

CARDINAL SPELLMAN HIGH SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

CARDINAL SPELLMAN HIGH SCHOOL, INC.

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Independent Auditors' Report

To the Board of Trustees
Cardinal Spellman High School, Inc.

We have audited the accompanying financial statements of Cardinal Spellman High School, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses 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 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 Cardinal Spellman High School, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Quincy, Massachusetts
November 12, 2013

CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 2,291,132	\$ 2,243,325
Construction funds held in trust (Note 9)	-	292,046
Certificates of deposit	1,674,175	1,647,547
Accounts receivable, less allowance for doubtful accounts of \$35,000 and \$72,500 at June 30, 2013 and 2012, respectively	28,590	48,196
Contributions receivable (Note 3)	63,624	72,665
Prepaid expenses and other assets	43,541	40,259
Investments (Notes 4 and 10)	2,177,718	2,040,672
Property and equipment, net (Note 5)	4,142,813	4,051,917
Property lease asset (Note 6)	9,400,000	9,600,000
Deferred financing costs, net	110,363	114,396
Total Assets	\$ 19,931,956	\$ 20,151,023
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 11,638	\$ 19,935
Accounts payable - construction	-	145,733
Accrued expenses	425,516	383,976
Deferred revenue	1,516,556	1,617,016
Capital lease obligations (Note 8)	176,844	229,947
Accrued retirement obligation (Note 11)	60,000	347,000
Bonds payable (Note 9)	2,998,742	3,000,000
Total liabilities	5,189,296	5,743,607
Net Assets		
Unrestricted (Note 10)	3,446,269	3,124,087
Temporarily restricted (Note 10)	9,803,058	9,888,400
Permanently restricted (Note 10)	1,493,333	1,394,929
Total net assets	14,742,660	14,407,416
Total Liabilities and Net Assets	\$ 19,931,956	\$ 20,151,023

The accompanying notes are an integral part of the financial statements

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating								
Revenues and other support:								
Tuition and fees	\$ 6,751,291	\$ -	\$ -	\$ 6,751,291	\$ 6,534,059	\$ -	\$ -	\$ 6,534,059
Less financial aid and discounts	(825,200)	-	-	(825,200)	(791,775)	-	-	(791,775)
Tuition and fees, net	5,926,091	-	-	5,926,091	5,742,284	-	-	5,742,284
Contributions, net	121,334	421,005	-	542,339	125,899	274,734	-	400,633
Auxiliary services	327,655	-	-	327,655	309,688	-	-	309,688
Fundraising events, net of related expenses of \$101,551 and \$117,670, respectively	180,897	-	-	180,897	163,389	-	-	163,389
Other income	114,714	-	-	114,714	117,365	-	-	117,365
In-kind contributions (Note 2)	12,200	-	-	12,200	83,920	-	-	83,920
Endowment income used for operations (Note 10)	66,000	-	-	66,000	71,760	-	-	71,760
Interest income on cash and cash equivalents	33,934	-	-	33,934	38,642	-	-	38,642
Net assets released from restrictions	500,570	(500,570)	-	-	421,736	(421,736)	-	-
Total revenues and other support	7,283,395	(79,565)	-	7,203,830	7,074,683	(147,002)	-	6,927,681
Expenditures								
Program services:								
Instructional	5,507,193	-	-	5,507,193	5,322,908	-	-	5,322,908
Auxiliary and other activities	376,459	-	-	376,459	353,671	-	-	353,671
Total program services	5,883,652	-	-	5,883,652	5,676,579	-	-	5,676,579
Supporting services:								
General and administrative	1,001,580	-	-	1,001,580	982,686	-	-	982,686
Development	436,024	-	-	436,024	489,198	-	-	489,198
Total supporting services	1,437,604	-	-	1,437,604	1,471,884	-	-	1,471,884
Total expenditures	7,321,256	-	-	7,321,256	7,148,463	-	-	7,148,463
Change in Net Assets from Operating Activities	(37,861)	(79,565)	-	(117,426)	(73,780)	(147,002)	-	(220,782)

