

MATIGNON HIGH SCHOOL, INC.

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION
FOR THE
YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)**

(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	5-16
INDEPENDENT AUDITOR'S REPORT ON ACCOMPANY INFORMATION	17
Schedule of program services expenses	18
Schedule of general and administrative expenses	19



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, 2009, 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 2008 financial statements and, in our report dated January 16, 2009, 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 2009 financial statements referred to above present fairly, in all material respects, the financial position of Matignon High School, Inc. as of June 30, 2009, 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.

Certified Public Accountants

November 30, 2009

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

160 Federal Street
Boston, MA 02110-1713
617/426-9440
Fax No. 617/423-3955

100 Cummings Center
Suite 335G
Beverly, MA 01915-6106
978/921-0005
Fax No. 978/927-3428

85 Rangeway Road
Forest Ridge Office Park, Bldg #1
Billerica, MA 01862-2105
978/663-9750
Fax No. 978/663-5151

Ten Commerce Way
Raynham, MA 02767-1071
508/880-4955
Fax No. 508/823-6976

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Amounts for 2008)

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash	\$ 236,810	\$ 382,655
Cash - debt reserve	439,625	-
Accounts receivable	27,701	40,466
Investments	70,485	79,500
Deferred costs, less accumulated amortization of \$625 in 2009	24,375	-
Property and equipment, net	3,180,418	3,446,204
Total assets	<u>\$ 3,979,414</u>	<u>\$ 3,948,825</u>
<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
Liabilities:		
Note payable - line of credit	\$ 90,000	\$ -
Note payable to bank	4,025,000	-
Revolving loan payable	33,247	3,533,247
Accounts payable and accrued expenses	386,553	217,866
Deferred revenues	590,025	494,290
Accrued interest payable on revolving loan	340,991	183,944
Other liabilities	1,086	2,854
Total liabilities	<u>5,466,902</u>	<u>4,432,201</u>
Net Assets:		
Unrestricted (deficiency)	(1,580,971)	(585,752)
Temporarily restricted	43,883	52,776
Permanently restricted	49,600	49,600
Total net assets (deficiency)	<u>(1,487,488)</u>	<u>(483,376)</u>
Total liabilities and net assets (deficiency)	<u>\$ 3,979,414</u>	<u>\$ 3,948,825</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	2009			Total	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009</u>	<u>2008</u>
REVENUES AND SUPPORT:					
Tuition and fees	\$ 2,315,579	\$ -	\$ -	\$ 2,315,579	\$ 1,998,291
Grants and contributions	238,013	200	-	238,213	318,131
Miscellaneous	191,994	-	-	191,994	136,344
Fundraising	50,960	-	-	50,960	45,795
Rental income	55,080	-	-	55,080	46,040
Books and supplies	2,593	-	-	2,593	-
Interest and dividends	-	2,800	-	2,800	4,299
Unrealized depreciation on investments	-	(11,893)	-	(11,893)	(7,249)
Total revenues and support	<u>2,854,219</u>	<u>(8,893)</u>	<u>-</u>	<u>2,845,326</u>	<u>2,541,651</u>
EXPENSES:					
Program services expenses	<u>2,177,692</u>	<u>-</u>	<u>-</u>	<u>2,177,692</u>	<u>1,930,105</u>
Supporting services expenses:					
General and administrative	1,643,432	-	-	1,643,432	1,417,429
Fundraising	<u>28,314</u>	<u>-</u>	<u>-</u>	<u>28,314</u>	<u>22,311</u>
Total supporting services expenses	<u>1,671,746</u>	<u>-</u>	<u>-</u>	<u>1,671,746</u>	<u>1,439,740</u>
Total expenses	<u>3,849,438</u>	<u>-</u>	<u>-</u>	<u>3,849,438</u>	<u>3,369,845</u>
CHANGE IN NET ASSETS	(995,219)	(8,893)	-	(1,004,112)	(828,194)
NET ASSETS (DEFICIENCY), beginning of year	(<u>585,752</u>)	<u>52,776</u>	<u>49,600</u>	(<u>483,376</u>)	<u>344,818</u>
NET ASSETS (DEFICIENCY), end of year	(<u>\$ 1,580,971</u>)	<u>\$ 43,883</u>	<u>\$ 49,600</u>	(<u>\$ 1,487,488</u>)	(<u>\$ 483,376</u>)

See accompanying notes to financial statements.



