

**MARIAN HIGH SCHOOL, INC.  
AND  
DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combined Financial Statements and Additional Information  
For The Years Ended June 30, 2016 and 2015  
and  
Independent Auditors' Reports**

**MARIAN HIGH SCHOOL, INC.  
AND  
DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combined Financial Statements and Additional Information**

**For The Years Ended June 30, 2016 and 2015**

**and Independent Auditors' Reports**

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# McCarthy, Hargrave & Co.

Certified Public Accountants

## **Board of Trustees**

**Marian High School, Inc. and  
Development of Marian Education, Inc.**  
Framingham, Massachusetts

## **Independent Auditors' Report**

We have audited the accompanying combined financial statements of Marian High School, Inc. and Development of Marian Education, Inc., which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities 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 combined 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 combined 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 combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to both Organizations' 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 both Organizations' 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Marian High School, Inc. and Development of Marian Education, Inc. as of June 30, 2016 and 2015, and the combined changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 19, 2017

*McCarthy, Hargrave & Co.*

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combined Statements of Financial Position**

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 400,631	\$ 374,586
Tuition and Fees Receivable, Net	22,093	59,086
Accounts Receivable, Other	-	6,008
Prepaid Expenses	-	1,570
	<hr/>	
<b>TOTAL CURRENT ASSETS</b>	<b>422,724</b>	<b>441,250</b>
<b>Other Assets:</b>		
Investment Cash	24,503	22,832
Marketable Securities	244,364	251,577
Property and Equipment, Net	253,580	202,447
	<hr/>	
<b>TOTAL ASSETS</b>	<b>\$ 945,171</b>	<b>\$ 918,106</b>
<hr/>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,250	\$ 9,436
Accrued Payroll and Other Liabilities	244,063	271,195
Tuition and Fees Received in Advance	511,929	472,215
Capital Lease, Short-Term Portion	11,383	6,153
Line of Credit	50,000	-
Note Payable, Short Term Portion	-	10,310
	<hr/>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>818,625</b>	<b>769,309</b>
<b>Long-Term Obligations:</b>		
Capital Lease, Long-Term Portion	6,215	5,615
Note Payable, Long-Term Portion	-	894
	<hr/>	
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<b>6,215</b>	<b>6,509</b>
<b>Net Assets:</b>		
Unrestricted (Deficit)	(160,046)	(135,962)
Temporarily Restricted Net Assets	275,377	273,250
Permanently Restricted Net Assets	5,000	5,000
	<hr/>	
<b>TOTAL NET ASSETS</b>	<b>120,331</b>	<b>142,288</b>
	<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 945,171</b>	<b>\$ 918,106</b>
	<hr/>	

The accompanying notes are an integral part of the combined financial statements.

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combined Statements of Activities**

**For The Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Changes in Unrestricted Net Assets:</b>		
<b>Support and Revenues:</b>		
Tuition and Fees	\$ 2,491,807	\$ 2,529,287
Contributions	740,101	730,505
Catholic Schools Foundation	70,924	67,264
Auxiliary Services	76,655	66,010
Athletics Income	2,308	14,742
Rental Income	8,605	6,463
Miscellaneous Income	80,497	92,402
<b>Net Assets Released From Restrictions :</b>		
For Scholarships and Financial Aid	23,600	73,887
<b>Total Unrestricted Support and Revenues</b>	<u>3,494,497</u>	<u>3,580,560</u>
<b>Expenses:</b>		
Educational	2,177,143	2,178,069
Institutional	766,728	867,467
Operations and Maintenance	409,994	450,533
Fundraising	102,845	100,091
Depreciation	61,871	58,441
<b>Total Expenses</b>	<u>3,518,581</u>	<u>3,654,601</u>
<b>Decrease in Unrestricted Net Assets</b>	<u>(24,084)</u>	<u>(74,041)</u>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Contributions	21,868	22,174
Investment Income	15,539	16,215
Realized (Losses) Gains on Investments	(4,495)	5,240
Unrealized Losses on Marketable Securities	(7,185)	(19,081)
<b>Net Assets Released From Restrictions:</b>		
For Scholarships and Financial Aid	(23,600)	(73,887)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>2,127</u>	<u>(49,339)</u>
<b>Change in Net Assets</b>	<u>(21,957)</u>	<u>(123,380)</u>
<b>Net Assets, Beginning of Year</b>	<u>142,288</u>	<u>265,668</u>
<b>Net Assets, End of Year</b>	<u>\$ 120,331</u>	<u>\$ 142,288</u>

The accompanying notes are an integral part of the combined financial statement.