The accompanying notes are an integral part of the financial statements

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating								
Contributions for long-term purposes	\$ -	\$ -	\$ 90,674	\$ 90,674	\$ -	\$ 509	\$ 103,895	\$ 104,404
In-kind contributions (Note 2)	20,000	-	-	20,000	40,000	-	-	40,000
Interest and dividend income on investments, net of fees (Note 10)	(1,536)	34,586	-	33,050	(555)	28,746	-	28,191
Net realized and unrealized gains (losses) on investments (Note 10)	40,439	45,637	7,730	93,806	(33,049)	27,705	2,428	(2,916)
Pension related charges other than net periodic pension cost (Note 11)	287,000	-	-	287,000	(347,000)	-	-	(347,000)
Environmental remediation expenses (Note 13)	(5,860)	-	-	(5,860)	(10,284)	-	-	(10,284)
Reclassification to conform with donor intent	-	-	-	-	(1,000)	-	1,000	-
Net assets released from restrictions	20,000	(20,000)	-	-	79,257	(79,257)	-	-
Endowment income used for operations (Note 10)	-	(66,000)	-	(66,000)	-	(71,760)	-	(71,760)
Change in Net Assets from Nonoperating Activities	<u>360,043</u>	<u>(5,777)</u>	<u>98,404</u>	<u>452,670</u>	<u>(272,631)</u>	<u>(94,057)</u>	<u>107,323</u>	<u>(259,365)</u>
Change in Net Assets	<u>322,182</u>	<u>(85,342)</u>	<u>98,404</u>	<u>335,244</u>	<u>(346,411)</u>	<u>(241,059)</u>	<u>107,323</u>	<u>(480,147)</u>
Net Assets - Beginning of Year	<u>3,124,087</u>	<u>9,888,400</u>	<u>1,394,929</u>	<u>14,407,416</u>	<u>3,470,498</u>	<u>10,129,459</u>	<u>1,287,606</u>	<u>14,887,563</u>
Net Assets - End of Year	<u>\$ 3,446,269</u>	<u>\$ 9,803,058</u>	<u>\$ 1,493,333</u>	<u>\$ 14,742,660</u>	<u>\$ 3,124,087</u>	<u>\$ 9,888,400</u>	<u>\$ 1,394,929</u>	<u>\$ 14,407,416</u>

The accompanying notes are an integral part of the financial statements

CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR 2012)

	Program Services				Development	2013 Total	2012 Total
	Instructional	Auxiliary and Other Activities	Program Services	General and Administrative			
Salaries	\$ 3,414,214	\$ -	\$ 3,414,214	\$ 573,245	\$ 254,714	\$ 4,242,173	\$ 4,197,495
Employee benefits	405,220	-	405,220	44,464	33,306	482,990	393,340
Payroll taxes	244,187	-	244,187	45,381	18,445	308,013	306,666
Retirement plans	146,763	-	146,763	32,830	17,888	197,481	223,972
Total personnel expenses	4,210,384	-	4,210,384	695,920	324,353	5,230,657	5,121,473
Admissions	-	-	-	21,637	-	21,637	11,309
Amortization of property lease asset	174,000	-	174,000	16,000	10,000	200,000	200,000
Athletics	214,858	-	214,858	-	-	214,858	239,117
Bad debts	-	-	-	(9,634)	-	(9,634)	55,008
Bank and credit card processing fees	-	-	-	15,928	-	15,928	15,662
Board related	-	-	-	4,859	-	4,859	11,790
Bookstore	-	10,276	10,276	-	-	10,276	9,543
Cafeteria	-	325,198	325,198	-	-	325,198	281,144
Computer	54,383	-	54,383	7,436	8,710	70,529	40,723
Conferences and meetings	2,093	-	2,093	-	189	2,282	4,317
Depreciation and amortization	341,959	-	341,959	31,444	19,653	393,056	307,625
Dues and subscriptions	19,489	-	19,489	9,671	1,527	30,687	25,410
Facilities	55,556	-	55,556	51,964	17,653	125,173	147,577
Fitness center opening	-	-	-	-	-	-	2,613
Instructional	9,362	-	9,362	-	-	9,362	24,864
Insurance	42,382	-	42,382	-	-	42,382	40,228
Interest	156,965	-	156,965	-	-	156,965	131,371
Miscellaneous	14,769	-	14,769	9,855	2,120	26,744	31,415
Postage and shipping	-	-	-	14,844	7,441	22,285	21,523
Printing and publications	-	-	-	9,899	22,113	34,321	43,165
Professional fees	2,309	-	2,309	77,429	-	77,429	34,590
Public relations	-	-	-	7,021	9,963	16,984	22,057
Supplies	20,230	-	20,230	10,551	2,424	33,205	39,825
Student activities	38,317	40,985	79,302	9,683	-	88,985	135,351
Utilities and telephone	150,137	-	150,137	17,073	9,878	177,088	150,763
Total Functional Expenses	\$ 5,507,193	\$ 376,459	\$ 5,883,652	\$ 1,001,580	\$ 436,024	\$ 7,321,256	\$ 7,148,463