MATIGNON HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 1,004,112)	(\$ 828,194)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	275,179	193,639
Amortization of deferred costs	625	-
Unrealized depreciation on investments	11,893	7,249
(Decrease) increase in accounts receivable	12,765	(11,751)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	168,687	83,547
Deferred revenues	95,735	244,123
Accrued interest payable on revolving loan	157,047	165,264
Other liabilities	(1,768)	1,843
Total adjustments	<u>720,163</u>	<u>683,914</u>
Net cash used in operating activities	(<u>283,949</u>)	(<u>144,280</u>)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in cash-debt reserve	(439,625)	-
Purchases of investments	(2,878)	(1,776)
Purchases of property and equipment	(<u>9,393</u>)	(<u>2,820,920</u>)
Net cash used in investing activities	(<u>451,896</u>)	(<u>2,822,696</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	90,000	-
Proceeds from long-term borrowings	4,025,000	-
Proceeds from revolving loan payable	90,000	2,742,824
Repayments of revolving loan payable	(3,590,000)	-
Deferred costs incurred	(<u>25,000</u>)	-
Net cash provided by financing activities	<u>590,000</u>	<u>2,742,824</u>
NET DECREASES IN CASH	(145,845)	(224,152)
CASH, beginning of year	<u>382,655</u>	<u>606,807</u>
CASH, end of year	<u>\$ 236,810</u>	<u>\$ 382,655</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	<u>\$ 61,350</u>	<u>\$ 16,572</u>

See accompanying notes to financial statements.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

A. Organization:

Matignon High School, Inc., a nonprofit corporation, is a private Catholic high school located in Cambridge, Massachusetts (the "School" or the "Corporation"). 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:

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:

MATIGNON HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

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

Basis of presentation – (continued)

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.

The School has adopted the Financial Accounting Standards Board's Statement of Position on Financial Accounting Standard No. 117-1—Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds which is effective for fiscal years ending after December 15, 2008. In accordance with the provisions of this standard, certain net asset reclassifications are presented in the 2009 and 2008 financial statements in conformity with the disclosures presented in Footnote P.

Tuition revenue:

Tuition revenue is recorded at rates established by the School.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

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

Contributions:

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

Investments:

The School follows Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements 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.

Fair value measurements:

The School is subject to the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS No. 157). FAS No. 157 defines fair value, establishes a framework to measure fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FAS No. 157, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the School has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These may include quoted prices for similar securities.

MATIGNON HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

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

Fair value measurements – (continued):

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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 market 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.

The School is subject to the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The FASB has deferred the effective date of FIN 48 for non-public enterprises, to the annual financial statements for fiscal years beginning after December 15, 2008. FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit or liability of a tax position taken or expected to be taken in a tax return. The School's policy is to analyze and evaluate its tax positions for all open tax years. The School has elected to defer the application of FIN 48 as permitted.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

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

Reclassifications:

Certain reclassifications have been made to the 2008 financial statements in order for them to conform with the 2009 presentation.

C. Investments:

Investments consist of shares held in the Roman Catholic Archdiocese of Boston Common Investment Fund, as follows at June 30, 2009:

<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Depreciation</u>
<u>\$ 30,985</u>	<u>\$ 39,500</u>	<u>\$ 70,485</u>	<u>\$ 71,669</u>	(\$ 1,184)
Unrealized appreciation at June 30, 2008				<u>10,709</u>
Decrease in unrealized appreciation - year ended June 30, 2009				<u>(\$ 11,893)</u>

D. Property and Equipment:

Property and equipment at June 30, 2009, consists of the following:

Land and building improvements	\$ 3,062,783
Furniture, fixtures and equipment	917,177
Vehicles	<u>24,255</u>
	4,004,215
Less accumulated depreciation	<u>(823,797)</u>
	<u>\$ 3,180,418</u>

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

E. Note Payable – Line of Credit:

The School has a \$200,000 secured line of credit agreement with a bank for short-term borrowings which expires March, 2010. Interest on outstanding borrowings is payable monthly at the bank's base lending rate (4.00% at June 30, 2009), plus 1.0%. As of June 30, 2009, there was \$90,000 outstanding under this agreement.

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

F. Note Payable to Bank:

Note payable to bank requires the School to make interest only payments at 6% through March 2011 with principal and interest due in monthly installments of \$28,836 through March 2019, at which time the remaining balance is due or may be refinanced.

Real estate and assignment of leases and rents are pledged as collateral. The note is guaranteed by the Archdiocese of Boston. In addition, the School is required to maintain a cash-debt reserve account to make principal and interest payments on the note payable to the bank.

Maturities of note payable to bank for the five years succeeding June 30, 2009 are as follows:

2010	\$	-
2011		-
2012		122,950
2013		130,533
2014		138,584
	\$	<u>392,067</u>

Interest expense on the note payable to bank and line of credit amounted to \$61,350 for the year ended June 30, 2009.

G. Revolving Loan Payable:

During the 2007 fiscal year, the School entered into a revolving loan agreement with the Archdiocese of Boston, (a related party), with interest at 6% per annum. During the year ended June 30, 2009, the School refinanced substantially all of its indebtedness to the Archdiocese of Boston. Outstanding borrowings on the revolving loan at June 30, 2009 amounted to \$33,247. There are no specific requirements in the loan agreement for the timing of repayment of borrowings. Interest expense on the Revolving Loan Payable, amounted to \$157,047 and \$181,836 for the years ended June 30, 2009 and 2008, respectively.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

H. Net Assets:

Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2009, are comprised of \$43,883 restricted by donors for financial assistance and scholarships.

