

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of June 30, 2014
(with comparative totals for June 30, 2013)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Blessed Stephen Bellesini, O.S.A. Academy, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blessed Stephen Bellesini, O.S.A. Academy, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Blessed Stephen Bellesini, O.S.A. Academy, Inc.'s June 30, 2013 financial statements, and our report dated November 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited information from which it has been derived.

Roy & Rurak, LLC

North Andover, MA
November 17, 2014

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

STATEMENT OF FINANCIAL POSITION

As of June 30, 2014

(with comparative totals for June 30, 2013)

ASSETS	<u>2014</u>	<u>2013</u>
Current:		
Cash	\$ 716,739	\$ 644,409
Pledges receivable net of discount \$1,819 and \$159, respectively	136,356	24,246
Prepaid expenses	<u>11,623</u>	<u>2,937</u>
Total current assets	864,718	671,592
Property and equipment, net	2,496,103	2,543,064
Other assets:		
Loan fee, net of amortization \$4,165 and \$3,098, respectively	<u>1,333</u>	<u>2,400</u>
Total assets	<u>\$ 3,362,154</u>	<u>\$ 3,217,056</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,841	\$ 9,299
Note payable - short term	23,145	19,362
Accrued expenses	<u>55,402</u>	<u>63,343</u>
Total current liabilities	80,388	92,004
Note payable - long term	<u>58,651</u>	<u>131,683</u>
Total liabilities	<u>139,039</u>	<u>223,687</u>
Net Assets:		
Unrestricted	3,009,465	2,916,540
Temporarily restricted	<u>213,650</u>	<u>76,829</u>
Total net assets	<u>3,223,115</u>	<u>2,993,369</u>
Total liabilities and net assets	<u>\$ 3,362,154</u>	<u>\$ 3,217,056</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, 2014
 (with comparative totals for June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Revenues and Support:				
Program fees	\$ 11,860		\$ 11,860	\$ 9,765
Grants and awards	583,990	\$211,650	795,640	403,753
Contributions	295,378	-	295,378	186,287
Non-cash donations	105,878	-	105,878	116,524
In-kind revenue	31,627	-	31,627	20,270
Event income	65,313	-	65,313	56,050
Student fundraising	8,157	-	8,157	5,945
Interest Income	1,406	-	1,406	1,624
Net assets released from restriction	<u>74,829</u>	<u>(74,829)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,178,438</u>	<u>136,821</u>	<u>1,315,259</u>	<u>800,218</u>
Expenses:				
Education	886,849	-	886,849	871,035
General and administrative	49,150	-	49,150	47,237
Fundraising	<u>149,514</u>	<u>-</u>	<u>149,514</u>	<u>154,722</u>
Total expenses	<u>1,085,513</u>	<u>-</u>	<u>1,085,513</u>	<u>1,072,994</u>
Increase (decrease) in net assets	92,925	136,821	229,746	(272,776)
Net assets, beginning of year	<u>2,916,540</u>	<u>76,829</u>	<u>2,993,369</u>	<u>3,266,145</u>
Net assets, end of year	<u>\$3,009,465</u>	<u>\$213,650</u>	<u>\$3,223,115</u>	<u>\$2,993,369</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, 2014
 (with comparative totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 229,746	\$(272,776)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	121,827	131,069
Donated property and equipment	(2,090)	(4,625)
Change in operating assets and liabilities:		
Pledge receivable	(112,110)	219,765
Prepaid expenses	(8,686)	6,003
Accounts payable and accrued expenses	<u>(15,399)</u>	<u>43,211</u>
Net cash provided by (used by) operating activities	<u>213,288</u>	<u>122,647</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(71,709)</u>	<u>(25,805)</u>
Net cash provided (used by) investing activities	<u>(71,709)</u>	<u>(25,805)</u>
Cash flows from financing activities:		
Payment of notes	<u>(69,249)</u>	<u>(89,405)</u>
Net cash provided by (used by) financing activities	<u>(69,249)</u>	<u>(89,405)</u>
Net increase (decrease) in cash	72,330	7,437
Cash, beginning of year	<u>644,409</u>	<u>636,972</u>
Cash, end of year	\$ <u>716,739</u>	\$ <u>644,409</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ <u>7,695</u>	\$ <u>12,540</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, 2014

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.

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, 2014 and 2013, 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, 2014

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

Comparative Totals For the Year Ended June 30, 2013

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, 2013, from which the summarized information was derived.

Revenue Recognition

Program fees revenue consists of a \$40 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.

Fundraising

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Functional Allocation of Expenses

The costs of providing the School's programs and related supporting services for the year ended June 30, 2014 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.

