

**Audited
Financial Statements**

**Pope John XXIII
High School, Inc.**

June 30, 2005

Pope John XXIII High School, Inc.

Audited Financial Statements

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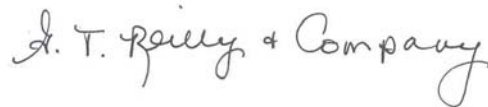
INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pope John XXIII High School, Inc.

We have audited the accompanying statement of financial position of Pope John XXIII High School as of June 30, 2005, and the related statement of activities and changes in net assets, 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Pope John XXIII High School at June 30, 2005, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



G. T. Reilly & Company

Milton, Massachusetts
September 22, 2005

Pope John XXIII High School, Inc.

Statement of Financial Position

June 30, 2005

Assets

CASH AND CASH EQUIVALENTS (Note 2)	<u>\$1,579,615</u>
ACCOUNTS RECEIVABLE, less allowance for doubtful accounts of \$21,652	<u>0</u>
INTEREST IN THE NET ASSETS OF THE CATHOLIC FOUNDATION (Notes 2, 3 & 4)	<u>54,269</u>
PROPERTY AND EQUIPMENT (Note 2)	
Computer hardware and software	53,830
Furniture and equipment	<u>47,646</u>
	101,476
Accumulated depreciation	<u>(29,458)</u>
	<u>72,018</u>
 TOTAL ASSETS	 <u>\$1,705,902</u>

Liabilities and Net Assets

LIABILITIES	
Accounts payable	\$ 27,494
Accrued expenses	187,868
Deferred revenue (Note 2)	<u>603,885</u>
 TOTAL LIABILITIES	 <u>819,247</u>
 NET ASSETS	
Unrestricted:	
Undesignated	444,881
Board-designated	<u>378,905</u>
	823,786
Temporarily restricted (Note 4)	27,224
Permanently restricted (Note 4)	<u>35,645</u>
	<u>886,655</u>
	<u>\$1,705,902</u>

Pope John XXIII High School, Inc.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Tuition and fees	\$3,187,347	\$	\$	\$3,187,347
Less financial aid	(590,493)			(590,493)
Tuition and fees, net	2,596,854			2,596,854
Contributed services and equipment	52,142			52,142
Gifts and donations	214,572	95,425		309,997
Catholic School Foundation	203,100			203,100
Investment income	20,712			20,712
Auxiliary activities	326,192			326,192
Rental income	49,331			49,331
Other program income	135,232			135,232
Net assets released from restrictions (Note 4)	86,825	(86,825)		
Total revenues and support	<u>3,684,960</u>	<u>8,600</u>		<u>3,693,560</u>
EXPENSES				
Program Services:				
Instruction and student activities	1,514,536			1,514,536
Auxiliary activities	194,052			194,052
Other programs	273,106			273,106
Total program services	<u>1,981,694</u>			<u>1,981,694</u>
Supporting Services:				
General and administrative	1,138,399			1,138,399
Fundraising	204,783			204,783
Total supporting services	<u>1,343,182</u>			<u>1,343,182</u>
Total expenses	<u>3,324,876</u>			<u>3,324,876</u>
CHANGE IN NET ASSETS	360,084	8,600		368,684
NET ASSETS CONTRIBUTED UPON INCORPORATION (Notes 2 & 3)	<u>463,702</u>	<u>18,624</u>	<u>35,645</u>	<u>517,971</u>
NET ASSETS AT END OF YEAR	<u>\$ 823,786</u>	<u>\$ 27,224</u>	<u>\$ 35,645</u>	<u>\$ 886,655</u>

Pope John XXIII High School, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2005

CASH PROVIDED FROM OPERATING ACTIVITIES	
Change in net assets	\$ 368,684
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,458
Changes in operating assets and liabilities:	
Accounts receivable, net	0
Accounts payable	27,494
Accrued expenses	187,868
Deferred revenue	<u>230,351</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>843,855</u>
CASH PROVIDED FROM INVESTING ACTIVITIES	
Purchase of furniture, fixtures and equipment	<u>(16,679)</u>
CASH PROVIDED FROM FINANCING ACTIVITIES	
Net cash contributed at incorporation	<u>752,439</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,579,615
CASH AND CASH EQUIVALENTS AND BEGINNING OF YEAR	<u>0</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$1,579,615</u>

Pope John XXIII High School, Inc.

