

BISHOP FENWICK HIGH SCHOOL, INC.

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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Certified Public Accountants & Consultants

BISHOP FENWICK HIGH SCHOOL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bishop Fenwick High School, Inc.
Peabody, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Bishop Fenwick High School, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statement of activities for the year ended June 30, 2015 and the statements of cash flows for the years ended June 30, 2015 and 2014, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 risks 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 Bishop Fenwick High School, Inc. as of June 30, 2015 and 2014, and the changes in its net assets for the year ended June 30, 2015, and its cash flows for the years ended June 30, 2015 and 2014 in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Bishop Fenwick High School, Inc.'s June 30, 2014 financial statements, and our report dated January 24, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts
September 25, 2015

Tonneson & Company, PC

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BISHOP FENWICK HIGH SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

ASSETS

	<u>Unrestricted Net Assets</u>				<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
	<u>Educational and General</u>	<u>Investment in Plant</u>	<u>Board Designated at RCAB</u>	<u>Total Unrestricted</u>				
ASSETS:								
Cash and cash equivalents	\$ 2,534,185	\$	\$	\$ 2,534,185	\$ 138,267	\$	\$ 2,672,452	\$ 2,209,802
Tuition receivable, net	31,451			31,451			31,451	32,398
Pledges receivable				-	1,000		1,000	3,500
Investments			44,236	44,236	337,692	254,443	636,371	640,206
Property and equipment, net		2,015,942		2,015,942			2,015,942	1,531,730
Prepaid expenses and other assets	35,003			35,003			35,003	53,347
TOTAL ASSETS	\$ 2,600,639	\$ 2,015,942	\$ 44,236	\$ 4,660,817	\$ 476,959	\$ 254,443	\$ 5,392,219	\$ 4,470,983

LIABILITIES AND NET ASSETS

LIABILITIES:								
Note payable, related party	\$	\$ 594,500	\$	\$ 594,500	\$	\$	\$ 594,500	\$ 97,328
Accounts payable and accrued expenses	354,762			354,762			354,762	352,784
Tuition deposits	1,259,378			1,259,378			1,259,378	1,285,313
TOTAL LIABILITIES	1,614,140	594,500	-	2,208,640	-	-	2,208,640	1,735,425
NET ASSETS:								
Unrestricted	986,499	1,421,442	44,236	2,452,177			2,452,177	2,021,760
Temporarily restricted				-	476,959		476,959	465,680
Permanently restricted				-		254,443	254,443	248,118
TOTAL NET ASSETS	986,499	1,421,442	44,236	2,452,177	476,959	254,443	3,183,579	2,735,558
TOTAL LIABILITIES AND NET ASSETS	\$ 2,600,639	\$ 2,015,942	\$ 44,236	\$ 4,660,817	\$ 476,959	\$ 254,443	\$ 5,392,219	\$ 4,470,983

See Notes to Financial Statements.

