

**MATIGNON HIGH SCHOOL, INC.**

---

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE AMOUNTS FOR 2011)**

**(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**



## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5-15
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	16
Schedule of program services expenses	17
Schedule of general and administrative expenses	18



## INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES  
MATIGNON HIGH SCHOOL, INC.  
Cambridge, Massachusetts

We have audited the accompanying statement of financial position of Matignon High School, Inc. (a not-for-profit corporation) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2011 financial statements and, in our report dated December 14, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of Matignon High School, Inc. as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Parent, McLaughlin & Nangle*

Certified Public Accountants, Inc.

November 27, 2012

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(With Comparative Amounts for 2011)

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash	\$ 514,600	\$ 535,037
Cash - debt reserve	43,119	-
Accounts receivable	55,921	31,487
Investments	82,054	95,326
Deferred costs, less accumulated amortization of \$9,206 in 2012 and \$5,625 in 2011	27,028	19,375
Property and equipment, net	<u>2,464,195</u>	<u>2,678,573</u>
Total assets	<u>\$ 3,186,917</u>	<u>\$ 3,359,798</u>
<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
Liabilities:		
Note payable - line of credit	\$ 111,700	\$ 117,850
Notes payable to bank	5,075,000	4,025,000
Revolving loan payable	-	33,247
Accounts payable and accrued expenses	249,594	743,141
Deferred revenues	1,014,473	956,681
Accrued interest payable on revolving loan	-	340,991
Other liabilities	-	1,806
Total liabilities	<u>6,450,767</u>	<u>6,218,716</u>
Net Assets (Deficiency):		
Unrestricted	( 3,375,282 )	( 2,980,616 )
Temporarily restricted	61,832	72,098
Permanently restricted	<u>49,600</u>	<u>49,600</u>
Total net assets (deficiency)	<u>( 3,263,850 )</u>	<u>( 2,858,918 )</u>
Total liabilities and net assets (deficiency)	<u>\$ 3,186,917</u>	<u>\$ 3,359,798</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012  
(With Comparative Totals for 2011)

	2012			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	2011
<b>REVENUES AND SUPPORT:</b>					
Tuition and fees	\$ 3,550,919	\$ -	\$ -	\$ 3,550,919	\$ 3,126,620
Miscellaneous	259,118	-	-	259,118	173,503
Grants and contributions	217,238	1,550	-	218,788	227,221
Fundraising	45,707	-	-	45,707	62,950
Rental income	38,375	-	-	38,375	44,620
Interest and dividends	-	3,637	-	3,637	3,627
Books and supplies	2,068	-	-	2,068	3,285
Unrealized (depreciation) appreciation on investments	-	( 6,411 )	-	( 6,411 )	12,966
Realized gain on sales of investments	-	1,479	-	1,479	-
Net assets released from restrictions	10,521	( 10,521 )	-	-	-
<b>Total revenues and support</b>	<b>4,123,946</b>	<b>( 10,266 )</b>	<b>-</b>	<b>4,113,680</b>	<b>3,654,792</b>
<b>EXPENSES:</b>					
Program services expenses	2,635,107	-	-	2,635,107	2,428,716
Supporting services expenses:					
General and administrative	1,864,580	-	-	1,864,580	1,766,286
Fundraising	18,925	-	-	18,925	24,202
<b>Total supporting services expenses</b>	<b>1,883,505</b>	<b>-</b>	<b>-</b>	<b>1,883,505</b>	<b>1,790,488</b>
<b>Total expenses</b>	<b>4,518,612</b>	<b>-</b>	<b>-</b>	<b>4,518,612</b>	<b>4,219,204</b>
CHANGE IN NET ASSETS	( 394,666 )	( 10,266 )	-	( 404,932 )	( 564,412 )
NET ASSETS (DEFICIENCY), beginning of year	( 2,980,616 )	72,098	49,600	( 2,858,918 )	( 2,294,506 )
NET ASSETS (DEFICIENCY), end of year	( \$ 3,375,282 )	\$ 61,832	\$ 49,600	( \$ 3,263,850 )	( \$ 2,858,918 )

See accompanying notes to financial statements.



