

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of June 30, 2016
(with comparative totals for June 30, 2015)

INDEPENDENT AUDITOR'S 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, 2016, 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, 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule on page 11 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 the Blessed Stephen Bellesini, O.S.A. Academy, Inc.'s June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited information from which it has been derived.

Roy & Rurak, LLC

North Andover, MA
December 29, 2016

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

STATEMENT OF FINANCIAL POSITION

As of June 30, 2016

(with comparative totals for June 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
Current:		
Cash	\$1,147,827	\$ 667,862
Pledges receivable net of discount \$15,076 and \$827, respectively	1,097,917	91,173
Prepaid expenses	<u>7,914</u>	<u>4,316</u>
Total current assets	2,253,658	763,351
Property and equipment, net	<u>2,306,389</u>	<u>2,388,422</u>
Total assets	<u>\$4,560,047</u>	<u>\$3,151,773</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,910	\$ 10,027
Accrued expenses	<u>54,658</u>	<u>55,654</u>
Total current liabilities	<u>65,568</u>	<u>65,681</u>
Total liabilities	<u>65,568</u>	<u>65,681</u>
Net Assets:		
Unrestricted	2,862,973	2,888,842
Temporarily restricted	<u>1,631,506</u>	<u>197,250</u>
Total net assets	<u>4,494,479</u>	<u>3,086,092</u>
Total liabilities and net assets	<u>\$4,560,047</u>	<u>\$3,151,773</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, 2016
 (with comparative totals for June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues and Support:				
Program fees	\$ 12,756	\$ -	\$ 12,756	\$ 10,912
Grants and awards	208,000	-	208,000	521,842
Contributions	578,241	1,631,506	2,209,747	292,320
Non-cash donations	168,524	-	168,524	131,888
In-kind revenue	40,090	-	40,090	50,875
Event income	134,850	-	134,850	62,355
Student fundraising	9,919	-	9,919	8,351
Interest Income	1,151	-	1,151	1,245
Misc. Uniforms	8,599	-	8,599	-
Net assets released from restriction	<u>197,250</u>	<u>(197,250)</u>	<u>-</u>	<u>-</u>
 Total revenues and support	 <u>1,359,380</u>	 <u>1,434,256</u>	 <u>2,793,636</u>	 <u>1,079,788</u>
 Expenses:				
Education	1,088,401	-	1,088,401	966,537
General and administrative	75,922	-	75,922	71,538
Fundraising	<u>220,926</u>	<u>-</u>	<u>220,926</u>	<u>178,736</u>
 Total expenses	 <u>1,385,249</u>	 <u>-</u>	 <u>1,385,249</u>	 <u>1,216,811</u>
Increase (decrease) in net assets	(25,869)	1,434,256	1,408,387	(137,023)
Net assets, beginning of year	<u>2,888,842</u>	<u>197,250</u>	<u>3,086,092</u>	<u>3,223,115</u>
Net assets, end of year	<u>\$2,862,973</u>	<u>\$1,631,506</u>	<u>\$4,494,479</u>	<u>\$3,086,092</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, 2016
 (with comparative totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$1,408,387	\$(137,023)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	115,468	122,947
Donated property and equipment	(2,800)	(1,675)
Change in operating assets and liabilities:		
Pledge receivable	(1,006,744)	45,183
Prepaid expenses	(3,598)	7,307
Accounts payable and accrued expenses	<u>(113)</u>	<u>8,438</u>
Net cash provided by (used by) operating activities	<u>510,600</u>	<u>45,177</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(30,635)</u>	<u>(12,258)</u>
Net cash provided (used by) investing activities	<u>(30,635)</u>	<u>(12,258)</u>
Cash flows from financing activities:		
Payment of notes	<u>-</u>	<u>(81,796)</u>
Net cash provided by (used by) financing activities	<u>-</u>	<u>(81,796)</u>
Net increase (decrease) in cash	479,965	(48,877)
Cash, beginning of year	<u>667,862</u>	<u>716,739</u>
Cash, end of year	<u>\$1,147,827</u>	<u>\$ 667,862</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ <u>-</u>	\$ <u>4,147</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, 2016

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 and girls 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, 2016 and 2015, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Comparative Totals For the Year Ended June 30, 2015

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, 2015, 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016 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 2013.