The accompanying notes are an integral part of the financial statements

CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services				General and Administrative	Development	Total
	Instructional	Auxiliary and Other Activities	Program Services	Total			
Salaries	\$ 3,373,024	\$ -	\$ 3,373,024	\$ -	\$ 530,523	\$ 293,948	\$ 4,197,495
Employee benefits	315,664	-	315,664	-	44,469	33,207	393,340
Payroll taxes	248,855	-	248,855	-	36,554	21,257	306,666
Retirement plans	163,421	-	163,421	-	38,866	21,685	223,972
Total personnel expenses	4,100,964	-	4,100,964	-	650,412	370,097	5,121,473
Admissions	-	-	-	-	11,309	-	11,309
Amortization of property lease asset	174,000	-	174,000	-	16,000	10,000	200,000
Athletics	239,117	-	239,117	-	-	-	239,117
Bad debts	-	-	-	-	55,008	-	55,008
Bank and credit card processing fees	-	-	-	-	15,662	-	15,662
Board related	-	-	-	-	11,790	-	11,790
Bookstore	-	9,543	9,543	-	-	-	9,543
Cafeteria	-	281,144	281,144	-	-	-	281,144
Computer	27,834	-	27,834	-	2,426	10,463	40,723
Conferences and meetings	2,630	-	2,630	-	869	818	4,317
Depreciation and amortization	267,634	-	267,634	-	24,610	15,381	307,625
Dues and subscriptions	13,772	-	13,772	-	10,588	1,050	25,410
Facilities	76,755	-	76,755	-	52,535	18,287	147,577
Fitness center opening	-	-	-	-	-	2,613	2,613
Instructional	24,864	-	24,864	-	-	-	24,864
Insurance	40,228	-	40,228	-	-	-	40,228
Interest	131,371	-	131,371	-	-	-	131,371
Miscellaneous	8,787	-	8,787	-	14,625	8,003	31,415
Postage and shipping	-	-	-	-	14,078	7,445	21,523
Printing and publications	5,757	-	5,757	-	14,442	22,966	43,165
Professional fees	-	-	-	-	34,590	-	34,590
Public relations	-	-	-	-	11,415	10,642	22,057
Supplies	26,453	-	26,453	-	10,963	2,409	39,825
Student activities	58,676	62,984	121,660	-	13,691	-	135,351
Utilities and telephone	124,066	-	124,066	-	17,673	9,024	150,763
Total Functional Expenses	\$ 5,322,908	\$ 353,671	\$ 5,676,579	\$ -	\$ 982,686	\$ 489,198	\$ 7,148,463

The accompanying notes are an integral part of the financial statements

CARDINAL SPELLMAN HIGH SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 335,244	\$ (480,147)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	597,089	511,571
Net realized and unrealized (gains) losses on investments	(93,806)	2,916
Amortization of discount on contributions receivable	(3,459)	(3,951)
Provision for bad debts	(9,634)	55,008
Pension related charges other than net periodic pension cost	(287,000)	347,000
Contributions restricted for long-term purposes	(90,674)	(104,404)
Gifts in-kind of property and equipment	(20,000)	(40,000)
Changes in operating assets and liabilities:		
Accounts receivable	29,240	(64,190)
Contributions receivable	12,500	12,550
Prepaid expenses and other assets	(3,282)	2,919
Accounts payable	(8,297)	11,278
Accrued expenses	41,540	47,557
Deferred revenue	(100,460)	386,850
Net cash provided by operating activities	399,001	684,957
Investing Activities		
Purchases of property and equipment	(583,155)	(1,386,543)
Purchases of certificates of deposit	(26,628)	(26,134)
Purchases of investments	(43,240)	(2,009,370)
Proceeds from the sale of investments	-	1,970,546
Net cash used in investing activities	(653,023)	(1,451,501)
Financing Activities		
Principal payments on bonds payable	(1,258)	-
Construction funds held in trust	292,046	1,118,130
Payments on capital lease obligation	(79,633)	-
Contributions restricted for long-term purposes	90,674	104,404
Net cash provided by financing activities	301,829	1,222,534
Net Change in Cash and Cash Equivalents	47,807	455,990
Cash and Cash Equivalents - Beginning of Year	2,243,325	1,787,335
Cash and Cash Equivalents - End of Year	\$ 2,291,132	\$ 2,243,325
Noncash Investing and Financing Activities		
Property and equipment additions included in accounts payable - construction	\$ -	\$ 145,733
Property and equipment - gifts in-kind	\$ 20,000	\$ 40,000
Property and equipment - capital lease	\$ 26,530	\$ 229,947
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 152,928	\$ 151,995

The accompanying notes are an integral part of the financial statements

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE ORGANIZATION

Cardinal Spellman High School, Inc. (the School) is a nonprofit private institution located in Brockton, Massachusetts, which provides a secondary education covering grades 9 through 12 within a Catholic environment. The School is an affiliate corporation of the Roman Catholic Archdiocese of Boston (the Archdiocese) and is accredited by the New England Association of Schools and Colleges. The School is qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Statement Presentation - The accompanying financial statements are presented on the accrual basis of accounting in accordance with the reporting standards for not-for-profit organizations. Generally accepted accounting principles (GAAP) require the classification of net assets and revenues, expenses, gains and losses into three categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income earned and capital gains, if any, on related endowment funds for general or specific purposes.