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combined Statements of Cash Flows**

**For The Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	(\$ 21,957)	(\$ 123,380)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	61,871	58,441
Realized Losses (Gains) on Marketable Securities	4,495	(5,240)
Unrealized Losses on Marketable Securities	7,185	19,081
Tuition and Fees Receivable	36,993	(7,923)
Accounts Receivable, Other	6,008	2,163
Prepaid Expenses	1,570	5,450
Accounts Payable	(8,186)	(19,310)
Accrued Payroll and Other Liabilities	(27,132)	(1,729)
Tuition and Fees Received in Advance	39,714	(40,660)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>100,561</u>	<u>(113,107)</u>
<b>Cash Flows From Investing Activities:</b>		
(Increase) Decrease in Investment Cash	(1,671)	4,797
Purchases of Marketable Securities	(28,586)	(15,376)
Proceeds from Sales of Marketable Securities	24,119	38,552
Expenditures for Property and Equipment	(95,669)	(9,207)
<b>Net Cash (Used) Provided by Investing Activities</b>	<u>(101,807)</u>	<u>18,766</u>
<b>Cash Flows From Financing Activities:</b>		
Line of Credit	50,000	(8,796)
Note Payable Payments	(11,204)	
Reduction of Capitalized Lease Obligation	(11,505)	(6,012)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>27,291</u>	<u>(14,808)</u>
<b>Net Increase (Decrease) in Cash</b>	26,045	(109,149)
<b>Cash at Beginning of Year</b>	<u>374,586</u>	<u>483,735</u>
<b>Cash at End of Year</b>	<u>\$ 400,631</u>	<u>\$ 374,586</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Cash Paid During the Year for:</b>		
Interest	<u>\$ 2,595</u>	<u>\$ 2,728</u>
<b>Non-Cash Investing and Financing Activities:</b>		
<b>Equipment Acquired By Capital Lease</b>	<u>\$ 17,335</u>	<u>\$ -</u>

The accompanying notes are an integral part of the combined financial statements.

# MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

## Notes to Combined Financial Statements

For The Years Ended June 30, 2016 and 2015

### A. Summary of Significant Accounting Policies and Other Information:

#### **Organizations and Nature of Activities –**

Marian High School, Inc. (the School) was incorporated as a nonprofit corporation in the Commonwealth of Massachusetts on February 4, 2004. The School is an independent organization providing educational instruction consistent with the education mission of the Roman Catholic Church, the Roman Catholic Archdiocese of Boston and the Roman Catholic Archbishop of Boston for students in grades nine through twelve.

Development of Marian Education, Inc. (DOME) was incorporated as a not-for-profit corporation in 1984 to advance the cause of education at Marian High School, Inc. and to establish a mutually beneficial relationship between Marian High School and its alumni.

**Basis of Statements** - The financial statements have been prepared on the accrual basis. Under this method of accounting, expenses are recorded as incurred and income is recorded when earned.

**Unrestricted Net Assets** - Included in unrestricted net assets are amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the School or DOME is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School or DOME pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions that are received and used in the same year are included in unrestricted contributions on the combined statements of activities.

**Permanently Restricted Net Assets** - Permanently restricted net assets are amounts resulting from contributions and other inflows of assets whose use by the School or DOME is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School or DOME. The School does not have any permanently restricted net assets, however, DOME does have permanently restricted net assets.

**Fees and Tuition Receivable** – Fees and tuition receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Credit is extended to students' parents and collateral is not required. As of June 30, 2016 and 2015, the allowance for doubtful accounts was \$ 68,000 and \$ 41,000, respectively.

**Property and Equipment** - Building improvements, furniture, fixtures, equipment, and vehicles are recorded at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred whereas major betterments are capitalized as building improvements. Substantially all of the assets are depreciated on the straight-line method based upon their estimated useful lives.



# MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

## Notes to Combined Financial Statements

For The Years Ended June 30, 2016 and 2015

(Continued)

### A. Summary of Significant Accounting Policies and Other Information (Continued):

**Investments** - Investments are recorded at market and gains and losses from sales of investments are accounted for within the fund owning the investments. Investments are held by Fidelity Investments and the Roman Catholic Archdiocese of Boston Common Investment Fund as of June 30, 2016 and 2015.

