GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

Cathedral High School, Inc.

June 30, 2016

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Independent Auditors' Report

Board of Trustees
Cathedral High School, Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cathedral High School, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
December 6, 2016, except for Note 7,
as to which the date is June 7, 2017

Statements of Financial Position

June 30

Assets	**2016**	2015
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	**$ 755,968**	$ 628,567
Investments at fair value (Notes 2, 4 & 7)	**2,911,750**	2,957,083
Accounts receivable, less allowance for doubtful accounts of $93,539 in 2016 and $34,500 in 2015 (Note 2)	**84,889**	88,386
Pledges receivable, net (Notes 2, 5 & 7)	**325,000**	58,100
Prepaid expenses and other assets	**43,621**	13,956
TOTAL CURRENT ASSETS	**4,121,228**	3,746,092
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET (Notes 2 & 6)	**5,953,688**	6,148,823
OTHER ASSETS		
Restricted cash (Note 2)	**79,477**	123,794
Investments at fair value, restricted (Notes 2, 4, 7 & 8)	**4,792,257**	4,239,899
Pledges receivable, net of current portion and discount (Notes 2, 5 & 7)	**308,404**	437,659
Interest in the net assets of the Adopt-A-Student Foundation (Notes 2 & 3)	**422,177**	318,996
Deferred finance costs, net of accumulated amortization of $54,336 and $45,868 at June 30, 2016 and 2015, respectively (Note 2)	**199,714**	208,182
	5,802,029	5,328,530
	$ 15,876,945	$ 15,223,445

Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	**$ 35,342**	$ 51,328
Accrued expenses	**270,258**	330,539
Deferred revenue (Note 2)	**3,169**	-
Bond payable, due within one year (Note 7)	**41,041**	39,140
Revolving loan agreement with the Archdiocese (Note 7)	**406,728**	295,228
Due to affiliate (Note 10)	**93,316**	-
TOTAL CURRENT LIABILITIES	**849,854**	716,235
BOND PAYABLE, DUE AFTER ONE YEAR (Note 7)	**1,710,686**	1,751,461
TOTAL LIABILITIES	**2,560,540**	2,467,696
COMMITMENTS & CONTINGENCIES (Note 10 & 13)		
NET ASSETS (Notes 2, 8 & 9)		
Unrestricted:		
Undesignated surplus	**4,897,312**	4,819,254
Board-designated, quasi-endowment	**2,843,824**	4,340,082
	7,741,136	9,159,336
Temporarily restricted	**3,575,269**	3,596,413
Permanently restricted	**2,000,000**	-
	13,316,405	12,755,749
	$ 15,876,945	$ 15,223,445

Cathedral High School, Inc.

Statement of Activities

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT (Note 12)				
Tuition and fees	$ 1,598,216	$ -	$ -	$ 1,598,216
Less financial aid	(753,700)	-	-	(753,700)
Tuition and Fees, net	844,516	-	-	844,516
Gifts and donations	563,600	136,177	-	699,777
Contributed services (Note 2)	154,030	-	-	154,030
Contributed facilities (Notes 2 & 10)	264,000	-	-	264,000
Support from Catholic Schools Foundation	-	268,231	-	268,231
Interest and dividend income	109,322	18,227	-	127,549
Realized and unrealized losses on investments (net of			-	
investments fees)	(141,557)	(69,937)	-	(211,494)
Auxiliary services	104,998	-	-	104,998
Rental income	48,100	-	-	48,100
Other program income	47,841	-	-	47,841
Change in interest in net assets of the				
Adopt-A-Student Foundation (Notes 3, 10 & 12)	-	1,640,431	-	1,640,431
Net assets released from restrictions (Note 8)	2,014,273	(2,014,273)	-	-
Total revenues and support	4,009,123	(21,144)	-	3,987,979
EXPENSES				
Program Services:				
Instruction and student activities	2,383,326	-	-	2,383,326
Auxiliary activities	242,950	-	-	242,950
Other programs	201,143	-	-	201,143
Total program services	2,827,419	-	-	2,827,419
Supporting Services:				
General and administrative	1,118,896	-	-	1,118,896
Facilities	648,786	-	-	648,786
Fundraising	284,080	-	-	284,080
Depreciation	448,668	-	-	448,668
Interest	99,474	-	-	99,474
Total supporting services	2,599,904	-	-	2,599,904
Total expenses	5,427,323	-	-	5,427,323
CHANGE IN NET ASSETS BEFORE TRANSFER	(1,418,200)	(21,144)	-	(1,439,344)
TRANSFER OF ASSETS FROM THE ADOPT-A-STUDENT FOUNDATION	-	-	2,000,000	2,000,000
CHANGE IN NET ASSETS	$ (1,418,200)	$ (21,144)	$ 2,000,000	$ 560,656

