Audited
Financial Statements

Cathedral High School, Inc.

June 30, 2013

G.T. Reilly
& Company
Certified Public Accountants/Business Consultants

Cathedral High School, Inc.

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2013 and 2012, 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, 2013 and 2012, 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 12, 2013

Cathedral High School, Inc.

Statements of Financial Position

June 30

Assets	2013	2012
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 496,740	$ 426,883
Investments at market value (Notes 2, 4 & 7)	3,007,416	3,706,702
Accounts receivable, less allowance for doubtful accounts of $43,179 in 2013 and $61,275 in 2012 (Note 2)	45,134	87,281
Pledges receivable, restricted, net (Notes 2, 5 & 7)	787,600	559,300
Prepaid expenses and other assets	66,666	143,000
TOTAL CURRENT ASSETS	4,403,556	4,923,166
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET (Notes 2 & 6)	5,284,029	5,130,457
OTHER ASSETS		
Restricted cash (Note 2)	903,196	1,097,216
Investments at market value designated by Board (Notes 2, 4, 7 & 8)	4,831,364	3,959,817
Pledges receivable, restricted, net of current portion (Notes 2, 5 & 7)	225,291	489,179
Interest in the net assets of the Adopt-A-Student Foundation (Notes 2 & 3)	456,888	426,758
Deferred finance costs, net of accumulated amortization of $28,932 and $20,464 at June 30, 2013 and 2012, respectively (Note 2)	225,118	233,586
	6,641,857	6,206,556
	$ 16,329,442	$ 16,260,179

Liabilities and Net Assets	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 25	$ 21,511
Accrued expenses	274,080	257,027
Deferred revenue (Note 2)	12,115	2,549
Bond payable, due within one year (Note 7)	35,600	-
Due to affiliate (Note 9)	100,322	-
TOTAL CURRENT LIABILITIES	422,142	281,087
BOND PAYABLE, DUE AFTER ONE YEAR (Note 7)	1,826,953	1,877,020
TOTAL LIABILITIES	2,249,095	2,158,107
COMMITMENTS & CONTINGENCIES (Note 9)		
NET ASSETS (Notes 2 & 8)		
Unrestricted:		
Undesignated surplus	4,515,406	4,472,276
Board-designated, quasi-endowment	5,220,545	4,977,832
	9,735,951	9,450,108
Temporarily restricted	4,344,396	4,651,964
	14,080,347	14,102,072
	$ 16,329,442	$ 16,260,179

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

Cathedral High School, Inc.

Statement of Activities

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT (Note 11)			
Tuition and fees	$ 1,088,913	$ -	$ 1,088,913
Less financial aid	(573,900)	-	(573,900)
Tuition and Fees, net	515,013	-	515,013
Gifts and donations	481,423	196,837	678,260
Contributed services (Note 2)	80,243	-	80,243
Contributed facilities (Notes 2 & 9)	264,000	-	264,000
Support from Catholic Schools Foundation	311,250	-	311,250
Interest and dividend income	261,546	1,239	262,785
Realized and unrealized gains on investments (including investments fees)	500,940	220,680	721,620
Auxiliary services	132,843	-	132,843
Rental income	16,000	-	16,000
Other program income	46,786	-	46,786
Change in interest in net assets of the Adopt-A-Student Foundation (Notes 3, 9 & 11)	-	1,586,910	1,586,910
Net assets released from restrictions (Note 8)	2,313,234	(2,313,234)	-
Total revenues and support	4,923,278	(307,568)	4,615,710
EXPENSES			
Program Services:			
Instruction and student activities	2,600,110	-	2,600,110
Auxiliary activities	56,557	-	56,557
Other programs	295,569	-	295,569
Total program services	2,952,236	-	2,952,236
Supporting Services:			
General and administrative	1,037,536	-	1,037,536
Facilities	450,824	-	450,824
Fundraising	196,839	-	196,839
Total supporting services	1,685,199	-	1,685,199
Total expenses	4,637,435	-	4,637,435
CHANGE IN NET ASSETS	$ 285,843	$ (307,568)	$ (21,725)

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

Cathedral High School, Inc.

