

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

As of June 30, 2010  
(with comparative totals for June 30, 2009)

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, 2010 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 October 27, 2009, on the financial statements for the year ended June 30, 2009, 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, 2010 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 11 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 3, 2010  
North Andover, MA

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

**STATEMENT OF FINANCIAL POSITION**

As of June 30, 2010

(with comparative totals for June 30, 2009)

ASSETS	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Cash	\$ 798,076	\$ 687,906
Pledges receivable net of discount \$3,017 and \$4,671, respectively	311,432	569,429
Prepaid expenses	<u>2,157</u>	<u>8,375</u>
Total current assets	1,111,665	1,265,710
Property and equipment, net	2,091,009	1,504,351
<b>Other assets:</b>		
Loan fee, net of amortization \$4,691 and \$3,721, respectively	<u>162</u>	<u>1,132</u>
Total assets	<u>\$ 3,202,836</u>	<u>\$ 2,771,193</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 3,004	\$ 5,872
Note payable - short term	127,015	9,242
Accrued expenses	<u>24,206</u>	<u>20,901</u>
Total current liabilities	154,225	36,015
Note payable - long term	<u>-</u>	<u>126,685</u>
Total liabilities	<u>154,225</u>	<u>162,700</u>
<b>Net Assets:</b>		
Unrestricted	1,619,249	1,605,372
Board Appropriated	<u>25,000</u>	<u>25,000</u>
Total Unrestricted	1,644,249	1,630,372
Temporarily restricted	<u>1,404,362</u>	<u>978,121</u>
Total net assets	<u>3,048,611</u>	<u>2,608,493</u>
Total liabilities and net assets	<u>\$ 3,202,836</u>	<u>\$ 2,771,193</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, 2010**  
**(with comparative totals for June 30, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>Revenues and Support:</b>				
Program fees	\$ 10,345		\$ 10,345	\$ 9,704
Grants and awards	359,618	\$ 718,237	1,077,855	839,238
Contributions	126,502	-	126,502	83,308
Non-cash donations	99,992	-	99,992	121,922
In-kind revenue	30,000	-	30,000	21,386
Student fundraising	2,328	-	2,328	1,796
Interest Income	4,037	-	4,037	8,018
Miscellaneous income	631	-	631	3,325
Net assets released from restriction	<u>291,996</u>	<u>(291,996)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and support</b>	<u>925,449</u>	<u>426,241</u>	<u>1,351,690</u>	<u>1,088,697</u>
<b>Expenses:</b>				
Education	753,744		753,744	750,041
General and administrative	61,029		61,029	73,657
Fundraising	<u>96,799</u>	<u>-</u>	<u>96,799</u>	<u>89,210</u>
<b>Total expenses</b>	<u>911,572</u>	<u>-</u>	<u>911,572</u>	<u>912,908</u>
Increase (decrease) in net assets	13,877	426,241	440,118	175,789
Net assets, beginning of year	<u>1,630,372</u>	<u>978,121</u>	<u>2,608,493</u>	<u>2,432,704</u>
Net assets, end of year	<u>\$1,644,249</u>	<u>\$1,404,362</u>	<u>\$3,048,611</u>	<u>\$2,608,493</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, 2010**  
**(with comparative totals for June 30, 2009)**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 440,118	\$ 175,789
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	83,849	86,620
Donated property and equipment	(4,225)	(18,638)
Change in operating assets and liabilities:		
Pledge receivable	257,997	(253,342)
Prepaid expenses	6,218	(1,379)
Accounts payable and accrued expenses	<u>437</u>	<u>7,982</u>
Net cash provided by (used by) operating activities	<u>784,394</u>	<u>(2,968)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(665,312)</u>	<u>(32,291)</u>
Net cash provided (used by) investing activities	<u>(665,312)</u>	<u>(32,291)</u>
Cash flows from financing activities:		
Payment of notes	<u>(8,912)</u>	<u>(8,648)</u>
Net cash provided by (used by) financing activities	<u>(8,912)</u>	<u>(8,648)</u>
Net increase (decrease) in cash	110,170	(43,907)
Cash, beginning of year	<u>687,906</u>	<u>731,813</u>
Cash, end of year	\$ <u>798,076</u>	\$ <u>687,906</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ <u>9,024</u>	\$ <u>8,700</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, 2010

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, 2010 and 2009 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, 2010 and 2009, 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, 2010

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

Comparative totals for the year ended June 30, 2009

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, 2009, 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, 2010

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, 2010 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, 2010 and 2009.