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

Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT (Note 12)				
Tuition and fees	$ 1,224,541	$ -	$ -	$ 1,224,541
Less financial aid	(630,750)	-	-	(630,750)
Tuition and Fees, net	593,791	-	-	593,791
Gifts and donations	328,087	320,159	-	648,246
Contributed services (Note 2)	86,995	-	-	86,995
Contributed facilities (Notes 2 & 10)	264,000	-	-	264,000
Support from Catholic Schools Foundation	-	299,705	-	299,705
Interest and dividend income	129,018	61	-	129,079
Realized and unrealized gains on investments (net of			-	
investment fees)	49,916	180,136	-	230,052
Auxiliary services	129,193	-	-	129,193
Rental income	4,265	-	-	4,265
Other program income	66,039	-	-	66,039
Change in interest in net assets of the				
Adopt-A-Student Foundation (Notes 3, 10 & 12)	-	1,356,139	-	1,356,139
Net assets released from restrictions (Note 8)	1,821,817	(1,821,817)	-	-
Total revenues and support	3,473,121	334,383	-	3,807,504
EXPENSES				
Program Services:				
Instruction and student activities	2,389,754	-	-	2,389,754
Auxiliary activities	219,526	-	-	219,526
Other programs	151,638	-	-	151,638
				-
Total program services	2,760,918	-	-	2,760,918
Supporting Services:				
General and Administrative	1,016,138	-	-	1,016,138
Facilities	731,258	-	-	731,258
Fundraising	225,955	-	-	225,955
Depreciation	363,670	-	-	363,670
Interest	94,099	-	-	94,099
Total supporting services	2,431,120	-	-	2,431,120
Total expenses	5,192,038	-	-	5,192,038
CHANGE IN NET ASSETS	$ (1,718,917)	$ 334,383	$ -	$ (1,384,534)

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

Statements of Changes in Net Assets

For the Years Ended June 30, 2016 and 2015

	Unrestricted					
	Undesignated Surplus	Board Designated Surplus	Total	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS AT JUNE 30, 2014	$ 5,346,103	$ 5,532,150	$ 10,878,253	$ 3,262,030	$ -	$ 14,140,283
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2015	(526,849)	(1,192,068)	(1,718,917)	334,383	-	(1,384,534)
NET ASSETS AT JUNE 30, 2015	4,819,254	4,340,082	9,159,336	3,596,413	-	12,755,749
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016	78,058	(1,496,258)	(1,418,200)	(21,144)	2,000,000	560,656
NET ASSETS AT JUNE 30, 2016	$ 4,897,312	$ 2,843,824	$ 7,741,136	$ 3,575,269	$ 2,000,000	$ 13,316,405