BISHOP FENWICK HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Unrestricted Net Assets				Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
	Educational and General	Investment in Plant	Board Designated at RCAB	Total Unrestricted				
REVENUES:								
Tuition and fees	\$ 6,876,591	\$	\$	\$ 6,876,591	\$	\$	\$ 6,876,591	\$ 6,448,347
Less financial aid	<u>1,368,759</u>			<u>1,368,759</u>			<u>1,368,759</u>	<u>1,077,488</u>
Tuition and fees, net	5,507,832			5,507,832			5,507,832	5,370,859
Auxiliary activities	342,798			342,798			342,798	290,045
Other income	91,622			91,622			91,622	101,472
Net assets released from restrictions	<u>25,399</u>			<u>25,399</u>	<u>(25,399)</u>		<u>-</u>	<u>-</u>
Total revenues	<u>5,967,651</u>	<u>-</u>	<u>-</u>	<u>5,967,651</u>	<u>(25,399)</u>	<u>-</u>	<u>5,942,252</u>	<u>5,762,376</u>
EXPENSES:								
Instructional and athletic	3,710,476			3,710,476			3,710,476	3,768,266
Administration	871,546			871,546			871,546	886,962
Operation and maintenance of plant	1,258,228			1,258,228			1,258,228	1,250,520
Auxiliary activities	343,201			343,201			343,201	323,372
Fundraising	223,431			223,431			223,431	221,628
Depreciation		158,911		158,911			158,911	145,474
Interest		<u>17,390</u>		<u>17,390</u>			<u>17,390</u>	<u>6,855</u>
Total expenses	<u>6,406,882</u>	<u>176,301</u>	<u>-</u>	<u>6,583,183</u>	<u>-</u>	<u>-</u>	<u>6,583,183</u>	<u>6,603,077</u>
DECREASE BEFORE SUPPORT	<u>(439,231)</u>	<u>(176,301)</u>	<u>-</u>	<u>(615,532)</u>	<u>(25,399)</u>	<u>-</u>	<u>(640,931)</u>	<u>(840,701)</u>
SUPPORT:								
Contributions, net of allowances	413,449			413,449	26,575	6,325	446,349	430,683
Donated services and facilities	624,220			624,220			624,220	605,794
Investment income, net	7,326		954	8,280	10,103		18,383	85,242
Transfers	<u>(66,013)</u>	<u>66,013</u>		<u>-</u>			<u>-</u>	<u>-</u>
Total support	<u>978,982</u>	<u>66,013</u>	<u>954</u>	<u>1,045,949</u>	<u>36,678</u>	<u>6,325</u>	<u>1,088,952</u>	<u>1,121,719</u>
INCREASE (DECREASE) IN NET ASSETS	<u>539,751</u>	<u>(110,288)</u>	<u>954</u>	<u>430,417</u>	<u>11,279</u>	<u>6,325</u>	<u>448,021</u>	<u>281,018</u>
NET ASSETS, BEGINNING OF YEAR	<u>446,748</u>	<u>1,531,730</u>	<u>43,282</u>	<u>2,021,760</u>	<u>465,680</u>	<u>248,118</u>	<u>2,735,558</u>	<u>2,454,540</u>
NET ASSETS, END OF YEAR	<u>\$ 986,499</u>	<u>\$ 1,421,442</u>	<u>\$ 44,236</u>	<u>\$ 2,452,177</u>	<u>\$ 476,959</u>	<u>\$ 254,443</u>	<u>\$ 3,183,579</u>	<u>\$ 2,735,558</u>

See Notes to Financial Statements.

BISHOP FENWICK HIGH SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 448,021	\$ 281,018
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	158,911	145,474
Contributions restricted for endowment	(6,325)	(5,125)
Net realized and unrealized (gain) loss on investments	10,938	(56,377)
Changes in certain assets and liabilities:		
Tuition receivable	947	17,893
Pledges receivable	2,500	1,000
Prepaid expenses and other assets	18,344	(10,808)
Accounts payable and accrued expenses	1,978	(91,715)
Tuition deposits	<u>(25,935)</u>	<u>423,358</u>
Net cash provided by operating activities	<u>609,379</u>	<u>704,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(643,123)	(42,715)
Proceeds from sale of investments	23,059	15,200
Purchases of investments	<u>(30,162)</u>	<u>(32,695)</u>
Net cash used in investing activities	<u>(650,226)</u>	<u>(60,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable, related party	594,500	-
Repayment of note payable, related party	(97,328)	(107,752)
Proceeds from contributions restricted for endowment	<u>6,325</u>	<u>5,125</u>
Net cash provided by (used in) financing activities	<u>503,497</u>	<u>(102,627)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	462,650	541,881
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,209,802</u>	<u>1,667,921</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>2,672,452</u></u>	\$ <u><u>2,209,802</u></u>

See Notes to Financial Statements.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies

Organization - Bishop Fenwick High School, Inc. (the School) is a Catholic, college preparatory, coeducational high school, located in Peabody, Massachusetts. In 1959, the school was established by the Roman Catholic Archdiocese of Boston and named for the second Bishop of Boston, Benedict Joseph Fenwick, S.J. In July 2004, the Archdiocese further established eight new independent high school corporations with Bishop Fenwick High School being one of the eight schools to replace each of its eight operating schools. In accordance with each new corporation's by-laws, the Roman Catholic Archbishop of Boston, acting in his capacity as an individual, serves as the Chairman of the Board of each corporation.