The Organization files its form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Massachusetts. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

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, 2014 and 2013.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 - PROPERTY AND EQUIPMENT

As of June 30, 2014 and 2013, property and equipment consisted of the following:

	Estimated <u>Useful Lives</u>	<u>2014</u>	<u>2013</u>
Equipment	5 years	\$ 306,873	\$ 301,118
Software	3 years	8,179	8,179
Furniture and fixtures	7 years	111,507	111,507
Books	3 - 10 years	93,523	90,961
Building	39 years	<u>2,840,535</u>	<u>2,775,053</u>
Total		3,360,617	3,286,818
Less accumulated depreciation		<u>864,514</u>	<u>743,754</u>
Net property and equipment		<u>\$2,496,103</u>	<u>\$2,543,064</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014 and 2013, temporarily restricted net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Restricted as to purpose:		
Summer program	\$ 46,650	\$ 34,510
Capital campaign	-	20,419
Building repairs	-	19,900
2014 - 2015 school year	<u>167,000</u>	<u>2,000</u>
	<u>\$213,650</u>	<u>\$ 76,829</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - NONCASH DONATIONS

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

	<u>2014</u>	<u>2013</u>
Books	\$ 2,090	\$ 2,775
Consulting services	2,250	10,130
Events and hospitality	21,975	27,715
School supplies	1,139	800
Facility use for summer program	16,000	16,000
Computer equipment and maintenance (returned items)	-	1,850
Summer programs scholarships	39,530	32,400
Professional development	1,095	4,094
Graduate support	1,940	1,800
After school trips/programs	<u>19,859</u>	<u>18,960</u>
	<u>\$105,878</u>	<u>\$116,524</u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$138,175	\$24,405
Receivable in one to five years	-	-
Receivable after five years	-	-
Total unconditional promises to give	138,175	24,405
Less discounts to net present value at 5.33% and 5.33%	(1,819)	(159)
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give at June 30	<u>\$136,356</u>	<u>\$24,246</u>

NOTE 6 - 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 2014 and 2013, \$31,627 and \$20,270 have been recorded to report annual teachers' salaries at fair value, including housing and nursing services of \$-0- and \$-0- for 2014 and 2013. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - 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, 2014, the excess was \$30,146.

During 2014 and 2013, donations from two donors accounted for approximately 22% and 31.9% of total revenue.

NOTE 8 - 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 \$10,295 and \$8,689 were made to the Plan by the Organization in fiscal 2014 and 2013, respectively.

NOTE 9 - NOTE PAYABLE

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 including interest at the rate of 5.33% and collateralized by the educational property.

	<u>2014</u>	<u>2013</u>
Total	\$81,796	\$151,045
Less current	<u>23,145</u>	<u>19,362</u>
Total due after one year	<u>\$58,651</u>	<u>\$131,683</u>

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

2015	\$23,145
2016	58,651
2017	-
2018	-
2019	<u>-</u>
Total	<u>\$81,796</u>

Interest expense on the above related debts totaled \$7,695 and \$12,540 for 2014 and 2013, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 - 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, 2014 is \$-0-.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 17, 2014, 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, 2014

(with comparative totals for June 30, 2013)

	<u>Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2014 Total</u>	<u>2013 Total</u>
Compensation and related expenses:					
Salaries	\$469,375	\$17,657	\$ 85,215	\$ 572,247	\$ 542,510
Employee benefits	23,408	880	4,250	28,538	28,597
Payroll taxes	33,892	1,275	6,153	41,320	40,403
Workmen's comp.	2,765	104	502	3,371	2,995
Advertising	-	-	25	25	1,277
Bank and payroll fees	-	6,405	-	6,405	4,874
Books and materials	6,505	-	-	6,505	8,929
Depreciation & Amortization	109,645	6,091	6,091	121,827	131,069
Equipment maintenance	-	-	-	-	464
Food supplies	8,549	311	311	9,171	8,114
Fundraising events	-	-	32,064	32,064	37,455
Graduate alumni support	6,504	-	-	6,504	6,034
Gifts and hospitality	6,140	2,666	-	8,806	7,351
Interest	6,925	385	385	7,695	12,540
Meetings	-	975	-	975	868
Miscellaneous	-	265	-	265	862
Occupancy:					
Faculty Housing	-	600	-	600	-
Insurance	17,429	634	634	18,697	17,838
Repairs and maintenance	30,519	1,110	1,110	32,739	38,229
Telephone/internet	6,462	235	235	6,932	8,918
Utilities	29,319	1,066	1,066	31,451	23,225
Office supplies and expenses	-	125	1,469	1,594	1,384
Postage	-	182	2,764	2,946	3,346
Printing	-	-	5,369	5,369	6,243
Professional development	2,502	56	448	3,006	6,091
Professional fees	1,271	7,875	1,271	10,417	10,838
Staffing service	31,627	-	-	31,627	20,270
Student programs & events	75,117	-	-	75,117	70,110
Supplies	6,280	-	-	6,280	3,811
Transportation	8,420	100	-	8,520	9,368
Technology	<u>4,195</u>	<u>153</u>	<u>152</u>	<u>4,500</u>	<u>18,981</u>
Total expenses	<u>\$886,849</u>	<u>\$49,150</u>	<u>\$149,514</u>	<u>\$1,085,513</u>	<u>\$1,072,994</u>

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