Statements of Cash Flows

For the Years Ended June 30

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 560,656**	$ (1,384,534)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**457,137**	372,138
Realized and unrealized losses (gains) on investments	**211,494**	(230,052)
Transfer of assets from the Adopt-A-Student Foundation	**1,537,250**	1,212,457
Interest in change in net assets of the Adopt-A-Student Foundation	**(1,640,431)**	(1,356,139)
Changes in operating assets and liabilities:		
Accounts receivable, net	**3,497**	(32,804)
Pledges receivable, net	**(137,645)**	69,794
Prepaid expenses	**(29,665)**	6,217
Restricted cash	**44,317**	(29,736)
Accounts payable	**(15,986)**	45,562
Accrued expenses	**(60,281)**	27,002
Deferred revenue	**3,169**	(6,430)
Due to affiliate	**93,316**	5,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1,026,828**	(1,301,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(253,534)**	(421,792)
Purchase of investments	**(2,127,519)**	(129,011)
Proceeds from sale of investments	**1,409,000**	1,463,000
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(972,053)**	912,197
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revolving loan agreement	**111,500**	295,228
Payments on bond payable	**(38,874)**	(36,841)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**72,626**	258,387
Net INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**127,401**	(130,941)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**628,567**	759,508
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 755,968**	$ 628,567

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	**$ 99,474**	$ 94,099

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

Notes to Financial Statements

June 30, 2016

Note 1 – Nature of Organization

Cathedral High School, Inc. (the "School") is a private high school located in Boston, Massachusetts. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition. A majority of the School's funding is from donations and tuition.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – The books and records of the School are prepared using the accrual method of accounting.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Financial Statement Presentation – Under generally accepted accounting principles, the School presents a statement of financial position and a statement of activities segregated into three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see Note 8 regarding restrictions on net assets).

Contributions and Donor Restrictions – Under generally accepted accounting principles, use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 8).

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument.

Under accounting standards and Massachusetts General Laws, unrealized gains or losses from endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise.

Quasi-Endowment – The School's net assets include funds designated by the Board of Trustees to function as a quasi-endowment, which are classified as unrestricted net assets. The Board of Trustees reserves the right to "undesignate" quasi-endowment funds at its discretion. However, it is not the Board's intent to do so (see Note 9).

The Board's intent is to withdraw from the quasi-endowment assets in accordance with the demonstrated operational financial needs of the School or on an "as needed" basis. The Board's goal is to maintain the purchasing power of the quasi-endowment assets held in perpetuity as well as to provide additional real growth through investment return.

Cash and Equivalents – The School considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents.

Note 2 - Summary of Significant Accounting Policies (Cont.)

Restricted Cash – The majority of restricted cash represents cash equivalents from brokerage accounts held with Fidelity as part of the School's quasi-endowment fund ($51,567). The remaining portion of the restricted cash has been earmarked for specific purposes by donors for the capital campaign ($27,910). For purposes of presenting the statement of cash flows, the School adopted a policy of excluding restricted cash from cash and cash equivalents.

Pledges Receivable – Contributions, including unconditional promises to give to the School, are recognized as revenues in the period made. Contributions receivable that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. As of June 30, 2016 and 2015, there was no such allowance as one was not considered necessary by management (see Note 5).

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

Investments – The School's investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Investments established from donor restricted funds or designated by the School's Board of Trustees for other than current needs are classified as non-current assets (see Notes 4, 8 & 9).

Fair Value Measurements – The School follows Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures", for assets and liabilities that are measured at fair value on a recurring basis. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value measurements principles apply to the reporting of the School's investments (Note 4).

Accounting for Assets Held by Others – The School recognizes as an asset its interest in the net assets of a related organization who holds funds that have been donated for the benefit of the School. The School adjusts the interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. The transfer of funds from the related organization is reported as a reduction to the School's recorded interest (see Note 3).

Leasehold Improvements and Equipment – Leasehold improvements and equipment are stated at cost. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized.

Depreciation is calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are between three and twenty years.

Deferred Finance Costs – Finance costs associated with the bond payable (Note 7) were deferred and are being amortized over the life of the bond, 30 years. Amortization expense for both years ended June 30, 2016 and 2015 was $8,468.

Note 2 - Summary of Significant Accounting Policies (Cont.)

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

Tuition Revenue – Gross tuition and fees reflect the School's normal tuition rates for all students. Scholarships given on the basis of financial need and/or achievement are presented as a reduction to gross tuition and fees.