Basis of Accounting - The financial statements of the School have been prepared on the accrual basis of accounting.

Basis of Presentation - The financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted Net Assets - Unrestricted net assets include the following:

Educational and General - Educational and general include the revenues and expenses associated with the principal educational mission of the School.

Investment in Plant - Investment in plant assets are stated at cost or fair value at the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Investment in plant assets also include transfers from the operating budget, gifts and income earned on unexpended balances for future capital projects.

Board Designated at RCAB - Board designated funds include amounts segregated by the Board to fund certain programs and future expenses.

Temporarily Restricted Net Assets - Temporarily restricted net assets include net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets include net assets 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.

Estimates - The preparation of financial statements in conformity with U.S. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - Cash equivalents consist of money market funds and similar investments with original maturities of 90 days or less. Investments with original maturities in excess of 90 days are classified as marketable securities. Cash equivalents are carried at cost, which approximates market.

Tuition Receivable - Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition receivable. Changes in the valuation allowance have not been material to the financial statements.

Pledges Receivable - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

Investments - In accordance with U.S. generally accepted accounting principles, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the statements of financial position. Net realized and unrealized gains or losses in the fair value of the investments are reflected in the statement of activities.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Other securities for which no such quotations or valuations are readily available are carried at estimated fair values provided by investment managers. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Dividends, interest and net gains on investments are reported as increases in permanently restricted net assets if the terms of the underlying gift require that they be added to the principal of a permanent endowment fund, or as increases in temporarily restricted net assets if the terms of the underlying gift or relevant state law impose restrictions on the use of the income or net gains. Income and net gains on board designated funds are reported as an increase in unrestricted net assets.

Investment Return Objectives and Parameters - The primary investment objective is long-term capital appreciation which together with income will provide for the growth of the endowment while allowing support for current activities. To satisfy its long-term rate-of-return objectives, the investment managers rely 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 investment managers target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Spending Policy - The School is subject to the Roman Catholic Archbishop of Boston's total return spending policy which distributes to its members, on a quarterly basis, 1% of the net assets of the Fund as of the previous quarter-end. This dividend policy is subject to change at the discretion of the Archbishop of Boston. To the extent the total return requirement for the current year is not fulfilled by interest and dividends, the School utilizes realized gains of its endowment. To the extent the total return requirement for the current year is exceeded by interest and dividends, the School adds the excess income to its endowment.

Property and Equipment - Acquisitions of property and equipment are recorded at cost. Gifts of property and equipment are stated at fair market value at the date of donation. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives. Expenditures for maintenance and repairs are charged to expense as incurred.

Tuition Deposits - The School defers recognition of registration and tuition revenue to the period in which the related educational instruction is performed and the related expenses are incurred. Accordingly, registration and tuition fees received for the next school term are deferred.

Concentration of Credit Risk - Financial instruments which potentially subject the School to concentrations of credit risk consist principally of temporary cash investments and tuition receivables. The School has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. One of the School's banks is a Massachusetts-chartered savings bank and as such, all deposits held by that bank in excess of federally insured amounts are insured in full by the Depositors Insurance Fund. At June 30, 2015, the School held approximately \$91,000 of cash in excess of FDIC limits. The School grants credit to its students who are primarily located in eastern Massachusetts.

Fair Value of Financial Instruments - In the opinion of management, the School's financial instruments are recorded at amounts which are either equal to or approximate fair market value.

Income Taxes - In accordance with Section 501(c)(3) of the Internal Revenue Code, the School is exempt from federal and state income taxes and, accordingly, the financial statements do not reflect a provision for income taxes. These determinations have been reviewed according to guidance in a Financial Accounting Standards Board pronouncement related to accounting for uncertainty in income taxes. In determining the recognition of uncertain tax positions, the School applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of June 30, 2015, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School is generally subject to potential examination by taxing jurisdictions for the prior three years.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Donated Services and Facilities - The School recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services include services provided by the religious to the School for less compensation than would be paid to lay individuals performing similar services. Donated services were valued at approximately \$50,000 and \$30,000 for the years ended June 30, 2015 and 2014, respectively.

