

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of June 30, 2009
(with comparative totals for June 30, 2008)

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, 2009 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 12, 2008, on the financial statements for the year ended June 30, 2008, 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, 2009 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

October 27, 2009
North Andover, MA

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

STATEMENT OF FINANCIAL POSITION

As of June 30, 2009

(with comparative totals for June 30, 2008)

| ASSETS | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Current: | | |
| Cash | \$ 687,906 | \$ 731,813 |
| Pledges receivable net of discount \$4,671 and \$2,913, respectively | 569,429 | 316,087 |
| Prepaid expenses | <u>8,375</u> | <u>6,996</u> |
| Total current assets | 1,265,710 | 1,054,896 |
| Property and equipment, net | 1,504,351 | 1,539,071 |
| Other assets: | | |
| Loan fee, net of amortization \$3,721 and \$2,750, respectively | <u>1,132</u> | <u>2,103</u> |
| Total assets | <u>\$ 2,771,193</u> | <u>\$ 2,596,070</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 5,872 | \$ 7,371 |
| Note payable - short term | 9,242 | 8,653 |
| Accrued expenses | <u>20,901</u> | <u>11,420</u> |
| Total current liabilities | 36,015 | 27,444 |
| Note payable - long term | <u>126,685</u> | <u>135,922</u> |
| Total liabilities | <u>162,700</u> | <u>163,366</u> |
| Net Assets: | | |
| Unrestricted | 1,605,372 | 1,554,804 |
| Board Appropriated | <u>25,000</u> | <u>25,000</u> |
| Total Unrestricted | 1,630,372 | 1,579,804 |
| Temporarily restricted | <u>978,121</u> | <u>852,900</u> |
| Total net assets | <u>2,608,493</u> | <u>2,432,704</u> |
| Total liabilities and net assets | <u>\$ 2,771,193</u> | <u>\$ 2,596,070</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, 2009
 (with comparative totals for June 30, 2008)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2009 Total</u> | <u>2008 Total</u> |
|---|------------------------|-----------------------------------|------------------------|------------------------|
| Revenues and Support: | | | | |
| Program fees | \$ 9,704 | | \$ 9,704 | \$ 7,617 |
| Grants and awards | 166,017 | \$ 673,221 | 839,238 | 1,263,170 |
| Contributions | 83,308 | - | 83,308 | 135,509 |
| Non-cash donations | 121,922 | - | 121,922 | 56,936 |
| In-kind revenue | 21,386 | - | 21,386 | 48,690 |
| Student fundraising | 1,796 | - | 1,796 | 1,271 |
| Rental income | - | - | - | 6,000 |
| Interest Income | 8,018 | - | 8,018 | 8,543 |
| Miscellaneous income | 3,325 | - | 3,325 | - |
| Net assets released from restriction | <u>548,000</u> | <u>(548,000)</u> | <u>-</u> | <u>-</u> |
| Total revenues and support | <u>963,476</u> | <u>125,221</u> | <u>1,088,697</u> | <u>1,527,736</u> |
| Expenses: | | | | |
| Education | 750,041 | - | 750,041 | 715,897 |
| General and administrative | 73,657 | - | 73,657 | 89,908 |
| Fundraising | <u>89,210</u> | <u>-</u> | <u>89,210</u> | <u>96,561</u> |
| Total expenses | <u>912,908</u> | <u>-</u> | <u>912,908</u> | <u>902,366</u> |
| Increase (decrease) in net assets | 50,568 | 125,221 | 175,789 | 625,370 |
| Net assets, beginning of year | <u>1,579,804</u> | <u>852,900</u> | <u>2,432,704</u> | <u>1,807,334</u> |
| Net assets, end of year | <u>\$1,630,372</u> | <u>\$ 978,121</u> | <u>\$2,608,493</u> | <u>\$2,432,704</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, 2009
 (with comparative totals for June 30, 2008)