Contributed Services – Support arising from contributed services to the School has been recognized in the accompanying financial statements with an equal amount recognized as expense, if the services provided require special skills and would need to be purchased by the School if not contributed. In 2016 and 2015, legal and personnel services were contributed to and recorded by the School (see Note 10). The computation of the value of the contributed services for personnel represents the difference between stipends and other amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to lay persons if lay persons were to occupy those positions.

Contributed Facilities – The School operates free of rent in facilities located in Boston, Massachusetts, which are owned by the Roman Catholic Archdiocese of Boston. The estimated rental value of the facilities is reported as rent expense and a corresponding amount is reported as support in the statement of activities (see Note 10).

Auxiliary Services Revenue – Auxiliary services revenue includes the School's cafeteria and bookstore activities. Auxiliary services revenue is recognized in the period to which it relates.

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

Reclassification – Certain expenses in the 2015 statement of activities have been reclassified to conform to current year classifications. Such reclassifications had no effect on total expenses or the change in the net assets as previously reported as of and for the year ended June 30, 2015.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the School for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2016 through December 6, 2016, except for Note 7, as to which the date is June 7, 2017, the date these financial statements were available to be issued (see Note 13).

Note 3 - Interest in the Net Assets of the Adopt-A-Student Foundation

The School is the beneficiary of donations collected on its behalf by the Adopt-A-Student Foundation, a related party. As discussed in Note 2, "Accounting for Assets Held by Others", the School has recorded as an asset its interest in the Foundation's net assets, which is $422,177 at June 30, 2016 ($318,996 at June 30, 2015). The change in the School's interest is reflected in the statement of activities as an increase in net assets of $1,640,341 in 2016 ($1,356,139 in 2015). Transfers of funds from the Adopt-A-Student Foundation totaled $3,537,250 for the year ended June 30, 2016, of which $1,537,250 represented grants from the Foundation and $2,000,000 was a transfer of permanently restricted assets (see Note 8) ($1,212,457 for the year ended June 30, 2015).

Note 4 - Investments

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market.

Level 3 - Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions and are significant to the fair measurement.

The School's investments are valued based on Level 2 inputs within the fair value hierarchy and are summarized as follows:

	June 30, 2016		June 30, 2015	
	Cost	**Fair Value**	Cost	Fair Value
Multi-Strategy Bond Fund, Commonfund	**$ 1,489,213**	**$ 1,500,180**	$ 1,369,752	$ 1,345,602
Multi-Strategy Equity Fund, Commonfund	**5,449,274**	**6,203,827**	4,693,733	5,851,380
	$ 6,938,487	**$ 7,704,007**	$ 6,063,485	$ 7,196,982

The investments in the Commonfund represent the School's holdings, established to provide common investment pools in which the School and other similar organizations may participate. The participants own units based upon a per-unit value at the time of purchase. These funds incur service fees for administrative and clerical services performed on behalf of these funds.

The School has invested in the Multi-Strategy Equity Fund and Multi-Strategy Bond Fund with the Commonfund, the underlying investments of which are primarily equity and fixed-income securities, owned either directly or indirectly through mutual funds or private entities. The fair value of the Commonfund investments in actively-traded domestic securities is determined by State Street Corporation, which obtains bid quotations from independent pricing services on most securities. Investments in traded foreign securities are fair valued by State Street Corporation from principal makers in those securities or as determined in good faith by management. Investment holdings in private investment entities that are not actively traded are valued by the managers of these entities.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Investment fees for the years ended June 30, 2016 and 2015 were $27,178 and $28,938, respectively, and have been netted against realized and unrealized gains or losses in the accompanying statements of activities.

