 2005 to partially fund the acquisition of real estate at 40 Independence Avenue in Braintree, Massachusetts, bearing interest at a fixed rate of 5.875%. The note was payable in monthly interest and principal installments of $4,390 and was scheduled to mature on April 15, 2030. This note was collateralized by a first mortgage on land and a building. During 2014, the School repaid the then outstanding balance of the mortgage note payable after refinancing its debt with a new financial institution (Note 5).

Vehicle Note Payable - The School entered into a $36,000 note payable with General Motors Acceptance Corporation in June, 2009 for the purchase of a transportation van. The note was non-interest bearing, payable in monthly principal installments of $600 and was scheduled to mature in June, 2014. During 2014, the School repaid the loan in accordance with its normal payment terms.

Revolving Loan Agreement - In August, 2007, the School entered into a $3.25 million revolving loan agreement with the RCAB as a means of financing a $3.5 million contract to renovate the School's athletic field. Interest was charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans and the School had the option to prepay all or part of the principal balance at any time. During 2014, the School repaid the then outstanding balance of the revolving loan after refinancing its debt with a new financial institution (Note 5).

Note 5 – Line of Credit and Bond Payable

Revolving Line of Credit - In September 2013, the School entered into a $150,000 revolving line of credit with Webster Bank, National Association. The agreement bears interest at the Eurodollar rate plus 250 basis points. The agreement matures on August 29, 2017. There were no outstanding borrowings at June 30, 2015 and June 30, 2014.

Bond Payable - In September 2013, the School borrowed $6,500,000 pursuant to a Loan Agreement among the Massachusetts Development Finance Agency ("the Issuer"), Webster Massachusetts Security Corporation (as "Lender") and the School. The bond was used to refinance the School's existing debt arrangements and to finance the renovation of the School's HVAC system. Approximately $2,600,000 was placed into an escrow account, which was used for the renovations completed during the year ended June 30, 2015. At June 30, 2015 and June 30, 2014, $6,500,000 was outstanding on the bond payable.

The bond matures on September 1, 2043. However, the Lender has the option to tender the bond to be purchased by the School on September 1, 2023. The agreement calls for interest only payments for the first two years with principal and interest payments commencing on October 1, 2015, at which time the first monthly principal payment of $10,837 will be required, increasing annually by 3.9% through September 1, 2023. Beginning October 1, 2023, principal payments will be $22,022 through maturity. Interest is calculated at 65.5% of the LIBOR rate plus 250 basis points. The effective interest rate at June 30, 2015 and 2014 was 1.76% and 1.73%, respectively.

Principal Maturities - Annual principal maturities for the next five years as of June 30, 2015 are as follows:

Fiscal Year Ending June 30	
2016	$ 87,672
2017	135,760
2018	141,037
2019	146,520
2020	152,216
Thereafter	5,836,795
	$ 6,500,000

Note 5 – Line of Credit and Bond Payable (Cont.)

Collateral and Covenants - The School's financing agreements are collateralized by a continuing security interest in all assets of the School. In addition, the School is also required to maintain specific financial ratios.

Guarantees - The Roman Catholic Archdiocese of Boston (RCAB) (a related party to the School) has been granted an option to purchase the bond in the event that the School defaults on the agreement. In addition, the RCAB has provided a security interest in the school building, which the School leases from the RCAB, to the Lender and the Bank (Webster Bank) to serve as additional collateral in the event of default by the School.

Interest Rate Swap Agreement - In addition, to partially limit the School's exposure to variable interest rates, the School has entered into an International Swap and Derivative Association (ISDA) interest rate swap agreement with its principal lending institution to manage its exposure to interest rate changes associated with the Bond Agreement. During the years ended June 30, 2015 and 2014, approximately $130,000 and $98,000, respectively, was recorded as an increase to interest expense.

The effect of the swap is to limit the interest rate exposure on the debt to a fixed rate of 2.08% versus a formula applied to the one-month LIBOR rate for a period of 10 years ending on October 1, 2023. In accordance with the swap agreement, the interest expense is calculated based upon the LIBOR rate and the fixed rate. If interest expense as calculated is greater based on the LIBOR rate, the lending institution pays the difference to the School. However, if the interest expense as calculated is greater based on the fixed rate, the School pays the difference to the lending institution.

Depending on the fluctuations in the LIBOR rate, the School's interest rate exposure and its related impact on interest expense and net cash flow could increase or decrease. The fair value of the interest rate swap is the estimated amount the School would receive or pay to terminate the agreement at a particular point in time, taking into account current interest rates and the creditworthiness of the counterparty. At June 30, 2015, the fair value of the agreement was estimated to be a liability of $348,000 ($298,000 at June 30, 2014), which is reflected on the School's statement of financial position. An unrealized loss of approximately $50,000 is recorded in the statement of activities for the year ended June 30, 2015 (unrealized loss of approximately $298,000 for the year ended June 30, 2014).

This financial instrument involves counterparty credit exposure. The counterparty for this interest rate exchange is a major financial institution that meets the School's criteria for financial stability and creditworthiness. The fair value of the interest rate swap agreement was computed by the financial institution (see Note 12).

