

**BLESSED STEPHEN BELLESINI,  
O.S.A. ACADEMY, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

As of June 30, 2011  
(with comparative totals for June 30, 2010)

Independent Auditors' Report

To the Board of Trustees  
Blessed Stephen Bellesini, O.S.A. Academy, Inc.

We have audited the accompanying statement of financial position of the Blessed Stephen Bellesini, O.S.A. Academy, Inc. (a nonprofit organization) as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. We previously audited and reported, in our report dated November 3, 2010, on the financial statements for the year ended June 30, 2010, totals of which are included for comparative purposes only.

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 the Blessed Stephen Bellesini, O.S.A. Academy, Inc. as of June 30, 2011 and the changes in its net assets and changes in its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

*Roy & Rurak, LLC*

November 16, 2011  
North Andover, MA

BLESSED STEPHEN BELLESINI, O.S.A ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2011

(with comparative totals for June 30, 2010)

ASSETS	<u>2011</u>	<u>2010</u>
Current:		
Cash	\$ 648,737	\$ 798,076
Pledges receivable net of discount \$1,214 and \$3,017, respectively	112,581	311,432
Prepaid expenses	<u>6,362</u>	<u>2,157</u>
Total current assets	767,680	1,111,665
Property and equipment, net	2,696,852	2,091,009
Other assets:		
Loan fee, net of amortization \$962 and \$4,691, respectively	<u>4,534</u>	<u>162</u>
Total assets	<u>\$ 3,469,066</u>	<u>\$ 3,202,836</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 4,426	\$ 3,004
Note payable - short term	9,896	127,015
Accrued expenses	<u>30,499</u>	<u>24,206</u>
Total current liabilities	44,821	154,225
Note payable - long term	<u>315,119</u>	-
Total liabilities	<u>359,940</u>	<u>154,225</u>
Net Assets:		
Unrestricted	2,934,457	1,619,249
Board Appropriated	<u>25,000</u>	<u>25,000</u>
Total Unrestricted	2,959,457	1,644,249
Temporarily restricted	<u>149,669</u>	<u>1,404,362</u>
Total net assets	<u>3,109,126</u>	<u>3,048,611</u>
Total liabilities and net assets	<u>\$ 3,469,066</u>	<u>\$ 3,202,836</u>

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

BLESSED STEPHEN BELLESINI, O.S.A ACADEMY, INC.

STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2011  
 (with comparative totals for June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Revenues and Support:</b>				
Program fees	\$ 9,089		\$ 9,089	\$ 10,345
Grants and awards	401,595	\$ 232,138	633,733	1,077,855
Contributions	177,801	-	177,801	126,502
Non-cash donations	199,507	-	199,507	99,992
In-kind revenue	36,537	-	36,537	30,000
Student fundraising	4,482	-	4,482	2,328
Interest Income	2,670	-	2,670	4,037
Miscellaneous income	90	-	90	631
Net assets released from restriction	<u>1,486,831</u>	<u>(1,486,831)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and support</b>	<u>2,318,602</u>	<u>(1,254,693)</u>	<u>1,063,909</u>	<u>1,351,690</u>
<b>Expenses:</b>				
Education	805,060	-	805,060	753,744
General and administrative	58,035	-	58,035	61,029
Fundraising	131,617	-	131,617	96,799
Loss on disposal of fixed assets	<u>8,682</u>	<u>-</u>	<u>8,682</u>	<u>-</u>
<b>Total expenses</b>	<u>1,003,394</u>	<u>-</u>	<u>1,003,394</u>	<u>911,572</u>
Increase (decrease) in net assets	1,315,208	(1,254,693)	60,515	440,118
Net assets, beginning of year	<u>1,644,249</u>	<u>1,404,362</u>	<u>3,048,611</u>	<u>2,608,493</u>
Net assets, end of year	<u>\$2,959,457</u>	<u>\$ 149,669</u>	<u>\$3,109,126</u>	<u>\$3,048,611</u>

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

BLESSED STEPHEN BELLESINI, O.S.A ACADEMY, INC.