Investments are presented in the accompanying statement of financial position as follows at June 30:

	2016	2015
Current assets	**$ 2,911,750**	$ 2,957,083
Other assets - designated by the Board (Notes 8 & 9)	**2,792,257**	4,239,899
Other assets - permanently restricted (Notes 8 & 9)	**2,000,000**	-
	$ 7,704,007	$ 7,196,982

Note 5 – Pledges Receivable

Pledges receivable, net of discounts, summarized by use restriction are as follows as of June 30:

		2016		2015
Capital Campaign	$	**500,000**	$	531,500
Unrestricted		**187,500**		37,500
		687,500		569,000
Less discount		**(54,096)**		(73,241)
	$	**633,404**	$	495,759

Amounts due in:		2016		2015
Less than one year	$	**325,000**	$	58,100
One and five years		**308,404**		437,659
	$	**633,404**	$	495,759

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

Note 6 - Leasehold Improvements and Equipment

The School's leasehold improvements and equipment consist of the following at June 30:

		2016		2015
Computer hardware and software	$	**504,766**	$	384,899
Furniture and equipment		**206,966**		191,110
Leasehold improvements		**7,732,780**		7,614,970
		8,444,512		8,190,979
Accumulated depreciation		**(2,490,824)**		(2,042,156)
	$	**5,953,688**	$	6,148,823

Depreciation expense was $448,668 and $363,670 for the years ended June 30, 2016 and 2015, respectively.

Note 7 – Bond Payable and Revolving Loan Agreement

Bond Payable – In February of 2010, the School obtained a $12 million draw down bond facility through Massachusetts Development Finance Agency and Century Bank in order to fund ongoing and future planned renovation projects at the School.

Under the terms of the agreement, the School could draw on principal of the bond as it incurred capital expenditures in connection with the projects. Any principal draws were subject to interest-only payments at the prime rate for the first two years (originally through February 2012). During 2012, principal and interest payments were deferred to March 2013, under the same terms and amortization of the original agreement, at which time the School's ability to draw on the principal of the bond expired. Under the original terms of the agreement, equal installments of principal and interest are payable using a 30-year amortization commencing in March 2012. Interest is calculated using a fixed rate equal to the sum of the Federal Home Loan Bank rate in effect plus 2.50% and then divided by 1.51. The rate is subject to a floor of 4.75% and will be re-priced in five-year increments.

Note 7 – Bond Payable and Revolving Loan Agreement (Cont.)

The interest rate in effect at June 30, 2016 and 2015 was 4.75%. Any outstanding principal can be paid in part or in full at any time without penalty before the maturity date of February 1, 2040. The bond is collateralized by the School's investments and pledges receivable in connection with its capital campaign.

In addition, the Roman Catholic Archdiocese of Boston (RCAB), a related party to the School, has guaranteed and pledged the real property leased by the School as collateral for the bond under a mortgage agreement. At June 30, 2016 and 2015, $1,751,727 and $1,790,601, respectively, was outstanding on the bond.

Assuming that there are no further draw downs and no pre-payments of the bond, annual principal maturities would be as follows:

Year Ending June 30	
2016	$ 41,041
2017	43,033
2018	45,122
2019	47,313
2020	49,610
Thereafter	1,525,608
	$ 1,751,727

The bond agreement includes covenants regarding maintenance of certain financial ratios. The covenants were not met at June 30, 2016, rendering the agreement in default and callable by the bank at its discretion. However, in a letter to management dated June 7, 2017, the bank agreed to waive the covenant requirements for 2016.

Revolving Loan Agreement – In July 2014, the School entered into a $1.5 million revolving loan agreement with the RCAB. Interest is charged and paid on the unpaid principal balance at the rate for revolving loan fund institutional loans. The interest rate for revolving loan fund institutional loans is 3.75%. The School has the option to prepay all or part of the principal balance at any time. As of June 30, 2016 and 2015, the outstanding balance under the revolving loan agreement is $406,728 and $295,228, respectively.

Note 8 – Net Assets

Permanently restricted net assets at June 30, 2016 consist of $2,000,000. During 2016, the School received a transfer from the Adopt-A-Student Foundation, whereby the donor permanently restricted the principal and requested the income be used for the School at the Board's discretion (see Notes 9 & 10). There were no permanently restricted net assets at June 30, 2015.