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

Unrestricted - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as "net assets released from restrictions."

Operations - The statements of activities presents changes in net assets from operating and nonoperating activities. Operating activities consist of those revenues and expenses related to educational and general programs of the School, including annual fund contributions to support these programs. It also includes endowment income used for operations under the School's endowment spending policy. Nonoperating activities consist of contributions for long-term purposes (e.g., endowment and capital), investment results (other than those used to support operations), reclassifications to conform with donor intent, environmental remediation expenses and other items not directly related to the School's educational and general programs.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Contributions - Contributions are recognized when the donor makes a donation or a promise to give (pledge) to the School that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional pledges are recorded net of an allowance for uncollectible amounts. Those pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The School's management believes no allowance for uncollectible amounts is necessary for its pledges receivable at June 30, 2013 and 2012.

Donated Services and Equipment - The School recognized, as an in-kind contribution and personnel expense, donated services of \$75,116 for the year ended June 30, 2012, for the full-time services performed by the religious and clergy in the School. This amount represents management's estimate of the difference in actual compensation paid to the religious and clergy and the compensation paid to lay individuals performing similar services. No such amounts were recorded for the year ended June 30 2013 as the religious and clergy members working in the School either retired or reduced their schedules.

The School has also recognized, as an in-kind contribution and property and equipment, donated services totaling \$20,000 and \$40,000 for the years ended June 30, 2013 and 2012, respectively, for contributed project management, architectural and construction services performed related to various construction projects (see Note 13). These donated services were recorded in the nonoperating section of the statements of activities.

Other gifts in-kind totaling \$12,200 and \$8,804, have been recorded at fair value on the date of the gift and are included in in-kind contribution revenue for the years ended June 30, 2013 and 2012, respectively. These other gifts primarily include donated transportation services, electrical maintenance services and other small donations.

The School also occupies property that is owned by the Archdiocese for which they are charged below market rent (see Note 6).

Donated services that do not meet the recognition criteria under current accounting standards have not been reflected in the accompanying financial statements.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The School considers cash and cash equivalents to be currency on hand or deposit and all highly-liquid investments with maturities of three months or less when acquired. Cash and cash equivalents consist primarily of cash in bank deposit accounts which, at times, may exceed federally-insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows.

Certificates of Deposit - Certificates of deposit are valued at cost plus accrued interest which approximates fair value and have original maturities greater than three months.

Accounts Receivable - The School carries its accounts receivable net of an allowance for doubtful accounts. The allowance is determined on a periodic basis based on an evaluation of outstanding balances for accounts that do not appear collectible. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The School does not charge interest on its accounts receivable.

The School has not experienced significant losses related to accounts receivable. Therefore, management believes there is no additional credit risk, beyond amounts provided for doubtful accounts, related to accounts receivable.

Investments and Investment Income - Investments are reported at fair value. Fair value is 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. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the School's gains and losses on investments bought and sold as well as held during the year.

The School has a diversified investment portfolio, which is placed with investment advisors for management. Investment performance is subject to investment objectives, the mix of the portfolio and general market conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect investment balances and activities reported in the financial statements.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment - The School's endowment includes approximately 30 donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School's spending policy and in accordance with the original restriction on the gift.

The School is subject to the Commonwealth of Massachusetts revised Chapter 180A of the statutes and the Uniform Management of Institutional Funds Act (UPMIFA). UPMIFA contains guidelines regarding prudent spending, which requires the consideration of the duration and preservation of the endowment funds.

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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, donor-restricted funds with stipulations that may or will be met by actions of the School and/or the passage of time as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to enhance or preserve the long-term purchasing power while assuming a moderate level of investment risk. The School expects its endowment funds over time to achieve an average rate of return superior to comparable benchmarks for each asset class measured over rolling three and five-year periods. Actual returns in any given year may vary from this amount.