In addition, the School's facilities are provided by the Archdiocesan Central High Schools, Inc., an affiliate of the Roman Catholic Archbishop of Boston, at below market rates. For each of the years ended June 30, 2015 and 2014, donated facilities were valued at \$575,000.

Subsequent Events - The date to which events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditors' Report which is the date the financial statements were available to be issued.

Note 2 - Tuition Receivable

Tuition receivable at June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Tuition receivable	\$ 195,451	\$ 196,398
Less allowance for doubtful accounts	<u>164,000</u>	<u>164,000</u>
	<u>\$ 31,451</u>	<u>\$ 32,398</u>

Note 3 - Pledges Receivable

Pledges receivable at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Pledges expected to be collected in:		
Less than one year	<u>\$ 1,000</u>	<u>\$ 3,500</u>

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 4 - Investments

Investments consist of holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston, a related organization established to provide a common investment pool in which the Roman Catholic Archbishop of Boston, A Corporation Sole, the School, and other organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund invests all of its funds in the Collective Investment Partnership, Roman Catholic Archbishop of Boston. The underlying investments are primarily equity and fixed-income securities owned either directly or indirectly through mutual funds and private investment entities.

It is the policy of the Common Investment Fund to distribute to its members, on a quarterly basis, 1% of the net assets of the Fund as of the previous quarter-end. This dividend policy is subject to change at the discretion of the Archbishop of Boston.

Investment income for the years ended June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 29,321	\$ 28,865
Net realized and unrealized gain (loss) on investments	<u>(10,938)</u>	<u>56,377</u>
	<u>\$ 18,383</u>	<u>\$ 85,242</u>

Note 5 - Fair Value Measurements

U.S. generally accepted accounting principles define fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. U.S. generally accepted accounting principles require the School to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. U.S. generally accepted accounting principles specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the School's market assumptions.

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 5 - Fair Value Measurements (Continued)

The fair value of the School's investments in the Common Investment Fund, Roman Catholic Archbishop of Boston are based on the underlying investment portfolio that consists of actively traded equities, bonds and money market funds, as well as private investment entities. The fair value of these investments are determined using the net asset value (NAV) per share. The investments are classified by the Roman Catholic Archbishop of Boston as being valued based on Level 2 inputs under the fair value hierarchy.

Note 6 - Property and Equipment

Property and equipment at June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Building improvements	\$ 1,882,899	\$ 1,285,691
Furniture, fixtures and equipment	1,983,884	1,937,970
Land improvements	973,280	973,280
Leasehold improvements	30,434	30,434
Software	22,814	22,814
Vehicles	127,918	127,918
	<u>5,021,229</u>	<u>4,378,107</u>
Less accumulated depreciation	<u>3,005,287</u>	<u>2,846,377</u>
Property and equipment, net	\$ <u><u>2,015,942</u></u>	\$ <u><u>1,531,730</u></u>

Note 7 - Note Payable, Related Party

The School was indebted to the Roman Catholic Archbishop of Boston on an installment note payable. The note was payable in consecutive monthly installments of principal and interest of \$9,551 based on the Applicable Rate. The Applicable Rate is the annual rate of interest announced from time to time by the Roman Catholic Archbishop of Boston. The applicable rate was 4.0% during the year ended June 30, 2014. At June 30, 2014, the total amount outstanding under the note was \$97,328. The note was scheduled to mature on May 1, 2015; however, on July 1, 2014 the School paid the remaining balance in full and entered into a new note agreement.