At June 30, temporarily restricted net assets are to be used for the following:

	2016	2015
Scholarships	**$ 2,513,963**	$ 2,582,735
Capital campaign	**473,814**	481,870
School nurse	**-**	65,380
Adopt-A-Teacher program	**41,000**	20,000
COMPACT	**93,264**	83,732
Other	**4,000**	43,700
Accumulated appreciation and income on endowment funds	**27,051**	-
Interest in temporarily restricted net assets of The Adopt-A-Student	**422,177**	318,996
	$ 3,575,269	$ 3,596,413

Note 8 – Net Assets (Cont.)

Temporarily restricted net assets were released from restrictions and used during the years ended June 30 for the following:

	2016	2015
Scholarships	**$ 68,212**	$ 57,955
Grants from Adopt-A-Student	**1,537,250**	1,212,457
Capital campaign	**31,500**	113,980
School nurse	**65,380**	65,734
Adopt-A-Teacher	**20,000**	60,000
Catholic Schools Foundation	**268,231**	299,705
Other	**23,700**	11,986
	$ 2,014,273	$ 1,821,817

Note 9 - Endowment and Quasi-Endowments

Unrestricted net assets include net assets designated by the School's Board of Trustees, which serves as a quasi-endowment that helps fund the future needs of School operations.

The School's endowment consists of an individual fund established for the support of the School. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The School views the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the School to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value". Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016.

Endowment Investment Policy – The School has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment and quasi-endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for donor-specified periods. Under the School's investment policy and spending rate, both of which are approved by the Board of Trustees, the endowment and quasi-endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary. The School does not have an explicit targeted rate of return as part of its investment objectives.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the School's endowments and quasi-endowments are invested in the Multi-Strategy Equity Fund and Multi-Strategy Bond Fund with the Commonfund. 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).

Note 9 - Endowments and Quasi-Endowments (Cont.)

Changes in Endowment Net Assets

Endowment net assets and changes therein as of and for the years ended June 30 are as follows:

	Board Designated Quasi-Endowment	Endowment Net Assets: Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2016:					
Endowment net assets at beginning of year	**$ 4,340,082**	**$ -**	**$ -**	**$ -**	**$ -**
Transfer from the Adopt-A-Student Foundation	**-**	**-**	**-**	**2,000,000**	**2,000,000**
Interest and dividends	**118,703**	**-**	**18,216**	**-**	**18,216**
Realized and unrealized (losses) gains on investments	**(150,938)**	**-**	**8,835**	**-**	**8,835**
Appropriation of endowment assets for expenditure	**(1,464,023)**	**-**	**-**	**-**	**-**
Endowment net assets at end of year	**$ 2,843,824**	**$ -**	**$ 27,051**	**$ 2,000,000**	**$ 2,027,051**
For the year ended June 30, 2015:					
Endowment net assets at beginning of year	$ 5,532,150	$ -	$ -	$ -	$ -
Transfer from the Adopt-A-Student Foundation	-	-	-	-	-
Interest and dividends	129,018	-	-	-	-
Realized and unrealized gains on investments	49,916	-	-	-	-
Appropriation of endowment assets for expenditure	(1,371,002)	-	-	-	-
Endowment net assets at end of year	$ 4,340,082	$ -	$ -	$ -	$ -

Note 10 – Related Party Transactions

Expense – During the years ended June 30, 2016 and 2015, the School was charged $375,977 and $373,322, respectively for health, life, disability, workers' compensation and property insurance administered by the Roman Catholic Archdiocese of Boston, A Corporation Sole (RCAB).