STATEMENT OF CASH FLOWS  
 For the year ended June 30, 2011  
 (with comparative totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 60,515	\$ 440,118
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	116,464	83,849
Loss on disposal of fixed assets	8,682	-
Donated property and equipment	(105,401)	(4,225)
Change in operating assets and liabilities:		
Pledge receivable	198,851	257,997
Prepaid expenses	(4,205)	6,218
Accounts payable and accrued expenses	<u>7,715</u>	<u>437</u>
Net cash provided by (used by) operating activities	<u>282,621</u>	<u>784,394</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(624,626)</u>	<u>(665,312)</u>
Net cash provided (used by) investing activities	<u>(624,626)</u>	<u>(665,312)</u>
Cash flows from financing activities:		
Payment of notes	(135,659)	(8,912)
Proceeds from loans	<u>328,325</u>	<u>-</u>
Net cash provided by (used by) financing activities	<u>192,666</u>	<u>(8,912)</u>
Net increase (decrease) in cash	(149,339)	110,170
Cash, beginning of year	<u>798,076</u>	<u>687,906</u>
Cash, end of year	\$ <u>648,737</u>	\$ <u>798,076</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ <u>14,460</u>	\$ <u>9,024</u>

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

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Blessed Stephen Bellesini, O.S.A. Academy, Inc. (the "Organization") was formed December 21, 2001 under the laws of the Commonwealth of Massachusetts. The Organization is a nonprofit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Organization offers a quality scholarship education to boys from limited financial means living in Lawrence, Massachusetts and surrounding areas, at a private independent Catholic Middle School.

Method of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader

Basis of presentation

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. In accordance with generally accepted accounting principles, fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

**Unrestricted net assets** - are free of donor-imposed restrictions and include all revenues, expenses, gains, and losses that are not subject to donor-restrictions.

**Board Appropriated Funds** - These funds were set aside by the Board as a discretionary funding source to cover unbudgeted expenditures, which may arise as has been experienced during the school capital expansion. At June 30, 2011 and 2010 the unexpended balance of this appropriation was \$25,000 and \$25,000.

**Temporarily restricted net assets** - include gifts, grants, income, gains, and pledges for which donor-imposed restrictions have not been met.

**Permanently restricted net assets** - are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. As of June 30, 2011 and 2010, the Organization had no permanently restricted net assets.

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Donor restricted gifts that are received and expended within the same year are reported as unrestricted.

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Comparative totals for the year ended June 30, 2010

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, 2010, from which the summarized information was derived.

Revenue recognition

Program fees revenue consists of a \$35 per quarter activity fee per student, which is recognized upon receipt. Unconditional promises to give are recorded as received. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Pledges receivable

In accordance with GAAP pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable represent unconditional promises to give.

Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated cash flows using an appropriate discount rate.

Buildings, Equipment, Improvements and Depreciation

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Collections and Artifacts are not depreciated.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization maintains cash in money market and bank deposit accounts, which may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents

Fundraising

Fundraising relates to the activities of individuals in raising general and specific contributions for the Organization.

Functional allocation of expenses

The costs of providing the School's programs and related supporting services for the year ended June 30, 2011 are summarized in the schedule of functional expenses. Directly identifiable expenses are charged to programs and supporting services on the basis of estimated time spent or square footage. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Effective January 1, 2009, the provisions of U.S. generally accepted accounting principles require that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to tax positions taken or expected to be taken in a tax return. The implementation of these provisions had no impact on the Organization's financial statements. The Organization does not believe its financial statements include any uncertain tax positions.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with GAAP, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There was no impairment loss recognized during the years ended June 30, 2011 and 2010.



BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate fair value. The carrying amounts for cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is estimated based on future cash flows discounted at the current bank borrowing rate. The carrying amount of notes payable approximate fair value because those financial instruments bear interest at variable rates that approximate current market rates for notes with similar maturities and credit quality.