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 targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

On an annual basis, the School establishes a spending policy, based on the funding needs of its programs, while considering the long-term expected return on its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. In accordance with GAAP, cumulative deficiencies of this nature that are reported in unrestricted net assets were \$34,918 and \$47,638 at June 30, 2013 and 2012, respectively. These deficiencies resulted from the unfavorable market fluctuations that have occurred in recent years.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Purchases of property and equipment are recorded at cost. Maintenance, repairs and minor renewals are expensed as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Unless the donor stipulates how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The School provides for depreciation on a straight-line basis over various estimated useful lives as follows:

<u>Category</u>	<u>Life</u>
Building improvements	20 years
Land improvements	10 years
Furniture, fixtures and equipment	7 years
Vehicles	5 years
Computers and software	3-5 years

Deferred Financing Costs - Deferred financing costs were incurred to issue bonds payable (see Note 9). The costs totaled \$121,017 and are being amortized on a straight-line basis over the term of the bonds (30 years) beginning in October 2010. At June 30, 2013 and 2012, accumulated amortization totaled \$10,654 and \$6,621, respectively. Amortization expense for the years ended June 30, 2013 and 2012 totaled \$4,033 and \$3,946, respectively, and was included in operating expenses on the statements of activities. Estimated amortization expense for deferred financing costs is \$4,034 for the next five years.

Revenue Recognition - The School records tuition revenue over the period in which the educational instruction is performed. Registration and tuition fees received in advance for the next school term are recorded in deferred revenue until the instruction period commences.

Financial Aid - Tuition reflects the School's gross nominal tuition rates for all students. Financial aid is reported as a reduction in gross tuition and fees. The School awards tuition financial aid to a number of students each year based on a variety of factors, such as need and ability. These awards are determined by the School's administration and are recorded as a reduction of tuition revenue on the statements of activities.

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auxiliary Service Revenue - Auxiliary service revenue includes activities related to campus store and food services provided by the School. Auxiliary service revenue is recognized as revenue in the period in which it was earned.

Functional Allocation of Expenses - The costs of providing various programs and activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs, usage and other factors.

Advertising - The School expenses the cost of advertising as the costs are incurred. Advertising expenses were \$16,984 and \$22,057 for the years ended June 30, 2013 and 2012, respectively, and are recorded in operating expenses on the statements of activities.

Subsequent Events - Management has evaluated subsequent events through November 12, 2013, the date the financial statements were available for issue, and determined that there were no events requiring adjustment to, or disclosure in, the June 30, 2013 financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

At June 30, 2013 and 2012, contributions receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Unconditional promises to give before unamortized discount	\$ 72,500	\$ 85,000
Less unamortized discount (using discount rate of 5.75%)	<u>(8,876)</u>	<u>(12,335)</u>
Net Unconditional Promises to Give	<u>\$ 63,624</u>	<u>\$ 72,665</u>
Amounts due in:		
Less than one year	\$ 12,500	\$ 12,500
One to five years	60,000	62,500
More than five years	<u>-</u>	<u>10,000</u>
Total	<u>\$ 72,500</u>	<u>\$ 85,000</u>

At June 30, 2013 and 2012, the School's contributions receivable balance was comprised of amounts due from a single donor.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEAUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual and Money Market Funds - Mutual and money market funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

Equity Securities, Real Estate Investment Trusts, Publicly Traded Partnerships and Governmental Bonds - These items are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds - Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Preferred Stock - Preferred stock is valued based on yields currently available on comparable securities of issuers with similar call options and credit ratings.

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEAUREMENTS (Continued)

There have been no changes in the methodologies used at June 30, 2013 and 2012.

The methods described on the previous page may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2013, investments were recorded at fair value and were summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities:			
Domestic	\$ 506,283	\$ -	\$ 506,283
Foreign	149,923	-	149,923
Domestic mutual funds	441,430	-	441,430
Government bonds	437,947	-	437,947
Domestic corporate bonds	-	379,011	379,011
Publicly traded partnerships	103,251	-	103,251
Money market funds	91,864	-	91,864
Real estate investment trusts	67,479	-	67,479
	<u>1,798,177</u>	<u>379,011</u>	<u>2,177,188</u>
Total Investments	<u>\$ 1,798,177</u>	<u>\$ 379,011</u>	<u>\$ 2,177,188</u>

At June 30, 2012, investments were recorded at fair value and were summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities:			
Domestic	\$ 536,003	\$ -	\$ 536,003
Foreign	120,006	-	120,006
Domestic mutual funds	433,838	-	433,838
Government bonds	337,582	-	337,582
Corporate bonds:			
Domestic	-	296,510	296,510
Foreign	-	132,048	132,048
Publicly traded partnerships	35,320	-	35,320
Money market funds	60,245	-	60,245
Real estate investment trusts	68,632	-	68,632
Preferred stock	-	20,488	20,488
	<u>1,591,626</u>	<u>449,046</u>	<u>2,040,672</u>
Total Investments	<u>\$ 1,591,626</u>	<u>\$ 449,046</u>	<u>\$ 2,040,672</u>

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEAUREMENTS (Continued)

There were no transfers between levels of investments during the years ended June 30, 2013 and 2012.