**Fair Value Measurements** - Fair Value Measurements established 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** - Quoted prices of identical assets or liabilities in active markets;

**Level 2 Inputs** - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;

**Level 3 Inputs** - Unobservable inputs for where there is little, if any, market activity.

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.

**Income Taxes** - DOME is exempt from Federal income taxes as an organization formed under Section 501 ( c ) ( 3 ) of the Internal Revenue Code and the School is also exempt from federal income taxes. Accordingly, no provision for income taxes is required. Donors may deduct contributions made to the School or DOME within the Internal Revenue Code regulations. In addition, there are no unrecognized tax benefits and tax returns remain subject to examination by major tax jurisdictions for the standard three-year statute of limitations.

**Retirement Plan Expense** - The School's policy is to fund retirement plan expenses as incurred.

**Marketing Expenses** - The School expenses marketing expenses as incurred. Such expenses amounted to \$ 2,598 and \$ 4,612 for the years ended June 30, 2016 and 2015, respectively.

**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 estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Notes to Combined Financial Statements**

**For The Years Ended June 30, 2016 and 2015**

**(Continued)**

**B. Marketable Securities:**

	<b>June 30, 2016</b>		<b>June 30, 2015</b>	
	<b>Original Cost</b>	<b>Quoted Market</b>	<b>Original Cost</b>	<b>Quoted Market</b>
Money Market	\$ -	\$ -	\$ 2	\$ 2
Mutual Funds:				
Strategic Income	102,837	100,898	105,807	103,877
Other Funds	135,708	143,466	132,764	147,698
	<u>\$ 238,545</u>	<u>\$ 244,364</u>	<u>\$ 238,573</u>	<u>\$ 251,577</u>
Temporarily Restricted	\$ 233,545	\$ 239,364	\$ 233,573	\$ 246,577
Permanently Restricted	5,000	5,000	5,000	5,000
	<u>\$ 238,545</u>	<u>\$ 244,364</u>	<u>\$ 238,573</u>	<u>\$ 251,577</u>

All temporarily restricted marketable securities are Level 1 inputs while permanently restricted marketable securities are Level 3. See Note L for changes in Level 3 inputs. Unrealized gains on investments were \$ 5,819 and \$ 13,004 as of June 30, 2016 and June 30, 2015, respectively.

**C. Property and Equipment:**

Property and equipment consists of the following:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Furniture, Fixtures and Equipment	\$ 576,559	\$ 463,555
Building Improvements	122,554	122,554
Vehicles	26,616	26,616
	<u>725,729</u>	<u>612,725</u>
Less Accumulated Depreciation	<u>472,149</u>	<u>410,278</u>
	<u>\$ 253,580</u>	<u>\$ 202,447</u>

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Notes to Combined Financial Statements**

**For The Years Ended June 30, 2016 and 2015**

**(Continued)**

**D. Line of Credit:**

The School has an agreement with the Congregation of the Sisters of St. Joseph of Boston for an unsecured line of credit in the amount of \$ 500,000. The School may borrow from time to time any amount not to exceed \$ 500,000 at an interest rate of 2% per annum. On or before January 31, 2020, both parties may agree to terminate, extend, or otherwise modify this agreement. The balance outstanding as of June 30, 2016 and 2015 on the line of credit was \$ 50,000 and \$ 0, respectively. Interest expense amounted to \$ 83 and \$ 0 for the years ended June 30, 2016 and 2015, respectively.

**E. Long-Term Debt:**

The following is a summary of long-term debt:

	<u>2016</u>	<u>2015</u>
Note payable to a private corporation in monthly installments of \$ 900 including interest at 7.5% until June 30, 2016. The note was secured by office equipment with a carrying value of \$ 9,995 at June 30, 2016. This note has been paid off as of June 30, 2016.	\$ -	\$ 11,204
Less current maturities included in current liabilities	-	<u>10,310</u>
	<u>\$ -</u>	<u>\$ 894</u>

Interest expense amounted to \$ 491 and \$ 1,110 for the years ended June 30, 2016 and 2015, respectively.

# MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

## Notes to Combined Financial Statements

For The Years Ended June 30, 2016 and 2015

(Continued)

### F. Capital Lease Obligation:

The School leases computer equipment for student use. The lease is payable in monthly installments of \$ 587 through May 2017 with interest at 9.96%. Interest expense attributed to this lease amounted to \$ 902 and \$ 1,618 for the years ended June 30, 2016 and 2015, respectively.