Notes to Financial Statements

June 30, 2005

Note 1 – Nature of Organization

Pope John XXIII High School is a private high school located in Everett, Massachusetts. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition.

Until June 30, 2004, the School was a division of Archdiocesan Central High Schools, Inc. Beginning on July 1, 2004, the School became incorporated as an entity independent of Archdiocesan Central High Schools, Inc. and began to operate as an independent entity. At this date, the Archdiocesan Central High Schools distributed certain assets and liabilities to the corporation (See note 3).

Note 2 – Significant Accounting Policies

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

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Net Assets Contributed at Formation – The school received certain assets and assumed certain liabilities from the Archdiocesan Central High Schools when it became an independent entity. The School recorded these contributions at fair value on the date received (see note 3). These contributions are segregated from operating activities on the statement of activities and changes in net assets in order to identify the results of current year operations with greater ease.

Financial Statement Presentation - Under Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", the School presents a statement of financial position and a statement of activities segregated into three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see Note 4 regarding restrictions on net assets).

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise.

Contributions and Donor Restrictions - Under SFAS No. 116, "Accounting for Contributions Received and Contributions Made", use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 4).

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

Note 2 – Significant Accounting Policies (Cont.)

Interest in the Net Assets of the Catholic Foundation - The School follows the provisions of Statement of Financial Accounting Standards No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" (SFAS No. 136). The statement requires the School to recognize as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the School. Additionally, the statement requires the School to adjust the interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. The transfer of funds from the related organization is reported as a reduction to the School's recorded interest (see Note 4).

Furniture, fixtures and equipment – Furniture, fixtures and equipment are stated at cost. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized.

Depreciation is calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are between three and five years. Depreciation expense was \$29,458 for the year ended June 30, 2005.

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

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

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

Auxiliary Services Revenue – Auxiliary services revenue includes activities related to the School's operations, such as cafeteria and Bingo events. Auxiliary services revenue is recognized in the period to which it relates.

Advertising Expense - The School expenses advertising and marketing costs as incurred. Total expense approximated \$40,000 during the year.

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

Note 3 – Net Assets Contributed at Incorporation

The School received assets and assumed liabilities from the Archdiocesan Central High Schools at its incorporation as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash and equivalents	\$752,439	\$	\$	\$752,439
Interest in net assets of the Catholic Foundation		18,624	35,645	54,269
Furniture, fixtures and equipment	84,797			84,797
Deferred revenue	(373,534)			(373,534)
	<u>\$463,702</u>	<u>\$ 18,624</u>	<u>\$ 35,645</u>	<u>\$517,971</u>

Note 4 – Classification of Net Assets

At June 30, 2005, temporarily restricted assets consist of the following:

Interest in net assets of the Catholic Foundation	\$ 18,624
Marketing equipment	6,000
Other	<u>2,600</u>
	<u>\$ 27,224</u>

Permanently restricted assets consist of:

Interest in net assets of the Catholic Foundation	<u>\$ 35,645</u>
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Net assets released from restrictions during the year ended June 30, 2005 consisted of the following:

Admissions grant	\$ 44,000
Scholarships	32,950
Development	5,000
Other	<u>4,875</u>
	<u>\$ 86,825</u>

Note 5 – Pension Plan

The School participates with other organizations affiliated with the Archdiocese of Boston in a multiemployer noncontributory, defined-benefit pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the Plan). The Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Pension expense approximated \$78,000 for the year ended June 30, 2005.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multiemployer plan and, therefore, such information is not presented herein. The June 30, 2004 financial statements of the plan (the latest report issued) reflected approximately a \$20,000,000 deficit in plan benefits.