MATIGNON HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	( \$ 404,932 )	( \$ 564,412 )
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	249,460	280,037
Amortization of deferred costs	3,581	2,500
Unrealized depreciation (appreciation) on investments	6,411	( 12,966 )
Realized gain on sale of investments	( 1,479 )	-
(Increase) decrease in assets:		
Accounts receivable	( 24,434 )	1,196
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	( 493,547 )	148,165
Deferred revenues	57,792	253,912
Accrued interest payable on revolving loan	( 340,991 )	-
Other liabilities	( 1,806 )	-
Total adjustments	( 545,013 )	672,844
Net cash (used in) provided by operating activities	( 949,945 )	108,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in cash-debt reserve	( 43,119 )	191,738
Proceeds from sale of investments	12,000	-
Purchases of investments	( 3,660 )	( 3,412 )
Purchases of property and equipment	( 35,082 )	( 41,587 )
Net cash (used in) provided by investing activities	( 69,861 )	146,739
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable to bank	1,050,000	-
Proceeds from line of credit	-	32,337
Repayments of line of credit	( 6,150 )	( 4,487 )
Repayments of revolving loan payable	( 33,247 )	-
Deferred costs incurred	( 11,234 )	-
Net cash provided by financing activities	999,369	27,850
NET (DECREASE) INCREASE IN CASH	( 20,437 )	283,021
CASH, beginning of year	535,037	252,016
CASH, end of year	<u>\$ 514,600</u>	<u>\$ 535,037</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid during the year for interest	<u>\$ 653,265</u>	<u>\$ 229,544</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

A. Organization:

Matignon High School, Inc. (the "School" or the "Corporation"), a nonprofit corporation, is a private Catholic high school located in Cambridge, Massachusetts. The purpose of the School is to fulfill the education mission of the Roman Catholic Church, the Roman Catholic Archdiocese of Boston and the Roman Catholic Archbishop of Boston.

Members of the Corporation include the Chairman (Archbishop of the Archdiocese of Boston), the Secretary of Education of the Archdiocese of Boston and other persons who may be appointed by the Chairman. Members of the Corporation appoint and remove Trustees and Officers as defined in the Corporation's by-laws. The Trustees are responsible for the property and business affairs of the Corporation.

B. Summary of Significant Accounting Policies:

Basis of accounting:

The School prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of estimates:

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

Basis of presentation:

Under ASC 958-205, Presentation of Financial Statements of Not-for-Profit Entities, the School is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

B. Summary of Significant Accounting Policies – (continued):

Basis of presentation – (continued):

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net assets:

Unrestricted net assets:

Unrestricted net assets represent those assets which the School may use at its discretion.

Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted net assets:

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

Permanently restricted net assets:

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

Tuition revenue:

Tuition revenue is recorded at rates established by the School.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.



MATIGNON HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

(continued)

B. Summary of Significant Accounting Policies – (continued):

Investments:

The School follows FASB ASC 958-320, Investments - Debt and Equity Securities of Not-for-Profit Entities. Under FASB ASC 958-320, marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Deferred costs:

Deferred costs consist of legal fees and closing costs incurred in obtaining financing. Legal fees and closing costs are amortized on a straight-line basis over the term of the respective loans.

Property and equipment:

Property and equipment are recorded at cost or at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Deferred revenues:

Deposits and advance payments received for tuition and fees which relate to the School's tuition billed for the following academic year are deferred and are recorded as unrestricted revenues as earned.

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 (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

MATIGNON HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

(continued)

B. Summary of Significant Accounting Policies – (continued):

Income tax status – (continued):

The School recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740, *Accounting for Uncertainties in Income Taxes*. Under that guidance the School assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The School has not identified any uncertain tax positions at June 30, 2012. Interest and penalties, if any, associated with unrecognized income taxes would be classified as additional income taxes in the statement of activities.

Subsequent events:

Subsequent events have been evaluated through November 27, 2012, which is the date the financial statements were available to be issued.