NOTE 2 - LEASE COMMITMENTS

The Organization entered into an operating lease in July 2003 for a modular unit it has been using. The Organization is responsible for all operating expenses including insurance, utilities, repairs, and maintenance. The lease is currently under a monthly rental agreement, at will, for a rental of \$1,470 per month. The leased modular was returned July 31, 2010.

NOTE 3 - PROPERTY AND EQUIPMENT

As of June 30, 2011 and 2010, property and equipment consisted of the following:

	<u>Estimated Useful Lives</u>	<u>2011</u>	<u>2010</u>
Equipment	5 years	\$ 289,522	\$ 133,606
Software	3 years	8,179	6,533
Furniture and fixtures	7 years	99,452	87,790
Leasehold improvements	5 - 10 years	-	2,805
Books	3 - 10 years	81,478	76,487
Modular unit set - up costs	5 years	-	55,728
Building	39 years	2,694,748	1,490,634
Building WIP	39 years	<u>-</u>	<u>665,312</u>
Total		3,173,379	2,518,895
Less accumulated depreciation		<u>476,527</u>	<u>427,886</u>
Net property and equipment		<u>\$2,696,852</u>	<u>\$2,091,009</u>

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2011 and 2010, temporarily restricted net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Restricted as to purpose:		
Summer program	\$ 43,750	\$ 9,500
Capital campaign	20,419	1,144,862
Building repairs	24,900	-
2011 - 2012 school year	60,600	-
2010 - 2011 school year	<u>-</u>	<u>250,000</u>
	<u>\$ 149,669</u>	<u>\$ 1,404,362</u>

NOTE 5 - NONCASH DONATIONS

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

	<u>2011</u>	<u>2010</u>
Small equipment, furniture, and software	\$ 104,146	\$ 3,500
Books	1,255	725
Consulting services	2,000	9,690
Events and hospitality	17,950	13,996
School supplies	4,884	1,063
Facility use for summer program	16,000	16,000
Computer equipment and maintenance (returned items)	3,600	4,790
Summer programs scholarships	34,900	37,490
Professional development	7,207	8,003
Graduate support	975	1,035
After school trips/programs	<u>6,590</u>	<u>3,700</u>
	<u>\$ 199,507</u>	<u>\$ 99,992</u>

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 76,795	\$ 251,283
Receivable in one to five years	37,000	63,166
Receivable after five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	113,795	314,449
Less discounts to net present value at 5.33% and 6.6%	(1,214)	(3,017)
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give at June 30	<u>\$ 112,581</u>	<u>\$ 311,432</u>

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - DONATED SERVICES AND FACILITIES

Amounts have been reflected in these financial statements for the value of donated services, which require specific expertise. The Organization generally pays its teachers at below market rate, and provides residential housing as needed to its teachers in lieu of paying them market wages. As such, for 2011 and 2010, \$29,047 and \$30,000 have been recorded to report annual teachers' salaries at fair value, including housing and nursing services of \$7,490 for 2011. Volunteers who provide assistance in the classrooms throughout the year are not recognized as contributions in the financial statements since the recognition criteria under GAAP were not met.

NOTE 8 – FINANCIAL RISK

The carrying amounts of cash, accounts payable and accrued expenses approximate fair value because of their short-term nature.

The Organization maintains its cash balances at three financial institutions. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. This risk is managed by maintaining all deposits in a high-quality institution. As of June 30, 2011 and 2010, the excess was \$167,131 and \$387,973.

During 2011 and 2010, donations from two donors accounted for approximately 37% and 47% of total revenue.

NOTE 9 - PENSION PLAN:

The Organization has a qualified Section 403(b) retirement program for all employees meeting eligibility requirements. The Plan allows participants to make tax deferred contributions for retirement by electing to defer a portion of their salary. The Organization makes matching contributions to the plan. Contributions of \$10,062 and \$11,497 were made to the Plan by the Organization in fiscal 2011 and 2010, respectively.