NOTE 5 - PROPERTY AND EQUIPMENT

At June 30, 2013 and 2012, property and equipment consisted of the following:

	2013	2012
Building improvements	\$ 3,910,160	\$ 3,308,034
Land improvements	244,345	244,345
Furniture, fixtures and equipment	888,725	888,725
Vehicles	113,476	113,476
Computers and software	851,694	784,134
	6,008,400	5,338,714
Less accumulated depreciation and amortization	(1,865,587)	(1,472,530)
	4,142,813	3,866,184
Construction in process	-	185,733
Property and Equipment, Net	\$ 4,142,813	\$ 4,051,917

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$393,056 and \$307,625, respectively.

At June 30, 2012, construction in process included engineering and construction costs for renovation of the School's existing cafeteria. This project was completed and placed into service during the year ended June 30, 2013 (see Note 13). At June 30, 2013, there were no amounts in construction in process.

The following is a summary of property and equipment included above under capital lease as of June 30, 2013 and 2012:

	2013	2012
Computers and software	\$ 256,477	\$ 229,947
Less accumulated depreciation	(76,649)	-
Computers and Software, Net	\$ 179,828	\$ 229,947

Amortization expense recorded related to equipment under capital lease during the year ended June 30 2013 was \$76,649 (see Note 8).

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PROPERTY LEASE ASSET

The Archdiocese owns the property that is occupied by the School as its campus. In May 2010, the School entered into a 50-year lease agreement (the Lease) with the Archdiocese for the property which began on July 1, 2010. The terms of the Lease require the School to make annual rent payments of \$1 per year for the first 30 years, \$50,000 per year for years 31-40 and \$100,000 per year for years 41-50. The Lease allows for adjustments in the annual rent payments for inflation as measured by the Consumer Price Index during the years 31-50. The Lease also allows for credits during years 31-50 based on capital improvements made to the property. The Lease requires that the property be used for the sole purpose of operating a Roman Catholic high school.

As a result of the below market rent, the School was required under accounting standards for not-for-profit organizations to record a contribution related to the Lease. The School's management determined that the fair value of the property was the best measure for recording such a contribution, and recorded a contribution equal to the appraised fair value of the property (adjusted for land and building improvements included in property and equipment) which totaled \$10,000,000. The contribution was recorded in temporarily restricted net assets with an offsetting property lease asset during the year ended June 30, 2010, which is being amortized on a straight-line basis over the 50-year Lease term beginning on July 1, 2010. Amortization expense for the years ended June 30, 2013 and 2012 was \$200,000. Accumulated amortization as of June 30, 2013 and 2012 was \$600,000 and \$400,000, respectively.

NOTE 7 - LINE OF CREDIT

At June 30, 2013, the School had a line of credit available from a bank for working capital purposes through October 2015. Borrowings under the line of credit agreement may not exceed \$200,000, are due on demand and bear interest at the bank's prime rate, but no less than 3.25%. The line of credit is cross collateralized with the bonds payable (see Note 9) and is subject to financial and other covenants. At June 30, 2013 and 2012, there were no borrowings outstanding on the line of credit.

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The School is party to lease purchase obligations for certain technology equipment that meet the criteria for capitalization (see Note 5). Accordingly, the assets and related obligations have been recorded at the present value of the future minimum lease payments. The terms of the leases require the School to make annual lease payments, ranging from \$11,109-\$80,418, expiring at various dates through June 2015. The effective interest rates on the present value of the annual lease payments range from approximately 3.50% to 5.00%. The leases are collateralized by the related equipment.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

The following is a schedule of the future minimum lease payments under the capital lease obligations, together with the present value of minimum lease payments as of June 30, 2013:

Years ending June 30:		
2014	\$	91,526
2015		91,526
Minimum lease payments		<u>183,052</u>
Less amount representing interest		<u>(6,208)</u>
 Present Value of Future Minimum Lease Payments	 \$	 <u>176,844</u>

NOTE 9 - BONDS PAYABLE

On October 22, 2010, Revenue Bonds (Cardinal Spellman High School Issue, Series 2010) (the Bonds) of the Massachusetts Development Finance Agency (the Issuer), were issued in the aggregate principal amount of \$3,000,000. The Bonds were issued under the Loan and Security Agreement (the Agreement) dated as of July 1, 2010, between the Issuer, the School and Century Bank and Trust Company, as disbursing agent. Upon issuance, the Bonds were immediately purchased and are held by Century Bank (the Bank) through a Bond Purchase Agreement which is effective through October 2040. The School obtained the bond financing to fund facilities expansion and renovation projects (see Note 13).

The Agreement required the School to deposit the proceeds from the issuance of the bonds with the Bank. The Bank disbursed such proceeds to pay construction expenses, but only upon the satisfaction of the requirements set forth in the Agreement for such disbursements. The remaining balance of the construction funds held at June 30, 2012 was \$292,046. These amounts were disbursed for renovation of the School's cafeteria during the year ended June 30, 2013 (see Note 13).