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, 2016 and 2015.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016 and 2015, property and equipment consisted of the following:

	Estimated Useful Lives	2016	2015
Equipment	5 years	\$ 316,821	\$ 306,873
Software	3 years	8,179	8,179
Furniture and fixtures	7 years	118,527	111,507
Books	3 - 10 years	113,261	103,569
Building	39 years	<u>2,851,197</u>	<u>2,844,422</u>
Total		3,407,985	3,374,550
Less accumulated depreciation		<u>1,101,596</u>	<u>986,128</u>
Net property and equipment		<u>\$2,306,389</u>	<u>\$2,388,422</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Restricted as to purpose:		
Summer program	\$ 10,000	\$ 37,250
Capital campaign	959,311	-
Girls expansion program	336,045	-
After school program	50,000	-
2016 - 2017 school year	<u>276,150</u>	<u>160,000</u>
	<u>\$1,631,506</u>	<u>\$197,250</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4 - NONCASH DONATIONS

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

	<u>2016</u>	<u>2015</u>
Books	\$ 2,800	\$ 1,675
Events and hospitality	46,940	25,091
School supplies	4,630	2,600
Facility use for summer program	16,500	16,500
Computer equipment and maintenance (returned items)	1,050	1,100
Summer programs scholarships	58,250	52,963
Professional development	1,281	390
Graduate support	3,850	3,775
After school trips/programs	<u>33,223</u>	<u>27,794</u>
	<u>\$168,524</u>	<u>\$131,888</u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 749,384	\$42,000
Receivable in one to five years	363,609	50,000
Receivable after five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	1,112,993	92,000
Less discounts to net present value at 5.33% and 5.33%	(15,076)	(827)
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give at June 30	<u>\$1,097,917</u>	<u>\$91,173</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. As such, for 2016 and 2015, \$37,450 and \$43,375 have been recorded to report annual teachers' salaries at fair value. Development services were also received in the amounts of \$2,640 and \$7,500 for the years ended June 30, 2016 and 2015. 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, 2016

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, 2016, the excess was \$361,179

During 2016 and 2015, donations from two donors accounted for approximately 33% and 30% 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 \$13,097 and \$12,744 were made to the Plan by the Organization in fiscal 2016 and 2015, respectively.

NOTE 9 - 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, 2016 is \$-0-.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 29, 2016, 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, 2016

(with comparative totals for June 30, 2015)

	<u>Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Compensation and related expenses:					
Salaries	\$ 602,101	\$ 36,590	\$ 94,471	\$733,162	\$ 630,614
Employee benefits	32,766	1,991	5,141	39,898	35,701
Payroll taxes	42,950	2,610	6,739	52,299	46,382
Workmen's comp.	3,856	234	605	4,695	3,885
Advertising	-	1,151	-	1,151	25
Payroll fees	-	9,383	-	9,383	6,706
Books and materials	7,494	-	-	7,494	7,477
Depreciation & Amortization	98,148	5,773	11,547	115,468	122,947
Food supplies	9,646	461	895	11,002	10,022
Fundraising events	-	-	80,312	80,312	37,677
Graduate alumni support	26,278	-	-	26,278	13,558
Gifts and hospitality	13,420	1,533	-	14,953	10,137
Interest	-	-	-	-	4,147
Meetings	-	1,528	-	1,528	1,474
Miscellaneous	-	2,125	-	2,125	590
Occupancy:					
Insurance	17,660	844	1,639	20,143	19,782
Repairs and maintenance	30,662	1,466	2,846	34,974	40,381
Telephone/internet	4,489	214	417	5,120	4,728
Utilities	20,647	987	1,916	23,550	33,055
Office supplies and expenses	-	380	1,481	1,861	1,686
Postage	-	597	2,797	3,394	2,942
Printing	-	922	8,296	9,218	7,573
Professional development	1,981	150	38	2,169	8,961
Professional fees	1,099	6,592	1,099	8,790	10,050
Staffing service	37,450	-	-	37,450	43,875
Student programs & events	111,404	-	-	111,404	95,414
Supplies	7,027	-	-	7,027	4,063
Transportation	11,922	37	-	11,959	6,832
Technology	<u>7,401</u>	<u>354</u>	<u>687</u>	<u>8,442</u>	<u>6,127</u>
Total expenses	<u>\$1,088,401</u>	<u>\$75,922</u>	<u>\$220,926</u>	<u>\$1,385,249</u>	<u>\$1,216,811</u>

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