Permanently restricted net assets:

Permanently restricted net assets of \$49,600 at June 30, 2009 are to be held in perpetuity, the income of which is to be used for scholarships, library books, periodicals, and electronic media.

I. 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 \$108,964 for the year ended June 30, 2009.

J. 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 June 30, 2009, the School's uninsured cash balance totaled approximately \$341,000.

K. 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.

L. Related Party Transactions:

The Catholic School Foundation is an affiliated organization of the Archdiocese of Boston and provided tuition support amounting to \$115,000 during the year ended June 30, 2009, which is included in grants and contributions in the accompanying Statement of Activities.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

L. Related Party Transactions: - (continued)

Interest expense on the revolving loan payable to the Archdiocese of Boston, amounted to \$157,047 for the year ended June 30, 2009. Accrued interest payable to the Archdiocese of Boston amounted to \$340,991 at June 30, 2009.

M. 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.

The School subleases property under a lease expiring August 31, 2018. Approximate minimum annual rentals for the five years succeeding June 30, 2009, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2010	\$49,000
2011	51,000
2012	53,000
2013	55,000
2014	57,000

Rental income for the year ended June 30, 2009 amounted to approximately \$48,000.

N. Prior Year Comparative Information:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

O. Fair Value Measurements:

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

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities Fair Value</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>As of June 30, 2009:</u>			
Investment Funds	<u>\$ 70,485</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 70,485</u>		<u>\$ 70,485</u>

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2009:

Balance beginning of year	\$ 79,500
Dividends	2,878
Change in unrealized gain/(loss)	(11,893)
Balance end of year	<u>\$ 70,485</u>

P. 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

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

P. Endowment: - (continued)

permanently restricted net assets is classified as temporarily restricted net assets until appropriated 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 organization 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, 2009, was as follows:

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

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

P. Endowment: - (continued)

Changes in endowment net assets for the year ended June 30, 2009 were as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 49,600
Investment return	
Interest and dividend income	-
Net appreciation on investments (realized and unrealized)	-
Total investment return	-
Appropriation of endowment assets for expenditure	-
Endowment net assets, end of year	<u>\$ 49,600</u>

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.

MATIGNON HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(continued)

P. Endowment: - (continued)

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. During the years ended June 30, 2009 and 2008 the spending policy allocation was not applied



INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

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

Our report on our audit of the financial statements of Matignon High School, Inc. for the year ended June 30, 2009 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information for the year ended June 30, 2009 on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The prior year accompanying information has been derived from the School's 2008 financial statements and, in our report dated January 16, 2009, we expressed an unqualified opinion on those financial statements.

Parent, McLaughlin & Nangle

Certified Public Accountants

November 30, 2009

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

160 Federal Street
Boston, MA 02110-1713
617/426-9440
Fax No. 617/423-3955

100 Cummings Center
Suite 335G
Beverly, MA 01915-6106
978/921-0005
Fax No. 978/927-3428

- 17 -

85 Rangeway Road
Forest Ridge Office Park, Bldg #1
Billerica, MA 01862-2105
978/663-9750
Fax No. 978/663-5151

Ten Commerce Way
Raynham, MA 02767-1071
508/880-4955
Fax No. 508/823-6976

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES

YEAR ENDED JUNE 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Salaries	\$ 1,551,235	\$ 1,409,448
Fringe benefits	348,323	299,579
Student activities and summer school	77,683	56,149
Athletic events	55,892	46,918
Athletic equipment	49,603	42,748
Transportation	40,375	21,593
Referees	24,359	23,005
Graduation	19,061	21,702
Fees	10,776	8,348
Books and publications	385	615
	<u>\$ 2,177,692</u>	<u>\$ 1,930,105</u>

See independent auditor's report on accompanying information.

MATIGNON HIGH SCHOOL, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED JUNE 30, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Salaries	\$ 414,617	\$ 402,566
Depreciation	275,179	193,639
Interest expense	218,397	181,836
Maintenance	198,274	158,591
Fringe benefits	93,101	85,566
Utilities	78,979	104,952
Admissions	42,949	48,876
Contracted services	40,388	23,524
Miscellaneous	38,698	29,168
Equipment rental and maintenance	38,650	33,483
Office supplies	35,817	49,058
Development activity	31,494	2,613
Professional services	26,920	28,900
Vehicle lease	26,358	13,453
Insurance	25,809	25,839
Printing	24,806	19,309
Telephone	11,997	5,279
Conferences and workshops	10,932	5,054
Postage	9,442	5,723
Amortization	625	-
	<u>\$ 1,643,432</u>	<u>\$ 1,417,429</u>

See independent auditor's report on accompanying information.