On July 11, 2014, the School entered into a promissory agreement with the Roman Catholic Archbishop of Boston with a total available balance of \$990,000 for the purpose of funding certain improvements to be made to the School. The note bears interest at the Applicable Rate, which is the annual rate of interest announced from time to time by the Roman Catholic Archbishop of Boston. The Applicable Rate was 4% at the time the note was issued. At June 30, 2015 the rate was 3.75%. The note is scheduled to mature on June 15, 2027. The note is payable in monthly interest only payments through June 15, 2017. Monthly payments of principal and interest in the amount of \$10,023 commence on July 15, 2017, with the remaining outstanding principal and interest balance due on maturity. At June 30, 2015, the total amount outstanding under the note was \$594,500.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 7 - Note Payable, Related Party (Continued)

Maturities of note payable, related party for each of the years succeeding June 30, 2015 are as follows:

Years ending June 30,

2016	\$	-
2017		-
2018		82,175
2019		85,523
2020		92,633
Thereafter		<u>334,169</u>
	\$	<u><u>594,500</u></u>

Note 8 - Endowment

The School's endowment consists of approximately twenty individual funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The School has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, 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 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. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the School and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the School
7. The investment policies of the School

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 8 - Endowment (Continued)

The endowment net asset composition by type of fund as of June 30, 2015 and 2014 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 104,651	\$ 242,993	\$ 347,644
Investment income, net	48,909		48,909
Contribution		5,125	5,125
Appropriation of cumulative gains	<u>(6,800)</u>		<u>(6,800)</u>
Endowment net assets, June 30, 2014	146,760	248,118	394,878
Investment income, net	6,394		6,394
Contributions		6,325	6,325
Appropriation of cumulative gains	<u>(12,685)</u>		<u>(12,685)</u>
Endowment net assets, June 30, 2015	<u>\$ 140,469</u>	<u>\$ 254,443</u>	<u>\$ 394,912</u>

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions presently available for use, but expendable only for the purposes specified by the donor. At June 30, 2015 and 2014, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Pledges receivable	\$ 1,000	\$ 3,500
Alumni and sports clubs	112,267	113,374
Sponsor a student program	26,000	-
Scholarships	197,223	202,046
Cumulative gains on permanently restricted funds	<u>140,469</u>	<u>146,760</u>
	<u>\$ 476,959</u>	<u>\$ 465,680</u>

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 10 - Permanently Restricted Net Assets

Permanently restricted net assets include net assets 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. At June 30, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 204,443	\$ 198,118
General endowment	<u>50,000</u>	<u>50,000</u>
	<u>\$ 254,443</u>	<u>\$ 248,118</u>

Note 11 - Retirement Plans

The School participated with other organizations affiliated with the Archdiocese in a multiemployer, noncontributory defined benefit pension plan which covered substantially all employees, except the religious and clergy affiliated with the School. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the Pension Plan). The Pension Plan's federal identification number and plan number are 04-2106175 and 001, respectively. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974.

During the year ended June 30, 2011, the Pension Plan trustees voted to amend the Pension Plan to implement a "soft freeze" effective December 31, 2010, and a "hard freeze" effective December 31, 2011. Under the provision of the amendment, any employee hired after December 1, 2010 is not eligible to become a participant in the Pension Plan. As of December 31, 2011, all participants stopped accruing benefits. Employees with five or more years of service will 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. In addition, participating organizations will continue to pay amounts into the Pension Plan on a monthly basis subsequent to the freeze date until it is fully funded. The Pension Plan will continue to pay out benefits when due and the School must continue to fund any liabilities to the extent the allocated assets of the Pension Plan are insufficient to provide for the guaranteed benefits.

At the time the Plan was frozen, there was a shortfall in assets, which the School is participating in eliminating. There has been no determination by the Roman Catholic Archdiocese of Boston as to when the shortfall will be eliminated. During each of the years ended June 30, 2015 and 2014, the School's contribution towards the Plan's shortfall was approximately \$146,000.

Beginning January 15, 2012, the School provides a tax deferred annuity program under Internal Revenue Code Section 403(b) to salaried employees who have attained a certain age and completed a specified period of service. Eligible employees may contribute a specified percentage of their salary. The School may also make a discretionary contribution equal to a specified percentage of the participant's salary. For the years ended June 30, 2015 and 2014, the School's contribution to the annuity program amounted to approximately \$45,000 and \$60,000, respectively.