NOTE 10 - NOTE PAYABLE

On August 10, 2005, the School entered into a \$200,000 mortgage agreement with Citizens Bank of Massachusetts, payable in equal monthly installments of \$1,495 including interest at the rate of 6.6 % per annum. The mortgage is secured by the School's real estate and was paid in August 2010.

On July 29, 2010, the School entered into a construction note for up to \$425,000. On January 2, 2011 the note was converted to a five year fixed note on a scheduled twenty year amortization for \$328,325 with monthly payments starting February 28, 2011 in the amount of \$2,245.38.

	<u>2011</u>	<u>2010</u>
Total	\$325,015	\$127,015
Less current	<u>9,896</u>	<u>127,015</u>
Total due after one year	<u>\$315,119</u>	<u>\$_____</u>

BLESSED STEPHEN BELLESINI, O.S.A. ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 10 - NOTE PAYABLE (continued)

Long-term debt payable in each of the next five years:

2012	\$ 9,896
2013	10,436
2014	11,006
2015	11,608
2016	<u>282,069</u>
Total	<u>\$325,015</u>

Interest expense on the above related debts totaled \$14,460 and \$9,490 for 2011 and 2010, respectively.

NOTE 11 - LINE-OF-CREDIT

In September of 2010, Blessed Stephen Bellesini, O.S.A Academy, Inc. established a Line-of-Credit in the amount of \$75,000 with TD Bank, N. A., with an annual review date of September 30. The Line-of-Credit has an interest rate of prime plus .50% (3.75% at June 30th), payable monthly. The Line-of-Credit is collateralized by all assets of the organization. The current outstanding balance as of June 30, 2011 is \$-0-.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 16, 2011, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

BLESSED STEPHEN BELLESINI, O.S.A ACADEMY, INC.

SCHEDULE OF FUNCTIONAL EXPENSE

For the Year Ended June 30, 2011

(with comparative totals for June 30, 2010)

	<u>Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2011 Total</u>	<u>2010 Total</u>
Compensation and related expenses:					
Salaries	\$434,768	\$ 17,681	\$ 69,608	\$522,057	\$505,262
Employee benefits	27,401	1,114	4,387	32,902	35,157
Payroll taxes	28,802	1,171	4,611	34,584	33,611
Workmen's comp.	2,242	91	359	2,692	2,666
Advertising	-	989	-	989	419
Bank charges	-	2,858	-	2,858	3,872
Books and materials	4,293	-	-	4,293	5,648
Depreciation & Amortization	93,171	17,470	5,823	116,464	83,849
Equipment maintenance	1,116	-	-	1,116	8,313
Food supplies	3,272	-	-	3,272	2,424
Fundraising events	-	-	22,284	22,284	7,349
Gifts and hospitality	3,319	979	-	4,298	4,334
Interest	11,568	2,169	723	14,460	9,490
Meetings	-	697	-	697	692
Miscellaneous	-	315	-	315	1,584
Moving expenses	7,051	-	-	7,051	-
Occupancy:					
Faculty Housing	1,858	-	-	1,858	2,949
Insurance	15,077	613	2,414	18,104	14,814
Rent - modular units	1,224	50	196	1,470	17,640
Repairs and maintenance	24,776	1,008	3,967	29,751	22,928
Telephone/internet	6,717	273	1,075	8,065	7,541
Utilities	21,062	857	3,372	25,291	22,923
Office supplies and expenses	-	706	2,531	3,237	6,512
Postage	-	463	2,092	2,555	3,582
Printing	-	-	5,541	5,541	5,636
Professional development	8,767	600	310	9,677	11,840
Professional fees	750	7,429	750	8,929	7,500
Staffing service	10,008	-	-	10,008	-
Student programs & events	73,082	-	-	73,082	72,211
Supplies	6,704	-	-	6,704	2,007
Transportation	8,449	112	40	8,601	8,819
Technology	<u>9,583</u>	<u>390</u>	<u>1,534</u>	<u>11,507</u>	<u>-</u>
Total expenses	<u>\$805,060</u>	<u>\$ 58,035</u>	<u>\$131,617</u>	<u>\$994,712</u>	<u>\$911,572</u>

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