A second lease is payable in monthly installments of \$ 539 through June 2018 with interest at 7.50%. Interest expense attributable to this lease amounted to \$ 1,119 for the year ended June 30, 2016.

The following is a summary of future minimum payments under the capitalized lease:

Fiscal Years Ending June 30:	
2017	\$ 12,342
2018	6,468
	<hr/>
	18,810
Less Amount Representing Interest	<hr/>
	1,212
Present Value of Minimum Capitalized Lease Payments	<hr/>
	\$ 17,598
Short-Term Portion Included in Current Liabilities	<hr/>
	\$ 11,383
The Assets Acquired through these Capital Leases are as follows:	
Office Equipment	\$ 35,551
Less Accumulated Depreciation	<hr/>
	18,071
	<hr/>
	\$ 17,480

### G. Retirement Plan:

The School participates in the Roman Catholic Archdiocese of Boston's contributory tax-sheltered annuity plan which covers substantially all full-time personnel who have completed one year of service. This plan became effective January 1, 2012. For the year ended June 30, 2015 and for future years the School will make a voluntary contribution of 50% of the first 4% of employee contributions (maximum of 2%). For the years ended June 30, 2016 and 2015, the contributions amounted to \$ 30,413 and \$ 20,663, respectively.

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Notes to Combined Financial Statements**

**For The Years Ended June 30, 2016 and 2015**

**(Continued)**

**H. Multiple-Employer Pension Plan:**

The School participates in the multiple-employer pension plan of the Roman Catholic Archdiocese of Boston Pension Plan.

The original effective date of the Plan was January 1, 1963. The Plan was last amended and restated effective January 1, 2011.

The Plan is noncontributory (while no employee contributions are currently made, the Plan document suggests that there were such contributions for 1976) defined benefit pension plan covering substantially all lay employees who work for a participating employer. All participating employers are separately incorporated Catholic organizations, the majority of which operate within the Archdiocese of Boston. The Plan provides benefits for normal, early, disability, and postponed retirement.

Effective December 31, 2011, the Plan was frozen and no additional benefits will accrue.

The following information is presented based upon the most recent audited financial statements of the Plan.

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 241,640,718	\$ 247,003,684
Net Assets Available for Benefits	215,991,574	224,816,420
Actuarial Present Value of Accumulated Plan Benefits in Excess of Net Assets Available for Benefits	<u>\$ 25,649,144</u>	<u>\$ 22,187,264</u>
% Funded	89.39%	91.02%
Participating Employer Contributions	7,799,992	\$ 9,095,474
School Contributions	\$ 78,456	\$ 78,456

Additional information may be obtained by writing to the Plan at 66 Brooks Drive, Braintree, Massachusetts 02184.

# MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

## Notes to Combined Financial Statements

For The Years Ended June 30, 2016 and 2015

(Continued)

### I. Functional Allocation of Expenses:

The cost of providing the various programs and supporting services has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

### J. Concentrations of Credit and Market Risk:

Financial instruments that potentially expose the School and DOME to concentrations of credit and market risk consist primarily of cash and investments. Cash is maintained at high-quality financial institutions. The School and DOME have not experienced any losses on its cash. DOME's investments do not represent significant concentrations of market risk inasmuch as DOME's investment portfolio is adequately diversified among issuers.

### K. Temporarily Restricted Net Assets:

DOME's temporarily restricted net assets are available for financial aid for Marian High School students and for operations at Marian High School. Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2016	2015
Financial Aid Only	\$ 66,193	\$ 57,289
Financial Aid or Operations	209,184	215,961
	<u>\$ 275,377</u>	<u>\$ 273,250</u>

### L. Changes in Permanently Restricted Net Assets:

On July 2, 2009, the Commonwealth of Massachusetts enacted the Uniform Prudent Management of Institutional Funds into law. As a result, DOME may, subject to the interest of a donor expressed in a gift instrument, appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent. It is the policy of DOME to appropriate the total investment return of the endowment fund each year.

The donor's permanent restrictions require that \$ 5,000 of principal as of June 30, 2016 and 2015 be held as a permanent source of income. Net investment income earned is restricted for scholarships and financial aid for Marian High School students.

# MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

## Notes to Combined Financial Statements

For The Years Ended June 30, 2016 and 2015

(Continued)

### L. Changes in Permanently Restricted Net Assets (Continued):

The following summarizes the changes in Endowment Funds:

	Year Ended	
	June 30,	
	2016	2015
Beginning Balance	\$ 5,000	\$ 5,000
Investment Income	250	250
Appropriation of Endowment – Temporarily Restricted Scholarships	(250)	(250)
Ending Balance	\$ 5,000	\$ 5,000

### M. Lease Agreement:

Marian High School, Inc. leases the school property under a lease agreement dated July 1, 2010 for an initial period of thirty years at a minimum annual payment of \$ 1.00 per year. The School is responsible for all operating expenses of the property. In addition, the School has options to extend the lease for two additional ten year periods at annual rental amounts of \$ 50,000 and \$ 100,000 subject to reduction under certain conditions. Operating expenses amounted to \$ 323,412 and \$ 329,064 for the years ended June 30, 2016 and 2015, respectively.

### N. Reclassification:

A reclassification of \$ 22,832 was made on the combining statements of financial position as of June 30, 2015 increasing cash by \$ 22,832 and decreasing investment cash by \$ 22,832 for Marian High School, Inc. Also, for DOME cash decreased by \$ 22,832 and investment cash increased by \$ 22,832. The overall total assets did not change and there was no effect on the statement of activities.

### O. Date Through Which Subsequent Events Have Been Evaluated:

Marian High School, Inc. and Development of Marian Education, Inc. have evaluated all material subsequent events from the end of the fiscal year through January 19, 2017, the date the combined financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in these combined financial statements.

### **Independent Auditors' Report On Additional Information**

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The additional information on pages fifteen through twenty-two is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, accordingly, we express no opinion.

January 19, 2017

*McCarthy, Hargrave & Co.*



MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

Combining Statements of Financial Position

June 30, 2016

ASSETS	Combined	Marian High School, Inc.	DOME
<b>Current Assets:</b>			
Cash	\$ 400,631	\$ 79,253	\$ 321,378
Fees and Tuition Receivable, Net	22,093	22,093	
<b>Total Current Assets</b>	<b>422,724</b>	<b>101,346</b>	<b>321,378</b>
<b>Other Assets:</b>			
Investment Cash	24,503		24,503
Marketable Securities	244,364		244,364
Property and Equipment, Net	253,580	253,580	
<b>Total Assets</b>	<b>\$ 945,171</b>	<b>\$ 354,926</b>	<b>\$ 590,245</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 1,250	\$ 1,250	\$ -
Accrued Payroll and Other Liabilities	244,063	244,063	
Tuition and Fees Received in Advance	511,929	263,809	248,120
Capital Lease, Short-Term Portion	11,383	11,383	
Line of Credit	50,000	50,000	
<b>Total Current Liabilities</b>	<b>818,625</b>	<b>570,505</b>	<b>248,120</b>
<b>Long-Term Obligations:</b>			
Capital Lease, Long-Term Portion	6,215	6,215	
<b>Total Long-Term Obligations</b>	<b>6,215</b>	<b>6,215</b>	<b>-</b>
<b>Net Assets:</b>			
Unrestricted Net Assets (Deficit)	(160,046)	(221,794)	61,748
Temporarily Restricted Net Assets	275,377		275,377
Permanently Restricted Net Assets	5,000		5,000
<b>Total Net Assets</b>	<b>120,331</b>	<b>(221,794)</b>	<b>342,125</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 945,171</b>	<b>\$ 354,926</b>	<b>\$ 590,245</b>

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combining Statements of Financial Position**

**June 30, 2015**

<b>ASSETS</b>	<b>Combined</b>	<b>Marian High School, Inc.</b>	<b>DOME</b>
<b>Current Assets:</b>			
Cash	\$ 374,586	\$ 91,943	\$ 282,643
Fees and Tuition Receivable, Net	59,086	59,086	
Account Receivable, Other	6,008	6,008	
Prepaid Expenses	1,570	1,570	
<b>Total Current Assets</b>	<b>441,250</b>	<b>158,607</b>	<b>282,643</b>
<b>Other Assets:</b>			
Investment Cash	22,832		22,832
Marketable Securities	251,577		251,577
Property and Equipment, Net	202,447	202,447	
<b>Total Assets</b>	<b>\$ 918,106</b>	<b>\$ 361,054</b>	<b>\$ 557,052</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 9,436	\$ 9,436	\$ -
Accrued Payroll and Other Liabilities	271,195	271,195	
Fees and Tuition Received in Advance	472,215	261,020	211,195
Capital Lease, Short-Term Portion	6,153	6,153	
Note Payable, Short-Term Portion	10,310	10,310	
<b>Total Current Liabilities</b>	<b>769,309</b>	<b>558,114</b>	<b>211,195</b>
<b>Long-Term Obligations:</b>			
Note Payable, Long-Term Portion	894	894	
Capital Lease, Long-Term Portion	5,615	5,615	
<b>Total Long-Term Obligations</b>	<b>6,509</b>	<b>6,509</b>	<b>-</b>
<b>Net Assets:</b>			
Unrestricted Net Assets (Deficit)	(135,962)	(203,569)	67,607
Temporarily Restricted Net Assets	273,250		273,250
Permanently Restricted Net Assets	5,000		5,000
<b>Total Net Assets</b>	<b>142,288</b>	<b>(203,569)</b>	<b>345,857</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 918,106</b>	<b>\$ 361,054</b>	<b>\$ 557,052</b>