Statement of Activities

For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT (Note 11)			
Tuition and fees	$ 1,168,306	$ -	$ 1,168,306
Less financial aid	(592,910)	-	(592,910)
Tuition and Fees, net	575,396	-	575,396
Gifts and donations	366,534	2,113,947	2,480,481
Contributed services (Note 2)	117,209	-	117,209
Contributed facilities (Notes 2 & 9)	264,000	-	264,000
Support from Catholic Schools Foundation	319,930	-	319,930
Interest and dividend income	240,242	8,027	248,269
Realized and unrealized losses on investments (including investment fees)	(359,280)	(27,418)	(386,698)
Auxiliary services	160,853	-	160,853
Rental income	18,425	-	18,425
Other program income	56,715	-	56,715
Change in interest in net assets of the Adopt-A-Student Foundation (Notes 3, 9 & 11)	-	1,600,594	1,600,594
Net assets released from restrictions (Note 8)	3,053,947	(3,053,947)	-
Total revenues and support	4,813,971	641,203	5,455,174
EXPENSES			
Program Services:			
Instruction and student activities	2,527,022	-	2,527,022
Auxiliary activities	58,526	-	58,526
Other programs	377,034	-	377,034
			-
Total program services	2,962,582	-	2,962,582
Supporting Services:			
General and Administrative	938,092	-	938,092
Facilities	443,079	-	443,079
Fundraising	135,718	-	135,718
Total supporting services	1,516,889	-	1,516,889
Total expenses	4,479,471	-	4,479,471
CHANGE IN NET ASSETS	$ 334,500	$ 641,203	$ 975,703

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

Statements of Changes in Net Assets

For the Years Ended June 30, 2013 and 2012

	Unrestricted				
	Undesignated Surplus	Board Designated Surplus	Total	Temporarily Restricted	Total
NET ASSETS AT JUNE 30, 2011	$ 3,174,908	$ 5,940,700	$ 9,115,608	$ 4,010,761	$13,126,369
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012	1,297,368	(962,868)	334,500	641,203	975,703
NET ASSETS AT JUNE 30, 2012	4,472,276	4,977,832	9,450,108	4,651,964	14,102,072
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2013	43,130	242,713	285,843	(307,568)	(21,725)
NET ASSETS AT JUNE 30, 2013	$ 4,515,406	$ 5,220,545	$ 9,735,951	$ 4,344,396	$14,080,347

Statements of Cash Flows

For the Years Ended June 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (21,725)**	$ 975,703
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**353,868**	309,444
Realized and unrealized (gains) losses on investments	**(759,608)**	386,698
Transfer of assets from the Adopt-A-Student Foundation	**1,556,780**	1,581,667
Interest in change in net assets of the Adopt-A-Student Foundation	**(1,586,910)**	(1,600,594)
Changes in operating assets and liabilities:		
Accounts receivable, net	**42,147**	(10,281)
Pledges receivable, net	**35,588**	(262,009)
Prepaid expenses	**76,334**	(128,792)
Restricted cash	**194,020**	(14,702)
Accounts payable	**(21,486)**	(23,435)
Accrued expenses	**17,053**	2,389
Deferred revenue	**9,566**	2,549
Due to affiliate	**100,322**	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(4,051)**	1,218,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(498,972)**	(1,078,036)
Purchase of investments	**(8,521,009)**	(755,260)
Proceeds from sale of investments	**9,108,356**	635,757
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**88,375**	(1,197,539)
CASH USED IN FINANCING ACTIVITIES		
Payments on bond payable	**(14,467)**	(3,309)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**69,857**	17,789
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**426,883**	409,094
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 496,740**	$ 426,883

Supplemental Disclosure of Cash Flow Information

	2013	2012
Cash paid during the year for interest, net of amount capitalized of $43,251 in 2013 and $76,124 in 2012	**$ 37,280**	$ -

Notes to Financial Statements

June 30, 2013

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).

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

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 8).