The Bonds require interest only payments through October 2013, thereafter, level interest and principal payments are based on amortization of the Bonds through October 2040. The interest rate is fixed at 5% through October 2020 when it will be adjusted based on the Federal Home Loan Bank Rate, but not less than 5%. The rate will be adjusted again in October 2030. The Agreement contains penalty provisions for prepayments of the Bonds.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - BONDS PAYABLE (Continued)

Scheduled annual minimum principal payments due for the years ending June 30 are as follows:

2014	\$ 35,646
2015	55,742
2016	58,594
2017	61,592
2018	64,743
Thereafter	<u>2,722,425</u>
 Total	 <u>\$ 2,998,742</u>

The Bonds are secured by a mortgage on the property and substantially all other assets of the School and are guaranteed by the Archdiocese. The Bonds are cross collateralized with the line of credit (see Note 7). In addition, the Bond Purchase Agreement with the Bank contains financial and other covenants including minimum debt service and loan to value ratios.

During the year ended June 30, 2012, the School incurred interest expense on the Bonds and earned interest income on the bond proceeds. In accordance with financial accounting standards, the interest income on the bond proceeds was netted against the bond interest expense before capitalization. For the years ended June 30, 2013 and 2012, bond carrying costs were summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest expense	\$ 152,147	\$ 151,995
Interest income on the construction fund bond proceeds	-	(828)
Amortization of deferred financing costs	4,033	3,946
Miscellaneous costs	-	88
Total bond carrying costs	<u>156,180</u>	<u>155,201</u>
Less amount capitalized in construction in process	<u>-</u>	<u>(23,830)</u>
 Total Bond Financing Costs Expensed	 <u>\$ 156,180</u>	 <u>\$ 131,371</u>

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENT AND NET ASSETS

The School had the following endowment activities for the year ended June 30, 2013 and net assets at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, June 30, 2012	\$ 542,071	\$ 103,672	\$ 1,394,929	\$ 2,040,672
Stock contributions from donors	-	-	10,190	10,190
Portfolio reallocations for: Restricted contributions	(80,484)	-	80,484	-
Endowment income used for operations	66,000	(66,000)	-	-
	(14,484)	(66,000)	80,484	-
Investment return:				
Interest and dividends, net of fees of \$18,907	(1,536)	34,586	-	33,050
Net investment appreciation	40,439	45,637	7,730	93,806
	38,903	80,223	7,730	126,856
Endowment investments, June 30, 2013	566,490	117,895	1,493,333	2,177,718
Net investment in plant	1,254,434	-	-	1,254,434
Contributions receivable, net	-	63,624	-	63,624
Property lease asset, net	-	9,400,000	-	9,400,000
Amounts restricted for:				
Professional development	-	2,960	-	2,960
School programs	-	16,117	-	16,117
Tuition assistance	-	124,283	-	124,283
Undesignated - to be determined	-	77,500	-	77,500
	-	220,860	-	220,860
Amounts restricted for capital projects	-	679	-	679
Accrued retirement obligations	287,000	-	-	287,000
Undesignated	1,338,345	-	-	1,338,345
Total Net Assets	\$ 3,446,269	\$ 9,803,058	\$ 1,493,333	\$ 14,742,660

**CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENT AND NET ASSETS (Continued)

The School had the following endowment activities for the year ended June 30, 2012 and net assets at June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, June 30, 2011	\$ 598,177	\$ 118,981	\$ 1,287,606	\$ 2,004,764
Stock contributions from donors	706	-	9,927	10,633
Portfolio reallocations for:				
Restricted contributions	(93,968)	-	93,968	-
Reclassifications to conform with donor intent	(1,000)	-	1,000	-
Endowment income used for operations	71,760	(71,760)	-	-
	<u>(23,208)</u>	<u>(71,760)</u>	<u>94,968</u>	<u>-</u>
Investment return:				
Interest and dividends, net of fees of \$15,218	(555)	28,746	-	28,191
Net investment appreciation (depreciation)	(33,049)	27,705	2,428	(2,916)
	<u>(33,604)</u>	<u>56,451</u>	<u>2,428</u>	<u>25,275</u>
Endowment investments, June 30, 2012	542,071	103,672	1,394,929	2,040,672
Net investment in plant	1,312,626	-	-	1,312,626
Contributions receivable, net	-	72,665	-	72,665
Property lease asset	-	9,600,000	-	9,600,000
Amounts restricted for:				
Tuition assistance	-	2,960	-	2,960
Professional development	-	9,490	-	9,490
School programs	-	78,934	-	78,934
	<u>-</u>	<u>91,384</u>	<u>-</u>	<u>91,384</u>
Amounts restricted for capital projects	-	20,679	-	20,679
Accrued retirement obligations	(347,000)	-	-	(347,000)
Undesignated	1,616,390	-	-	1,616,390
Total Net Assets	<u>\$ 3,124,087</u>	<u>\$ 9,888,400</u>	<u>\$ 1,394,929</u>	<u>\$ 14,407,416</u>