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combining Statements of Activities**

**For The Year Ended June 30, 2016**

	<b>Combined</b>	<b>Elimination</b>	<b>Marian High School, Inc.</b>	<b>DOME</b>
<b>Changes in Unrestricted Net Assets:</b>				
<b>Support and Revenues:</b>				
Tuition and Fees	\$ 2,491,807	\$ -	\$ 2,491,807	\$ -
Contributions	740,101 (A)	(242,884)	745,960	237,025
Catholic Schools Foundation	70,924		70,924	
Auxiliary Services	76,655		76,655	
Athletics Income	2,308		2,308	
Rental Income	8,605		8,605	
Miscellaneous Income	80,497		80,497	
<b>Net Assets Released From Restrictions:</b>				
For Scholarships and Financial Aid	23,600		23,600	
<b>Total Unrestricted Support and Revenues</b>	<b>3,494,497</b>	<b>(242,884)</b>	<b>3,500,356</b>	<b>237,025</b>
<b>Expenses:</b>				
Educational	2,177,143		2,177,143	
Institutional	766,728		766,728	
Operations and Maintenance	409,994		409,994	
Fundraising	102,845		102,845	
Financial Aid	- (A)	(242,884)		242,884
Depreciation	61,871		61,871	
<b>Total Expenses</b>	<b>3,518,581</b>	<b>(242,884)</b>	<b>3,518,581</b>	<b>242,884</b>
<b>Decrease In Unrestricted Net Assets</b>	<b>(24,084)</b>	<b>-</b>	<b>(18,225)</b>	<b>(5,859)</b>
<b>Changes in Temporarily Restricted Net Assets:</b>				
Contributions	21,868			21,868
Investment Income	15,539			15,539
Realized Gains (Losses) on Investments	(4,495)			(4,495)
Unrealized Losses on Investments	(7,185)			(7,185)
Net Assets Released From Restrictions:				
For Scholarships and Financial Aid	(23,600)			(23,600)
<b>Increase in Temporarily Restricted Net Assets</b>	<b>2,127</b>			<b>2,127</b>
<b>Change in Net Assets</b>	<b>(21,957)</b>		<b>(18,225)</b>	<b>(3,732)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>142,288</b>		<b>(203,569)</b>	<b>345,857</b>
<b>Net Assets (Deficit), End of Year</b>	<b>\$ 120,331</b>	<b>\$ -</b>	<b>(\$ 221,794)</b>	<b>\$ 342,125</b>