Investment and Spending Policies – The School's quasi-endowments are invested principally in equity securities. The School has adopted investment and spending policies for quasi-endowment assets that attempt to provide a predictable stream of funding to programs by its quasi-endowment while seeking to maintain the purchasing power of the quasi-endowment assets. Under this policy, as approved by the Board of Trustees, the quasi-endowment assets are invested with an emphasis on securities of medium sized companies with market capitalization in a range of $500 million to $10 billion in order to maximize capital growth through capital appreciation. The School does not have an explicit targeted rate of return as part of its investment objectives.

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

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.

Restricted Cash – Restricted cash represents cash equivalents from brokerage accounts held with Fidelity as part of the School's quasi-endowment fund ($389,181). In addition, a portion of the restricted cash has been earmarked for specific purposes by donors such as scholarships ($514,015). 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, 2013 and 2012, 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 collectibility 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 collectibility 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 designated by the School's Board of Trustees for other than current needs are classified as non-current assets (see Notes 4 & 8).

Fair Value Measurements - The School follows Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures" (ASC Topic 820), for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting. 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).

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

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, 2013 and 2012 was $8,468.

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. The computation of the value of the contributed services 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 9).

Auxiliary Services Revenue – Auxiliary services revenue includes the School’s cafeteria and lending library 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.

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, 2013 through December 12, 2013, the date these financial statements were available to be issued.

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 $456,888 at June 30, 2013 ($426,758 at June 30, 2012). The change in the School's interest is reflected in the statement of activities as an increase in net assets of $1,586,910 in 2013 ($1,600,594 in 2012). Transfers of funds from the Adopt-A-Student Foundation totaled $1,556,780 for the year ended June 30, 2013 ($1,581,667 for the year ended June 30, 2012).

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.

As of June 30, 2013, the School's investments are valued based on Level 2 inputs within the fair value hierarchy and are summarized as follows:

	Cost	Fair Value
Multi-Strategy Bond Fund, Commonfund	$ 1,600,000	$ 1,572,578
Multi-Strategy Equity Fund, Commonfund	6,400,000	6,266,202
	$ 8,000,000	$ 7,838,780

During 2013, the School transferred its investments in equity securities and mutual funds, which were valued based on Level 1 inputs at June 30, 2012, to the Commonfund. 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.

As of June 30, 2012, the School's investments are valued based on Level 1 inputs within the fair value hierarchy and are summarized as follows:

	Cost	Fair Value
Equity Securities:		
Consumer	$ 278,004	$ 309,892
Energy	37,532	40,198
Financial Services	263,219	257,203
Health Care	225,302	235,452
Industrial	108,179	105,187
Technology	22,722	26,580
Mining	85,315	111,015
Insurance	114,309	121,548
Utilities	471,065	538,895
Real Estate Trusts	460,758	549,772
	2,066,405	2,295,742
Mutual Funds:		
Stock Funds	800,861	822,959
International Funds	1,025,481	865,444
Bond Funds	2,757,400	2,796,525
Real Asset Funds	578,779	521,386
World Equity	407,552	364,463
	5,570,073	5,370,777
	$ 7,636,478	$ 7,666,519

Note 4 – Investments (Cont.)

As of June 30, 2012, the following is a description of the valuation methodologies used for the School's investments measured at fair value, including the general description of such instruments pursuant to the valuation hierarchy.

> Equity Securities – These investments are actively traded on open markets and are valued in accordance with their last published price.
>
> Mutual Funds – These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

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, 2013 and 2012 were $39,000 and $39,675, 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:

	2013	2012
Current assets	**$ 3,007,416**	$ 3,706,702
Other assets - designated by the Board (Note 8)	**4,831,364**	3,959,817
	$ 7,838,780	$ 7,666,519

Note 5 – Pledges Receivable, Restricted

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

	2013	2012
Capital Campaign	**$ 667,500**	$ 780,500
Academic Programs	**387,500**	300,000
	1,055,000	1,080,500
Less discount	**(42,109)**	(32,021)
	$ 1,012,891	$ 1,048,479

Amounts due in:	**2013**	2012
Less than one year	**$ 787,600**	$ 559,300
One and five years	**225,291**	489,179
	$ 1,012,891	$ 1,048,479

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, 2013.