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NOTE 3 - PROPERTY AND EQUIPMENT

As of June 30, 2010 and 2009, property and equipment consisted of the following:

	Estimated Useful Lives	2010	2009
Equipment	5 years	\$ 133,606	\$ 134,306
Software	3 years	6,533	12,547
Furniture and fixtures	7 years	87,790	84,290
Leasehold improvements	5 - 10 years	2,805	2,805
Books	3 - 10 years	76,487	75,762
Modular unit set - up costs	5 years	55,728	55,728
Building	39 years	1,490,634	1,490,634
Building WIP	39 years	<u>665,312</u>	<u>-</u>
Total		2,518,895	1,856,072
Less accumulated depreciation		<u>427,886</u>	<u>351,721</u>
Net property and equipment		<u>\$2,091,009</u>	<u>\$1,504,351</u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2010 and 2009, temporarily restricted net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Restricted as to purpose:		
Summer program	\$ 9,500	\$ 7,500
Capital campaign	1,144,862	910,621
2009 - 2010 school year	-	60,000
2010 - 2011 school year	<u>250,000</u>	<u>-</u>
	<u>\$ 1,404,362</u>	<u>\$ 978,121</u>

**NOTE 5 - NONCASH DONATIONS**

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

	<u>2010</u>	<u>2009</u>
Small equipment, furniture, and software	\$ 3,500	\$ 7,282
Books	725	11,356
Consulting services	9,690	18,945
Events and hospitality	13,996	15,020
School supplies	1,063	4,601
Facility use for summer program	16,000	15,500
Computer equipment and maintenance (returned items)	4,790	-
Summer programs scholarships	37,490	38,450
Professional development	8,003	10,768
Graduate support	1,035	-
After school trips/programs	<u>3,700</u>	<u>-</u>
	<u>\$ 99,992</u>	<u>\$ 121,922</u>

**NOTE 6 – UNCONDITIONAL PROMISES TO GIVE:**

Unconditional promises to give at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 251,283	\$ 314,767
Receivable in one to five years	63,166	259,333
Receivable after five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	314,449	574,100
Less discounts to net present value at 6.6% and 6.6%	(3,017)	(4,671)
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give at June 30	<u>\$ 311,432</u>	<u>\$ 569,429</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**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 2010 and 2009, \$30,000 and \$21,386 have been recorded to report annual teachers' salaries at fair value, including housing. 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 Company 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, 2010 and 2009, the excess was \$387,973 and \$448,159. (In October 2008, FDIC limits have increased to \$250,000.)

During 2010 and 2009, donations from two donors accounted for approximately 47% and 39% 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 \$11,497 and \$8,527 were made to the Plan by the Organization in fiscal 2010 and 2009, 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.

Interest expense on the above related debt totaled \$9,490 and \$8,700 for 2010 and 2009, respectively.

**NOTE 11 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 3, 2010, 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, 2010**  
**(with comparative totals for June 30, 2009)**

	<u>Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2010 Total</u>	<u>2009 Total</u>
Compensation and related expenses:					
Salaries	\$430,472	\$ 22,017	\$ 52,773	\$505,262	\$495,172
Employee benefits	28,338	1,811	5,008	35,157	35,334
Payroll taxes	27,092	1,731	4,788	33,611	33,263
Workmen's comp.	2,149	137	380	2,666	3,488
Advertising	-	419	-	419	906
Bank charges	-	3,872	-	3,872	1,897
Books and materials	5,648	-	-	5,648	4,989
Depreciation & Amortization	67,079	12,577	4,193	83,849	86,620
Equipment maintenance	8,313	-	-	8,313	14,532
Faculty Housing	2,949	-	-	2,949	4,891
Fundraising events	-	-	7,349	7,349	4,526
Gifts and hospitality	3,450	884	-	4,334	4,962
Interest	7,592	1,424	474	9,490	8,700
Meetings	-	692	-	692	1,076
Miscellaneous	-	1,584	-	1,584	1,943
Occupancy:					
Food and house supplies	1,954	125	345	2,424	2,690
Insurance	11,941	763	2,110	14,814	15,902
Rent - modular units	17,640	-	-	17,640	17,640
Repairs and maintenance	18,481	1,181	3,266	22,928	22,883
Telephone/internet	6,078	388	1,075	7,541	2,736
Utilities	18,477	1,181	3,265	22,923	21,671
Office supplies and expenses	3,781	674	2,057	6,512	7,731
Postage	-	578	3,004	3,582	2,084
Printing	-	-	5,636	5,636	2,888
Professional development	9,447	2,083	310	11,840	16,427
Professional fees	-	6,750	750	7,500	9,067
Student programs & events	72,211	-	-	72,211	71,152
Supplies	2,007	-	-	2,007	6,323
Transportation	<u>8,645</u>	<u>158</u>	<u>16</u>	<u>8,819</u>	<u>11,415</u>
<b>Total expenses</b>	<b><u>\$753,744</u></b>	<b><u>\$ 61,029</u></b>	<b><u>\$96,799</u></b>	<b><u>\$911,572</u></b>	<b><u>\$912,908</u></b>

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