(A) Elimination of Contributions and Scholarships and Financial Aid

MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

Combining Statements of Activities

For The Year Ended June 30, 2015

	Combined	Elimination	Marian High School, Inc.	DOME
<b>Changes in Unrestricted Net Assets:</b>				
<b>Support and Revenues:</b>				
Tuition and Fees	\$ 2,529,287	\$ -	\$ 2,529,287	\$ -
Contributions	730,505 (A)	(289,951)	719,146	301,310
Catholic Schools Foundation	67,264		67,264	
Auxiliary Services	66,010		66,010	
Athletic Income	14,742		14,742	
Rental Income	6,463		6,463	
Miscellaneous Income	92,402		92,402	
<b>Net Assets Released From Restrictions:</b>				
For Scholarships and Financial Aid	73,887		73,887	
<b>Total Unrestricted Support and Revenues</b>	<b>3,580,560</b>	<b>(289,951)</b>	<b>3,569,201</b>	<b>301,310</b>
<b>Expenses:</b>				
Educational	2,178,069		2,178,069	
Institutional	867,467		867,467	
Operations and Maintenance	450,533		450,533	
Fundraising	100,091		100,091	
Financial Aid		(A) (289,951)		289,951
Depreciation	58,441		58,441	
<b>Total Expenses</b>	<b>3,654,601</b>	<b>(289,951)</b>	<b>3,654,601</b>	<b>289,951</b>
<b>(Decrease) Increase In Unrestricted Net Assets</b>	<b>(74,041)</b>	<b>-</b>	<b>(85,400)</b>	<b>11,359</b>
<b>Changes in Temporarily Restricted Net Assets:</b>				
Contributions	22,174			22,174
Investment Income	16,215			16,215
Realized Gains on Marketable Securities	5,240			5,240
Unrealized Losses on Marketable Securities	(19,081)			(19,081)
Net Assets Released From Restrictions:				
For Scholarships and Financial Aid	(73,887)			(73,887)
<b>Decrease in Temporarily Restricted Net Assets</b>	<b>(49,339)</b>	<b>-</b>	<b>-</b>	<b>(49,339)</b>
<b>Change in Net Assets</b>	<b>(123,380)</b>		<b>(85,400)</b>	<b>(37,980)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>265,668</b>		<b>(118,169)</b>	<b>383,837</b>
<b>Net Assets (Deficit), End of Year</b>	<b>\$ 142,288</b>	<b>\$ -</b>	<b>(\$ 203,569)</b>	<b>\$ 345,857</b>

(B) Elimination of Contributions and Scholarships and Financial Aid

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combining Statements of Cash Flows**

**For The Year Ended June 30, 2016**

	<b>Combined</b>	<b>Marian High School, Inc.</b>	<b>DOMÉ</b>
<b>Cash Flows From Operating Activities:</b>			
Change in Net Assets	(\$ 21,957)	(\$ 18,225)	(\$ 3,732)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	61,871	61,871	
Realized Gains on Marketable Securities	4,495		4,495
Unrealized Losses on Marketable Securities	7,185		7,185
Fees and Tuition Receivable	36,993	36,993	
Accounts Receivable, Other	6,008	6,008	
Prepaid Expenses	1,570	1,570	
Accounts Payable	(8,186)	(8,186)	
Accrued Payroll and Other Liabilities	(27,132)	(27,132)	
Fees and Tuition Received in Advance	39,714	2,789	36,925
<b>Net Cash Provided by Operating Activities</b>	<b>100,561</b>	<b>55,688</b>	<b>44,873</b>
<b>Cash Flows From Investing Activities:</b>			
(Increase) in Investment Cash	(1,671)		(1,671)
Purchase of Marketable Securities	(28,586)		(28,586)
Proceeds from Sales of Marketable Securities	24,119		24,119
Expenditures for Property and Equipment	(95,669)	(95,669)	
<b>Net Cash Used by Investing Activities</b>	<b>(101,807)</b>	<b>(95,669)</b>	<b>(6,138)</b>
<b>Cash Flows From Financing Activities:</b>			
Line of Credit	50,000	50,000	
Note Payable Payments	(11,204)	(11,204)	
Reduction of Capitalized Lease Obligation	(11,505)	(11,505)	
<b>Net Cash Provided by Financing Activities</b>	<b>27,291</b>	<b>27,291</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash</b>	<b>26,045</b>	<b>(12,690)</b>	<b>38,735</b>
<b>Cash at Beginning of Year</b>	<b>374,586</b>	<b>91,943</b>	<b>282,643</b>
<b>Cash at End of Year</b>	<b>\$ 400,631</b>	<b>\$ 79,253</b>	<b>\$ 321,378</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
<b>Cash Paid During the Year for:</b>			
Interest	\$ 2,595	\$ 2,595	\$ -
<b>Non-Cash Investing and Financing Activities:</b>			
Equipment Acquired By Capital Lease	\$ 17,335	\$ 17,335	\$ -

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Combining Statements of Cash Flows**