Note 6 - Leasehold Improvements and Equipment

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

	2013	2012
Computer hardware and software	**$ 297,430**	$ 271,962
Furniture and equipment	**161,194**	161,194
Leasehold improvements	**5,791,541**	5,693,184
Construction in progress	**368,203**	-
	6,618,368	6,126,340
Accumulated depreciation	**(1,334,339)**	(995,883)
	$ 5,284,029	$ 5,130,457

At June 30, 2013, construction in progress represents initial costs incurred to date for the rehabilitation of the convent building.

Depreciation expense was $345,400 and $300,976 for the years ended June 30, 2013 and 2012, respectively.

Interest costs incurred on borrowed funds during the period of construction have been capitalized as a component of the leasehold improvements. Leasehold improvements at June 30, 2013 and 2012 include $205,619 and $162,368, respectively, of capitalized interest related to the bond payable (see Note 7).

Note 7 – 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 floor of 4.75% and will be re-priced in five-year increments.

The interest rate in effect at June 30, 2013 and 2012 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 (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, 2013 and 2012, $1,862,553 and $1,877,020, respectively, was outstanding on the bond.

Note 7 – Bond Payable (Cont.)

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	
2014	$ 35,600
2015	37,329
2016	39,140
2017	41,041
2018	43,033
Thereafter	1,666,410
	$ 1,862,553

Note 8 – Net Assets

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

	2013	2012
Scholarships	**$ 2,495,723**	$ 2,254,234
Capital campaign	**1,139,407**	1,656,522
Literacy	**10,000**	10,000
Academic programs (Lynch Foundation)	**200,000**	300,000
Other	**42,378**	4,450
Interest in temporarily restricted net assets of The Adopt-A-Student	**456,888**	426,758
	$ 4,344,396	$ 4,651,964

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

	2013	2012
Scholarships	**$ 1,612,230**	$ 1,734,667
Capital campaign	**533,186**	1,050,092
Academic programs (Lynch Foundation)	**100,000**	100,000
Literacy	**45,000**	73,520
Career planning and counseling	**-**	80,000
Other	**22,818**	15,668
	$ 2,313,234	$ 3,053,947

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.

Note 8 – Net Assets (Cont.)

The following schedule is a summary of changes in the board-designated quasi-endowment net assets for the years ended June 30:

	2013	2012
Quasi-endowment net assets, beginning of year	**$ 4,977,832**	$ 5,940,700
Investment return:		
Investment income	**261,546**	240,242
Net appreciation (depreciation), realized and unrealized	**500,940**	(359,280)
Total investment return	**762,486**	(119,038)
Appropriation of quasi-endowment assets for expenditure	**(519,773)**	(843,830)
Quasi-endowment net assets, end of year	**$ 5,220,545**	$ 4,977,832

Note 9 – Related Party Transactions

Expense - During the years ended June 30, 2013 and 2012, the School was charged $337,478 and $293,676, 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.

As discussed in Note 2, "Contributed Facilities", the estimated rental value of the facilities ($264,000 for each of the years ended June 30, 2013 and 2012) 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.

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 $1,556,780 and $1,581,667 for the years ended June 30, 2013 and 2012, respectively (see Note 3).

Additionally, at June 30, 2013, amounts due to the Foundation from the School were $100,322 (no amounts were due at June 30, 2012).

Note 10 – 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.

Note 10 – Pension Plan (Cont.)

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.

Pension expense was $94,000 and $105,000 for the years ended June 30, 2013 and 2012, respectively.

Note 11 – Concentrations and Credit Risk

The School's cash and cash equivalents are placed with high-quality financial institutions. At June 30, 2013, based on bank balances, the School has on deposit approximately $587,000 in excess of the federal insured limit. The School's investments are managed by one outside investment advisor and are detailed in Note 4.

Pledges from one foundation were $500,000, or 48% of the pledge receivable balance at June 30, 2013 and 2012.

For the years ended June 30, 2013 and 2012, approximately 34% ($1.6 million), and 29% ($1.6 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 9).

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