C. Investments:

Investments consist of shares held in the Roman Catholic Archdiocese of Boston Common Investment Fund, as follows at June 30, 2012:

<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
\$ 32,454	\$ 49,600	\$ 82,054	\$ 71,166	\$ 10,888
				<u>17,299</u>
Unrealized appreciation at June 30, 2011				
Decrease in unrealized appreciation - year ended June 30, 2012				<u>( \$ 6,411 )</u>

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

D. Property and Equipment:

Property and equipment at June 30, 2012, consists of the following:

Leasehold improvements	\$ 3,073,511
Furniture, fixtures and equipment	999,373
Vehicles	<u>24,255</u>
	4,097,139
Less accumulated depreciation	( <u>1,632,944</u> )
	<u>\$ 2,464,195</u>

E. Notes Payable – Line of Credit:

The School has a \$200,000 secured line of credit agreement with a bank for short-term borrowings which expires on demand. Interest on outstanding borrowings is payable monthly at the bank's base lending rate (4.00% at June 30, 2012), plus 1.0%. As of June 30, 2012, there was \$111,700 outstanding under this agreement.

Real estate and assignment of leases and rents are pledged as collateral.

F. Notes Payable to Bank:

Notes payable to bank, amounting to \$5,075,000, requires the School to make interest only payments at 6% through July 2013 at which time principal payments will begin. The notes mature on June 30, 2021.

Real estate, assignment of leases, security interest in land, building and improvements and rents are pledged as collateral. The notes are guaranteed by the Archdiocese of Boston. In addition, the School maintains a debt reserve cash account to make debt service payments on the notes payable to the bank.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

F. Note Payable to Bank – (continued):

Maturities of notes payable to bank for the five years succeeding June 30, 2012 are as follows:

Year ending June 30:

2013	\$	-
2014		82,601
2015		95,432
2016		101,318
2017		107,567
	<u>\$</u>	<u>386,918</u>

Interest expense on the note payable to bank and line of credit amounted to \$312,274 for the year ended June 30, 2012.

G. Net Assets:

Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2012, are comprised of \$61,832 restricted by donors for financial assistance and scholarships.

Permanently restricted net assets:

Permanently restricted net assets of \$49,600 at June 30, 2012 are to be held in perpetuity, the income of which is to be used for scholarships, library books, periodicals, and electronic media.

H. Pension plan:

Nonreligious faculty members of the School who meet eligibility requirements are participants in a noncontributory retirement annuity plan which is funded annually. There are no prior service costs under the plan. Pension expense amounted to \$125,446 for the year ended June 30, 2012.

MATIGNON HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

(continued)

I. Concentration of Credit Risk:

The School maintains a cash balance with one financial institution located in eastern Massachusetts. The account at the institution is insured by the Federal Deposit Insurance Corporation, up to \$250,000. At various times throughout the year the School's cash balance may have exceeded this limit.

J. Functional Allocation of Expenses:

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

K. Related Party Transactions:

The Catholic School Foundation is an affiliated organization of the Archdiocese of Boston and provided tuition support amounting to \$50,000 during the year ended June 30, 2012, which is included in grants and contributions in the accompanying Statement of Activities.

L. Lease Agreement:

The Archdiocese of Boston (the "Archdiocese") owns the property which the School occupies. The School has entered into a lease agreement with the Archdiocesan Central High School, Inc., a related party, which expires June 2059. The lease requires the School to pay \$1 rent for each of the first thirty years, \$50,000 each year for years thirty-one through forty and \$100,000 each year for the years forty-one through fifty. The rent may be reduced for leasehold improvements made by the tenant.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

M. Fair Value Measurements:

Determination of Fair Value:

The School uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the School's financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair Value Hierarchy:

In accordance with this guidance, the School groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the School has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation must be based on 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 data for substantially the full term of the asset of liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

M. Fair value measurements – (continued):

The valuation techniques applied to the School's major category of assets measured at fair value on a recurring basis are as follows. The School estimates fair value of its unit holdings in the investment fund based on the School's share of the underlying investment portfolio that consists of actively traded equities, bonds and money market funds. These assets are measured at fair value in Level 2.