Note 6 - Classification of Net Assets

Permanently restricted net assets at June 30 are restricted to investments in perpetuity, the income from which is expendable to support financial aid and scholarships as follows:

	2015	2014
Stephen P. Hassell Scholarship Fund	$ 6,000	$ 6,000
Bob Swain Scholarship Fund	15,000	15,000
Matthew McLarnon Memorial Fund	58,630	58,630
Financial aid	527,061	527,061
	$ 606,691	$ 606,691

Note 6 - Classification of Net Assets (Cont.)

Temporarily restricted net assets consist of the following at June 30:

	2015	2014
Scholarships	$ 378,117	$ 353,890
Financial aid	364,639	425,499
Capital campaign	182,617	165,617
Auxiliary activities	14,182	12,951
Auditorium	10,950	-
	$ 950,505	$ 957,957

Temporarily restricted net assets were released for the following purposes for the year ended June 30:

	2015	2014
Scholarships	$ 132,450	$ 115,350
Financial aid	77,000	83,911
Auxiliary activities	35,582	34,207
Catholic School Foundation technology grant	-	38,860
	$ 245,032	$ 272,328

Note 7 - Endowments

The School's endowments consist of individual funds established for scholarships and financial aid to the students of the 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 donor-restricted endowment funds as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets the original value of gifts donated to permanent endowment, and it classifies accumulations to a permanent endowment 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 an endowment fund. The remaining portion of a 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.

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". These deficiencies result from unfavorable market fluctuations that occur, and over time these deficiencies may reverse due to the appreciation of the underlying investments. Deficiencies of this nature are reported by a charge to unrestricted net assets. There were no such deficiencies at June 30, 2015 and 2014.

Endowment Investment Policy - The School has adopted an investment philosophy which attempts to provide a predictable stream of returns thereby making funds available for scholarships and financial aid, while 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. 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.

Note 7 – Endowments (Cont.)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, investment returns are achieved through capital appreciation (realized and unrealized) and dividend income (see Note 3, Investments, for more details on the School's investments and how they are valued).

Endowment net asset composition and changes by type of fund are as follows:

	Endowment Fund Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2015:				
Endowment fund net assets at beginning of year	**$ -**	**$ 453,958**	**$ 606,691**	**$ 1,060,649**
Interest and dividends	**-**	**42,888**	**-**	**42,888**
Realized and unrealized losses on investments	**-**	**(22,160)**	**-**	**(22,160)**
Appropriation of endowment assets for for expenditure	**-**	**(70,550)**	**-**	**(70,550)**
Endowment net assets at end of year	**$ -**	**$ 404,136**	**$ 606,691**	**$ 1,010,827**
For the year ended June 30, 2014:				
Endowment fund net assets at beginning of year	$ -	$ 381,122	$ 606,691	$ 987,813
Interest and dividends	-	42,803	-	42,803
Realized and unrealized gains on investments	-	99,846	-	99,846
Appropriation of endowment assets for expenditure	-	(69,813)	-	(69,813)
Endowment net assets at end of year	$ -	$ 453,958	$ 606,691	$ 1,060,649

Note 8 - Related Party Transactions and Lease Agreement

During the years ended June 30, 2015 and 2014, the School was charged approximately $458,000 and $370,000, respectively, for health, life, disability, workers' compensation and property insurance administered by the RCAB.

Effective July 1, 2010, the School signed a 50-year lease with RCAB. The lease requires annual payments of one dollar for the first thirty years. During the next ten years of the lease, the School will be required to pay $50,000 per year. During the last ten years of the lease, the School will be required to pay $100,000 per year. The School is obligated under the lease agreement to pay all utilities, maintenance, insurance, and other operating expenses on the premises.

A significant amount of the School's investments are in the Common Investment Fund of the RCAB (see Note 3). Additionally, as more fully discussed in Note 4, the School had a $3.25 million revolving loan agreement with the RCAB which was paid off during fiscal year 2014.

During the year ended June 30, 2014, the School, with board approval, entered into a construction contract for approximately $2.5 million for the replacement of the school's HVAC system with a company in which a board member was a member of management. Total payments under this contract for the years ended June 30, 2015 and June 30, 2014 totaled $1,924,557 and $159,675, respectively. There were no amounts due to this company at June 30, 2015. At June 30, 2014, $334,227 is included in accrued expenses due to this company.

In addition, the School, with board approval, made payments to another firm which is owned by a board member in the amount of $16,930 and $26,830 for the years ended June 30, 2015 and June 30, 2014, respectively, for architectural services associated with the same HVAC project. There were no amounts due to this firm as of June, 30 2015 and June 30, 2014.

Note 9 – Employee Benefit Plans

The School participates with other organizations affiliated with the Archdiocese of Boston in a multiemployer noncontributory, defined-benefit pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the Plan).

The Plan Trustees voted to amend the Plan to implement a hard freeze effective December 31, 2011. Under the provision of the amendment, any employee hired after December 1, 2010 would not be eligible to become a participant in the Plan. As of December 31, 2011, benefits ceased accruing to all participants.