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 175,789 | \$ 625,370 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 86,620 | 83,065 |
| Donated property and equipment | (18,638) | (4,433) |
| Non cash equipment pledge | - | 15,245 |
| Change in operating assets and liabilities: | | |
| Pledge receivable | (253,342) | (277,512) |
| Prepaid expenses | (1,379) | (2,893) |
| Accounts payable and accrued expenses | <u>7,982</u> | <u>6,292</u> |
| Net cash provided by operating activities | <u>(2,968)</u> | <u>445,134</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | <u>(32,291)</u> | <u>(17,980)</u> |
| Net cash provided (used by) investing activities | <u>(32,291)</u> | <u>(17,980)</u> |
| Cash flows from financing activities: | | |
| Payment of notes | <u>(8,648)</u> | <u>(26,565)</u> |
| Net cash provided by (used by) financing activities | <u>(8,648)</u> | <u>(26,565)</u> |
| Net increase (decrease) in cash | (43,907) | 400,589 |
| Cash, beginning of year | <u>731,813</u> | <u>331,224</u> |
| Cash, end of year | <u>\$ 687,906</u> | <u>\$ 731,813</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest expense | <u>\$ 8,700</u> | <u>\$ 13,824</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, 2009 and 2008

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.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

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, 2009 and 2008 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, 2009 and 2008, 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.

Comparative totals for the year ended June 30, 2008

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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

Revenue recognition

Program fees revenue consists of a \$10 per month 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.

Grants and pledges receivable

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," grants and pledges receivable expected to be collected within one year are recorded at net realizable value. See Note 2 for contributions receivable. Grants and pledges receivable represent unconditional promises to give.

Grants and 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.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Normal maintenance and repair costs are expensed as incurred.

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.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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, 2009 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 or pertain to a former church building that was converted to a school facility in fiscal 2006.

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.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 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, 2009 and 2008.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 3 - PROPERTY AND EQUIPMENT

As of June 30, 2009 and 2008, property and equipment consisted of the following:

| | Estimated Useful Lives | 2009 | 2008 |
|-------------------------------|---------------------------|--------------------|--------------------|
| Equipment | 5 years | \$ 134,306 | \$ 133,137 |
| Software | 3 years | 12,547 | 12,547 |
| Furniture and fixtures | 7 years | 84,290 | 78,177 |
| Leasehold improvements | 5 - 10 years | 2,805 | 2,805 |
| Books | 3 - 10 years | 75,762 | 63,248 |
| Modular unit set - up costs | 5 years | 55,728 | 55,728 |
| Building | 39 years | <u>1,490,634</u> | <u>1,459,501</u> |
| Total | | 1,856,072 | 1,805,143 |
| Less accumulated depreciation | | <u>351,721</u> | <u>266,072</u> |
| Net property and equipment | | <u>\$1,504,351</u> | <u>\$1,539,071</u> |

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2009 and 2008, temporarily restricted net assets consisted of the following:

| | 2009 | 2008 |
|---------------------------|-------------------|-------------------|
| Restricted as to purpose: | | |
| Summer program | \$ 7,500 | \$ 13,000 |
| Capital campaign | 910,621 | 362,400 |
| 2009 - 2010 school year | 60,000 | - |
| 2008 - 2009 school year | <u>-</u> | <u>477,500</u> |
| | <u>\$ 978,121</u> | <u>\$ 852,900</u> |

NOTE 5 - NONCASH DONATIONS

| | 2009 | 2008 |
|---|-------------------|------------------|
| Small equipment, furniture, and software | \$ 7,282 | \$ 2,500 |
| Books | 11,356 | 4,433 |
| Consulting services | 18,945 | 5,570 |
| Events and hospitality | 15,020 | 20,692 |
| School supplies | 4,601 | 586 |
| Facility use for summer program | 15,500 | 36,900 |
| Computer equipment and maintenance (returned items) | - | (15,245) |
| Publications | - | 1,500 |
| Summer programs scholarships | 38,450 | - |
| Professional development | <u>10,768</u> | <u>-</u> |
| | <u>\$ 121,922</u> | <u>\$ 56,936</u> |

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2009 and 2008 are as follows:

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 314,767 | \$ 224,000 |
| Receivable in one to five years | 259,333 | 95,000 |
| Receivable after five years | <u>-</u> | <u>-</u> |
| Total unconditional promises to give | 574,100 | 319,000 |
| Less discounts to net present value at 6.6% and 6.6% | (4,671) | (2,913) |
| Less allowance for uncollectible promises to give | <u>-</u> | <u>-</u> |
| Net unconditional promises to give at June 30 | <u>\$ 569,429</u> | <u>\$ 316,087</u> |

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 2009 and 2008, \$21,386 and \$48,690 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 SFAS No. 116 were not met.