**For The Year Ended June 30, 2015**

	<b>Combined</b>	<b>Marian High School, Inc.</b>	<b>DOME</b>
<b>Cash Flows From Operating Activities:</b>			
Change in Net Assets	(\$ 123,380)	(\$ 85,400)	(\$ 37,980)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:			
Depreciation	58,441	58,441	
Realized Gains on Marketable Securities	( 5,240)		(5,240)
Unrealized Losses on Marketable Securities	19,081		19,081
Fees and Tuition Receivable	(7,923)	(7,923)	
Accounts Receivable, Other	2,163	2,163	
Prepaid Expenses	5,450	5,450	
Accounts Payable	(19,310)	(19,310)	
Accrued Payroll and Other Liabilities	(1,729)	(1,729)	
Fees and Tuition Received in Advance	(40,660)	(23,115)	(17,545)
<b>Net Cash Used by Operating Activities</b>	<b>(113,107)</b>	<b>(71,423)</b>	<b>(41,684)</b>
<b>Cash Flows From Investing Activities:</b>			
Decrease in Investment Cash	4,797		4,797
Purchase of Marketable Securities	(15,376)		(15,376)
Proceeds from Sales of Marketable Securities	38,552		38,552
Expenditures for Property and Equipment	(9,207)	(9,207)	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>18,766</b>	<b>(9,207)</b>	<b>27,973</b>
<b>Cash Flows From Financing Activities:</b>			
Note Payable Payments	(8,796)	(8,796)	
Reduction of Capitalized Lease Obligation	(6,012)	(6,012)	
<b>Net Cash Used by Financing Activities</b>	<b>(14,808)</b>	<b>(14,808)</b>	<b>-</b>
<b>Net Decrease in Cash</b>	<b>(109,149)</b>	<b>(95,438)</b>	<b>(13,711)</b>
<b>Cash at Beginning of Year</b>	<b>483,735</b>	<b>187,381</b>	<b>296,354</b>
<b>Cash at End of Year</b>	<b>\$ 374,586</b>	<b>\$ 91,943</b>	<b>\$ 282,643</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
<b>Cash Paid During the Year for:</b>			
Interest	\$ 2,728	\$ 2,728	\$ -

MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.

Details of Educational Expenses

	June 30,	
	2016	2015
Teachers' Salaries	\$ 1,057,835	\$ 1,056,710
Athletic Salaries	147,516	161,131
Guidance Salaries	149,833	127,740
Library Salaries	44,812	42,489
Cafeteria Salaries	32,497	32,837
Payroll Taxes	102,048	104,437
Health Insurance	155,789	144,794
Retirement Plan Expense	81,158	69,216
Employee Benefits	49,412	72,675
Nurse	15,136	6,515
Workshop and Seminars	8,080	7,549
Testing	10,089	11,295
Student Activities	66,833	70,642
Dues and Subscriptions	5,629	6,151
Supplies	11,123	7,120
Computer Supplies	35,112	34,176
Copier Maintenance and Usage	12,707	16,746
Books and Merchandise	21,438	23,364
English	110	4,567
Mathematics	1,329	468
Science	3,405	2,159
Social Studies	783	884
Religion	183	55
Language	55	90
Fine Arts	1,029	1,261
Virtual High School	17,225	11,900
Guidance	4,174	1,283
Library	3,116	3,049
Athletic Programs	75,449	86,658
Cafeteria	63,239	70,108
	\$ 2,177,143	\$ 2,178,069

**MARIAN HIGH SCHOOL, INC. AND DEVELOPMENT OF MARIAN EDUCATION, INC.**

**Details of Expenses**

<b>Institutional</b>	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Administrative and Support Salaries	\$ 401,322	\$ 500,727
Religious Salaries	72,800	70,132
Payroll Taxes	33,775	36,803
Health Insurance	51,563	58,172
Retirement Plan Expense	26,861	27,808
Employee Benefits	6,789	11,500
Marketing	2,598	4,612
Admissions	43,531	34,794
Professional Services	9,052	8,037
Office Supplies	3,708	3,076
Computer Supplies	11,704	14,765
Copier Maintenance and Usage	4,236	7,234
Postage	12,887	14,569
Payroll Service Fees	5,812	5,841
Bank Charges	6,818	7,418
Interest Expense	2,595	2,728
Bad Debts Provision	60,180	48,207
Miscellaneous	10,497	11,044
	<b>\$ 766,728</b>	<b>\$ 867,467</b>

<b>Operations And Maintenance</b>	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Salaries	\$ 14,998	\$ 43,003
Payroll Taxes	1,068	3,105
Health Insurance	1,632	4,382
Retirement Plan Expense	850	2,095
Employee Benefits	215	866
Utilities and Fuel	109,220	137,847
Repairs And Services	214,192	191,217
Gas and Maintenance of Vehicles	29,688	32,377
Insurance	38,131	35,641
	<b>\$ 409,994</b>	<b>\$ 450,533</b>