Employees with five or more years of service at that time remain vested. Employees with at least one year of service as of December 31, 2011, are allowed to continue to add years of service towards vesting after the freeze date. Voluntary lump sum distributions and monthly in-service annuities were also offered.

The Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Pension expense approximated $138,000 and $118,000 for the years ended June 30, 2015 and 2014, respectively, and represents contributions assessed to the School for the year.

Due to the fact the School's share of Plan assets and benefit liabilities are pooled together with other non-profit organizations, the Plan is considered a multiemployer pension plan and, therefore, the accrual provisions under generally accepted accounting principles do not apply, and the School is not required to accrue for any unfunded status of the Plan.

Beginning January 1, 2012, the School implemented its own 403(b) plan for the benefit of its employees. The School contributed 2% of eligible participant compensation, or approximately $49,000 and $57,000 for the years ended June 30, 2015 and 2014, respectively, under this plan.

Additionally, during 2014, the School implemented a nonqualified retirement plan for the benefit of employees who have reached the age of 62 and have spent a minimum of 20 years with the School or 25 years in Catholic education, of which 10 years were with the School. The benefit to be paid upon retirement equals 10% of their most recent authorized annual compensation not to exceed $7,500. At June 30, 2015, and June 30, 2014, the accrued liability associated with this retirement plan is $60,000.

Note 10 – Other Leases Commitments

The School has lease agreements for office equipment and several ipads and accounts for them as operating leases. Total lease expense approximated $69,000 for each of the years ended June 30, 2015 and 2014, respectively.

The future minimum lease payments for the equipment leases at June 30, 2015 are as follows:

Fiscal Year Ending June 30	
2016	$ 21,012
2017	21,012
2018	5,253
	$ 47,277

Note 11 - Financial Instruments and Concentrations of Credit Risk

The School's financial instruments that potentially subject it to concentrations of credit risk consist of cash, cash equivalents, investments, bonds payable and interest rate swap agreements (Note 5).

Note 11 - Financial Instruments and Concentrations of Credit Risk (Cont.)

The School maintains its cash, cash equivalents and certificates of deposit in high-quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2015, there was approximately $1.8 million of deposits in excess of FDIC insured limits based on bank balances.

As more fully discussed in Note 3, the School's investments consist principally of common investment funds administered by the RCAB in the amount of $1,253,017 at June 30, 2015.

At June 30, 2015, the School has approximately $6.5 million in a collateralized bond payable to a local financial institution (see Note 5).

In the opinion of management, all of the School's significant financial instruments at June 30, 2015 are either recorded at fair value (investments and interest rate swap agreements), or the recorded amounts approximate fair value (cash, cash equivalents, certificates of deposit and bonds payable).

Bonds payable approximating $6.5 million represent 81% of total liabilities and the amount is equivalent to 51% of total assets.

Note 12 – Fair Value Measurements

The School uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances quoted market prices are not available, therefore, fair values are based upon estimates using present value or other valuation techniques. Inputs to valuation techniques refer to assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources; or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available to management.

Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, and gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

> Level 1 - Observable inputs such as quoted prices in active markets.
>
> Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market.
>
> Level 3 - Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions and are significant to the fair measurement.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets.

Note 12 – Fair Value Measurements (Cont.)

The School's financial assets that are reported at fair value on a recurring basis, by level within the fair value hierarchy, are as follows:

	Level 1	Level 2	Level 3	Totals
June 30, 2015				
Assets:				
Common Investment Fund	$ -	$ 1,253,017	$ -	$ 1,253,017
Certificates of Deposit	156,147	-	-	156,147
Total Assets	$ 156,147	$ 1,253,017	$ -	$ 1,409,164
Liabilities:				
Interest rate swap agreement	$ -	$ 348,170	$ -	$ 348,170
June 30, 2014				
Assets:				
Common Investment Fund	$ -	$ 1,404,896	$ -	$ 1,404,896
Certificates of Deposit	155,042	-	-	155,042
Total Assets	$ 155,042	$ 1,404,896	$ -	$ 1,559,938
Liabilities:				
Interest rate swap agreement	$ -	$ 297,527	$ -	$ 297,527

The School's unit holdings in the Common Investment Fund do not have quoted prices in active markets or significant other observable inputs that have quoted market prices although the School can redeem its investment at the net asset value per share at June 30, 2015. These assets are classified as being valued using Level 2 inputs. The School estimates the fair value of its unit holdings in the Common Investment Fund based on the School's share of the underlying investment portfolio that consists of actively traded equities, bonds and money market funds.

Certificates of deposit are classified as being valued using Level 1 inputs under the fair value hierarchy. The School estimates the cost of the certificates of deposit to approximate the fair value.

Note 13 – Contingency

During 2015, the School sustained a loss due to a flood that occurred in one of the buildings that is leased from the RCAB. As a result, the School reported a loss of approximately $31,000 related to leasehold improvements on the affected building. The School has filed an insurance claim with its insurance provider, RCAB, who subsequent to year-end has proposed a settlement. Management has not responded to the settlement offering at this time.