BISHOP FENWICK HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Note 12 - Commitments

During 2004, the School entered into an agreement to lease its facilities from the Archdiocesan Central High Schools, Inc., an affiliate of the Roman Catholic Archbishop of Boston. The lease agreement was for the period July 1, 2004 through June 30, 2008. The annual rent was for one dollar per year. Under the terms of the lease, the School is responsible for all of the operating expenses and capital improvements. In connection with the lease, the School had the option to purchase the property at a sliding scale discount below fair market value. The School currently occupies the facilities as a tenant-at-will and is in the process of negotiating a new lease agreement.

Note 13 - Functional Allocation of Expenses

The costs of providing the various programs and other 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.

Expenses by functional classification for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 5,183,121	\$ 5,305,102
Administrative	1,114,378	1,027,247
Fundraising	<u>285,684</u>	<u>270,728</u>
	<u>\$ 6,583,183</u>	<u>\$ 6,603,077</u>

Note 14 - Supplemental Disclosures of Cash Flow Information

Cash paid for interest for the years ended June 30, 2015 and 2014 amounted to \$17,390 and \$7,249, respectively.

Note 15 - Subsequent Event

On July 6, 2015, the School entered into promissory note agreements with Century Bank in the aggregate amount of \$309,731 for the purpose of funding certain computer technology initiatives. The notes bear interest at the rate of 5.0%, per annum. The notes are scheduled to mature through July 1, 2019.

Maturities of notes payable for each of the years succeeding June 30, 2015 are as follows:

Years ending June 30,

2016	\$ 92,920
2017	106,461
2018	69,255
2019	38,069
2020	<u>3,026</u>
	<u>\$ 309,731</u>

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Trustees
Bishop Fenwick High School, Inc.
Peabody, Massachusetts

We have audited the financial statements of Bishop Fenwick High School, Inc. as of and for the year ended June 30, 2015, and have issued our report thereon dated September 25, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying information contained on page 16 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tonneson & Company, PC

Wakefield, Massachusetts
September 25, 2015

tonneson + co

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 www.tonneson.com

BISHOP FENWICK HIGH SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTAL FOR THE YEAR ENDED JUNE 30, 2014)

	<u>Instructional and Athletic</u>	<u>Administration</u>	<u>Operation and Maintenance of Plant</u>	<u>Auxiliary Activities</u>	<u>Fundraising</u>	<u>Depreciation</u>	<u>Interest</u>	<u>2015 Total</u>	<u>2014 Total</u>
Advertising	\$	\$ 13,420	\$	\$	\$	\$	\$	\$ 13,420	\$ 8,241
Contracted services		10,121	178,801	39,274				228,196	272,116
Depreciation						158,911		158,911	145,474
Donated rent			575,000					575,000	575,000
Dues, subscriptions and meetings	5,460	6,599						12,059	10,624
Employee benefits	552,368	126,685	5,109		12,464			696,626	711,271
Food cost and service				299,000				299,000	288,238
Fundraising events					23,331			23,331	25,371
Graduation expenses		12,343						12,343	10,389
Insurance			37,457					37,457	31,230
Interest							17,390	17,390	6,855
Payroll taxes	185,507	21,419	4,330		10,238			221,494	228,148
Postage		12,934						12,934	12,642
Professional development		6,239						6,239	1,703
Professional fees		16,609						16,609	16,341
Property and vehicle rentals, athletic	12,600							12,600	11,050
Provision for doubtful accounts	1,500							1,500	14,000
Repairs and maintenance		31,198	197,873					229,071	230,686
Salaries, wages and stipends	2,553,590	513,258	58,532		133,788			3,259,168	3,296,360
Supplies and other expenses	301,000	93,976	18,885	4,927	43,610			462,398	396,232
Technology expenses	98,451							98,451	113,162
Utilities		6,745	182,241					188,986	197,944
Total	\$ <u>3,710,476</u>	\$ <u>871,546</u>	\$ <u>1,258,228</u>	\$ <u>343,201</u>	\$ <u>223,431</u>	\$ <u>158,911</u>	\$ <u>17,390</u>	\$ <u>6,583,183</u>	\$ <u>6,603,077</u>

See Independent Auditors' Report on Accompanying Information.