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT AND NET ASSETS (Continued)

At June 30, 2013 and 2012, permanently restricted net assets were invested in perpetuity with the income being restricted primarily to support student financial aid. The donors of certain permanently restricted endowment funds require the School to reinvest a portion of annual investment earnings in perpetuity. The amount of investment earnings allocated to permanently restricted net assets in accordance with these donor requirements totaled \$7,730 and \$2,428 for the years ended June 30, 2013 and 2012, respectively.

NOTE 11 - RETIREMENT PLANS

Pension Plan - 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.

Based on an actuarial valuation of the present value of the accumulated plan benefits at July 1, 2012, the School's portion of the Pension Plan's estimated funding deficit was determined to be \$347,000. As a result of the "hard freeze," and because the School's portion of the unfunded liability could be determined, the School recorded a liability for its portion of the funding deficit, which is included in accrued retirement obligation on the statements of financial position at June 30, 2012, with a corresponding charge on the statements of activities within change in net assets from nonoperating activities.

During the year ended June 30, 2013, the underfunded liability was reviewed to consider the effects of contributions, asset appreciation or depreciation and changes in the actuarial assumptions. Based on an actuarial valuation, the estimated funding deficit was determined to be \$60,000 at June 30, 2013. The decrease in the unfunded liability was recorded on the statements of activities within change in net assets from nonoperating activities.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RETIREMENT PLANS (Continued)

The School's contributions to the Pension Plan during the years ended June 30, 2013 and 2012 amounted to \$125,622 and \$178,024, respectively, and were recorded in operating expenses on the statements of activities.

The assumptions used in the above calculation are as follows:

Discount rate	6.5%
Future expenses	4.0%
Mortality	2013 IRS Static Mortality Table (based on RP-2000)
Termination rates	0-31.8%
Disability rates	0.134-0.435%
Retirement age	65

403(b) Plan - The School also has a 403(b) Plan (the Plan) that covers substantially all employees, except the religious and clergy working at the School. Employees may make voluntary contributions to the Plan, subject to the limitations set forth by the Internal Revenue Code. In addition, as a result of the now frozen Pension Plan (see previous page), the School began contributing 2% of the eligible salary of all employees who have been employed for at least one year. Employer contributions totaled \$66,213 for the year ended June 30, 2013. Employer contributions totaled \$35,737 for the period January 1, 2012 through June 30, 2012.

Religious and Clergy - During the years ended June 30, 2013 and 2012, the School paid \$5,646 and \$10,211, respectively, to various orders for the retirement benefits of the religious and clergy working at the School.

NOTE 12 - RELATED PARTY TRANSACTIONS

Archdiocese - The School makes payments to the Archdiocese for various employee benefits and other expenses. These expenses include liability insurance, property insurance, health insurance, pension contributions and worker's compensation expenses. Total expenses paid to the Archdiocese for these costs were \$779,008 and \$709,030 for the years ended June 30, 2013 and 2012, respectively. There were no amounts related to these services in accounts payable at June 30, 2013 and 2012.

Catholic Schools Foundation - The Catholic Schools Foundation (the Foundation) is an affiliated organization of the Archdiocese that provides restricted contributions to the School to be used for financial aid for students. Total contributions from the Foundation were \$187,300 and \$144,500 for the years ended June 30, 2013 and 2012, respectively.

CARDINAL SPELLMAN HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - CONSTRUCTION PROJECTS

To meet the educational and extracurricular needs of its faculty and students, the School developed plans for a fitness and training center and to renovate its existing science laboratories and student cafeteria. Financing for these projects was provided through the issuance of bonds payable (see Note 9), restricted contributions and the School's cash reserves. The fitness and training center and science lab renovations were completed and placed into service on September 1, 2011. The student cafeteria renovations were placed into service on September 1, 2012. All construction commitments related to these projects have been fulfilled as of June 30, 2013.

In connection with the aforementioned projects, the School also incurred costs related to environmental remediation initiatives including asbestos remediation within existing spaces and the removal of a fuel tank which was located underneath the location of the new fitness center. These costs totaled \$5,860 and \$10,284 for the years ended June 30, 2013 and 2012, respectively, and were recorded as environmental remediation expenses within the nonoperating section of the statements of activities.

NOTE 14 - DONOR CONCENTRATIONS

During the year ended June 30, 2013, the School received approximately 11% of its contributions from one donor.