Lease Commitment – As part of the initial incorporation of the School on July 1, 2004, the School entered into an agreement with Archdiocesan Central High Schools, Inc. ("ACHS") for the lease of the School facility. The lease requires a payment of one dollar per year and it expired June 30, 2008. Under the terms of this lease, the School was responsible for insurance, real estate taxes, utilities and all operating costs. The School had the option, at any time during the lease period with 120 days' notice, to purchase the School facility or a portion of the facility from ACHS. The School did not exercise this option during the initial lease term. Effective July 1, 2008, the School entered into a new lease with ACHS. The new lease requires payments of one dollar per year and is for 99 years.

Contributed Facilities and Services – As discussed in Note 2, "Contributed Facilities", the estimated rental value of the facilities ($264,000 for each of the years ended June 30, 2016 and 2015) is reflected as an expense of the School via an offsetting amount recorded as support. If the School were to lease the facility from unrelated parties, operating results and financial position of the School would be adversely affected.

Additionally, legal services were contributed to the School during the year ended June 30, 2016. A member of the Board of Trustees is a partner of a law firm which provided donated legal services in the amount of $90,971 during 2016 ($10,263 during 2015).

Transfers from Adopt-A-Student Foundation – The School is the sole beneficiary of the Adopt-A-Student Foundation (the "Foundation"). The School is related through common Board of Directors/Trustees membership to the Foundation. The Foundation transferred funds to the School totaling $1,537,250 and $1,212,457 for the years ended June 30, 2016 and 2015, respectively (see Note 3).

Note 10 – Related Party Transactions (Cont.)

In addition, during the year ended June 30, 2016, the Foundation received a $2 million permanently restricted donation which was transferred to Cathedral High School for the purpose of holding, investing and distributing these assets in conjunction with the donor's intentions for the sole benefit of the High School. This transfer has been reflected in the accompanying statement of activities and changes in net assets for the year ending June 30, 2016.

At June 30, 2016, amounts due to the Foundation from the School were $93,316. There were no amounts due to or from the Foundation at June 30, 2015.

Note 11 – Pension Plan

The School participated with other organizations affiliated with the RCAB in a noncontributory, defined-benefit multiemployer pension plan covering substantially all employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Effective December 31, 2011, the Archdiocese of Boston amended the plan to curtail benefit accruals for plan participants. In addition, no additional participants are allowed into the plan. The amount of the School's annual contribution was actuarially determined and was accrued and funded annually. During the year ended June 30, 2014, the plan was fully funded. As a result, there was no pension expense for the years ended June 30, 2016 or 2015.

To replace the curtailed defined benefit pension plan, the RCAB established a 401(k) defined contribution plan on January 1, 2012. The School contributes a matching contribution subject to formulas defined in the plan document. Each eligible employee may defer up to 100% of compensation subject to limits of the maximum amount allowed by law. The School contributed approximately $34,000 and $28,000 for the years ended June 30, 2016 and 2015, respectively, under this plan.

Note 12 – Concentrations and Credit Risk

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of cash and cash equivalents, investments, pledges receivable and long term debt.

The School's cash and cash equivalents are placed with high-quality financial institutions. At June 30, 2016, based on bank balances, the School has on deposit approximately $6,000 in excess of the federal insured limit. The School's investments are managed by one outside investment advisor and are detailed in Note 4.

A pledge from one foundation was $500,000, or 73% at June 30, 2016 ($500,000, or 88% at June 30, 2015) of the pledges receivable balance.

For the years ended June 30, 2016 and 2015, approximately 39% ($1.5 million), and 32% ($1.2 million), respectively, of the School's total revenues and support was derived from one donor organization, the Adopt-A-Student Foundation. While it has been the Adopt-A-Student Foundation's intent to raise funds on behalf of the School, there is no obligation to continue this effort (see Notes 3 and 10).

In addition, all of the students who are enrolled at the School are from the greater Boston metropolitan area.

Note 13 – Legal Matters

The School is a party to a lawsuit commenced in 2016 by a former employee. The School intends to defend itself vigorously as the case proceeds. Legal motions and conferences related to these claims are pending. The School is not able to reasonably estimate its possible loss contingency on this case at the present time due to the early stage of the lawsuit.