Assets Measured at Fair Value on a Recurring Basis:

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment funds	<u>\$ 82,054</u>	<u>\$ -</u>	<u>\$ 82,054</u>	<u>\$ -</u>

There were no transfers among the three levels during the year ended June 30, 2012. There were no liabilities measured at fair value during the year ended June 30, 2012.

N. Endowment:

The School's endowment consists of several permanently restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted Massachusetts Law Chapter 180A as requiring the preservation of 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until appropriated

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

N. Endowment – (continued):

for expenditure under Chapter 180A. The School considers the following factors in making appropriations for expenditure in a manner consistent with the standard of prudence prescribed by Massachusetts Law Chapter 180A:

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

Endowment net asset composition by type of fund as of June 30, 2012, was as follows:

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ <u>49,600</u>

Changes in endowment net assets for the year ended June 30, 2012, were as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 49,600
Investment return:	
Interest and dividend income	2,198
Total investment return	<u>2,198</u>
Appropriation of endowment assets for expenditure	( <u>2,198</u> )
Endowment net assets, end of year	\$ <u>49,600</u>



MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(continued)

N. Endowment – (continued):

Return objectives and risk parameters:

Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 8.25% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how investment objectives relate to spending policy:

The Board of Trustees have authorized an investment spending policy under which the School uses up to 5% of the average market value of its investment portfolio over the previous twelve quarters. In establishing this policy, the School considered the long-term expected return on its endowment. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

O. Risks and Uncertainties:

The School invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the investment balances and the amount reported in the Statement of Activities.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

THE BOARD OF TRUSTEES  
MATIGNON HIGH SCHOOL, INC.  
Cambridge, Massachusetts

We have audited the financial statements of Matignon High School, Inc. as of and for the year ended June 30, 2012, and our report thereon dated November 27, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of program services expenses and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The prior year schedules of program services expenses and general and administrative expenses have been derived from the School's 2011 financial statements and, in our report dated December 14, 2011, we expressed an unqualified opinion on those financial statements.

*Parent, McLaughlin & Nangle*

Certified Public Accountants, Inc.

November 27, 2012

- 16 -

160 Federal Street  
Boston, MA 02110-1713  
617/426-9440  
Fax 617/423-3955

Parent, McLaughlin & Nangle  
Certified Public Accountants, Inc.

Ten Commerce Way  
Raynham, MA 02767-1071  
508/880-4955  
Fax 508/823-6976

[www.pmn.com](http://www.pmn.com)

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES

YEAR ENDED JUNE 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Salaries	\$ 1,881,455	\$ 1,771,347
Fringe benefits	437,134	371,746
Transportation	74,925	57,417
Student activities and summer school	69,755	75,007
Athletic events	55,239	45,051
Athletic equipment	53,072	44,398
Graduation	30,842	21,903
Referees	25,976	25,737
Fees	6,249	15,290
Books and publications	460	820
	<u>\$ 2,635,107</u>	<u>\$ 2,428,716</u>

See independent auditor's report on supplementary information.

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED JUNE 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Salaries	\$ 497,914	\$ 486,766
Interest expense	312,274	250,340
Depreciation	249,460	280,037
Maintenance	158,517	170,588
Fringe benefits	115,684	102,155
Utilities	99,743	103,813
Development activity	91,606	18,350
Miscellaneous	60,672	48,541
Admissions	46,460	36,607
Office supplies	41,256	40,040
Professional services	38,400	33,050
Contracted services	34,329	31,570
Insurance	32,621	32,548
Equipment rental and maintenance	32,123	31,139
Vehicle lease	18,136	17,696
Telephone	11,684	10,619
Postage	5,918	8,388
Conferences and workshops	5,699	15,267
Printing	5,549	38,262
Amortization	3,581	2,500
Uncollectible tuition	2,954	8,010
	<u>\$ 1,864,580</u>	<u>\$ 1,766,286</u>

See independent auditor's report on supplementary information.