NOTE 8 - FINANCIAL INSTRUMENTS - CONCENTRATIONS OF CREDIT RISK

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. 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, 2009 and 2008, the bank balance was \$698,159 and \$761,261. (In October 2008, FDIC limits have increased to \$250,000.)

During 2009 and 2008, donations from two donors accounted for approximately 39% and 28% of total revenue.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 9 - 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 is due August 2010.

Principal maturities of the mortgage notes payable during the next three years are as follows:

| | |
|------|------------------|
| 2010 | \$ 9,242 |
| 2011 | <u>126,685</u> |
| | <u>\$135,927</u> |

Interest expense on the above related debt totaled \$8,700 and \$11,259 for 2009 and 2008, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 27, 2009, when the financial statements were available to be issued.

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

SCHEDULE OF FUNCTIONAL EXPENSE

For the Year Ended June 30, 2009

(with comparative totals for June 30, 2008)

| | <u>Education</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>2009 Total</u> | <u>2008 Total</u> |
|------------------------------------|------------------|---------------------------------------|--------------------|-----------------------|-----------------------|
| Compensation and related expenses: | | | | | |
| Salaries | \$413,807 | \$ 29,121 | \$ 52,244 | \$495,172 | \$507,065 |
| Employee benefits | 29,528 | 2,078 | 3,728 | 35,334 | 31,631 |
| Payroll taxes | 27,798 | 1,956 | 3,509 | 33,263 | 33,178 |
| Workmen's comp. | 2,915 | 205 | 368 | 3,488 | 3,000 |
| Advertising | - | 906 | - | 906 | 1,920 |
| Bank charges | - | 1,897 | - | 1,897 | - |
| Books and materials | 4,989 | - | - | 4,989 | 3,342 |
| Depreciation & Amortization | 69,296 | 12,993 | 4,331 | 86,620 | 83,065 |
| Equipment maintenance | 14,532 | - | - | 14,532 | 1,450 |
| Faculty Housing | 4,891 | - | - | 4,891 | 7,246 |
| Fundraising events | - | - | 4,526 | 4,526 | 4,624 |
| Gifts and hospitality | 4,492 | 470 | - | 4,962 | 6,115 |
| Interest | 6,960 | 1,305 | 435 | 8,700 | 11,259 |
| Meetings | - | 1,076 | - | 1,076 | 1,034 |
| Miscellaneous | - | 1,943 | - | 1,943 | 4,254 |
| Occupancy: | | | | | |
| Food and house supplies | 2,690 | - | - | 2,690 | 12,485 |
| Insurance | 13,289 | 935 | 1,678 | 15,902 | 15,340 |
| Rent - modular units | 14,742 | 1,037 | 1,861 | 17,640 | 17,640 |
| Repairs and maintenance | 19,123 | 1,346 | 2,414 | 22,883 | 15,288 |
| Telephone | 1,238 | 749 | 749 | 2,736 | 1,805 |
| Utilities | 18,111 | 1,274 | 2,286 | 21,671 | 25,292 |
| Office supplies and expenses | 1,930 | 1,247 | 4,554 | 7,731 | 11,941 |
| Postage | - | 470 | 1,614 | 2,084 | 3,085 |
| Printing | - | - | 2,888 | 2,888 | 4,788 |
| Professional development | 12,123 | 2,989 | 1,315 | 16,427 | 12,008 |
| Professional fees | - | 8,357 | 710 | 9,067 | 9,748 |
| Student programs & events | 71,152 | - | - | 71,152 | 59,217 |
| Supplies | 6,323 | - | - | 6,323 | 5,860 |
| Transportation | <u>10,112</u> | <u>1,303</u> | <u>-</u> | <u>11,415</u> | <u>8,686</u> |
| Total expenses | <u>\$750,041</u> | <u>\$ 73,657</u> | <u>\$ 89,210</u> | <u>\$912,908</u> | <u>\$902,366</u> |

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