

**MOTHER CAROLINE ACADEMY
AND
EDUCATION CENTER, INC.**

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
YEAR ENDED JUNE 30, 2011**

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mother Caroline Academy and Education Center, Inc.
Dorchester, Massachusetts

We have audited the accompanying statements of financial position of Mother Caroline Academy and Education Center, Inc. as of June 30, 2011 and 2010, and the related statement of activities for the year ended June 30, 2011, and cash flows for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. The comparative totals on the statement of activities for the year ended June 30, 2010 are presented for comparative purposes only and were extracted from the financial statements, presented by net asset class for that year, on which an unqualified opinion dated March 11, 2011 was expressed.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 Mother Caroline Academy and Education Center, Inc. as of June 30, 2011 and 2010, and the changes in its net assets for the year ended June 30, 2011 and cash flows for the years ended June 30, 2011 and 2010 in conformity with U.S. generally accepted accounting principles.

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January 24, 2012

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Certified Public Accountants & Consultants

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MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

	Unrestricted Net Assets				2011 Total	2010 Total
	Educational and General	Investment in Plant	Board Designated	Long-Term Investment		
ASSETS:						
Cash and cash equivalents	\$ 92,470	\$	\$	\$	\$ 321,124	\$ 413,594
Accounts receivable, net	72,448			72,448	529,954	72,448
Pledges receivable, net		1,015,971	1,443,363	1,163,600	950,652	538,870
Investments	1,607,524			64,216		11,084,102
Prepaid expenses and other assets	64,216			2,709,457		64,216
Property and equipment, net		2,709,457				2,709,457
TOTAL ASSETS	\$ 1,836,658	\$ 3,725,428	\$ 1,443,363	\$ 1,163,600	\$ 1,801,730	\$ 14,882,687

LIABILITIES AND NET ASSETS

LIABILITIES:						
Accounts payable	\$ 14,540	\$	\$	\$	\$	\$ 14,540
Accrued expenses	64,681			64,681		64,681
TOTAL LIABILITIES	79,221	-	-	79,221	-	79,221
NET ASSETS:						
Unrestricted	1,757,437	3,725,428	1,443,363	1,163,600	1,801,730	8,089,828
Temporarily restricted					1,801,730	1,801,730
Permanently restricted						4,911,908
TOTAL NET ASSETS	1,757,437	3,725,428	1,443,363	1,163,600	1,801,730	14,803,466
TOTAL LIABILITIES AND NET ASSETS	\$ 1,836,658	\$ 3,725,428	\$ 1,443,363	\$ 1,163,600	\$ 1,801,730	\$ 14,882,687

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Unrestricted Net Assets						2011 Total	2010 Total
	Educational and General	Investment in Plant	Board Designated	Long-Term Investment	Total Unrestricted	Temporarily Restricted		
REVENUES:	\$	73,627	\$		\$	73,627	\$	81,544
Activity and registration fees								
EXPENSES:								
Academy	1,416,280	232,129			1,648,409		1,648,409	1,577,130
Adult education program	217,932	41,575			259,507		259,507	277,621
Mentoring program	6,675				6,675		6,675	-
Shining star program	55,216	17,323			72,539		72,539	71,277
Administrative	371,241	45,040			416,281		416,281	415,818
Fundraising	427,534	10,394			437,928		437,928	386,698
Total expenses	2,494,878	346,461	-	-	2,841,339	-	2,841,339	2,728,544
DECREASE BEFORE SUPPORT	(2,421,251)	(346,461)	-	-	(2,767,712)	-	(2,767,712)	(2,647,000)
SUPPORT:								
Contributions and grants, net of allowance for doubtful pledges	917,418				917,418	496,045	1,414,415	1,717,093
Contributed services and materials	469,455				469,455		469,455	462,643
Interest and dividend income	33,761	21,964	31,204	25,155	112,084	130,320	242,404	221,110
Realized and unrealized gains	279,775	175,998	250,036	201,572	907,381	1,042,489	1,949,870	970,585
Other income	40,035				40,035	(228,909)	40,035	58,408
Appropriation of gains on investments	228,909				228,909	(629,947)	-	-
Net assets released	629,947				629,947	809,998	4,116,179	3,429,839
Total support	2,599,300	197,962	281,240	226,727	3,305,229	952	4,116,179	3,429,839
TRANSFERS:								
Purchase of equipment	(22,834)	22,834			-			
Total transfers	(22,834)	22,834			-			
NET INCREASE (DECREASE)	155,215	(125,665)	281,240	226,727	537,517	809,998	1,348,467	782,839
NET ASSETS, BEGINNING OF YEAR	1,602,222	3,851,093	1,162,123	936,873	7,552,311	991,732	13,454,999	12,672,160
NET ASSETS, END OF YEAR	\$ 1,757,437	\$ 3,725,428	\$ 1,443,363	\$ 1,163,600	\$ 8,089,828	\$ 1,801,730	\$ 14,803,466	\$ 13,454,999

See Notes to Financial Statements.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,348,467	\$ 782,839
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	346,462	336,058
Realized and unrealized gains on investments, net	(1,948,222)	(970,585)
Changes in certain assets and liabilities:		
Accounts receivable	(49,620)	(2,911)
Pledges receivable	333,744	(234,567)
Prepaid expenses and other assets	15,025	(14,953)
Accounts payable and accrued expenses	<u>(2,939)</u>	<u>(6,382)</u>
Net cash provided by (used in) operating activities	<u>42,917</u>	<u>(110,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from (purchases of) investments, net	(42,363)	179,105
Purchase of property and equipment, net	<u>(22,834)</u>	<u>(96,278)</u>
Net cash (used in) provided by investing activities	<u>(65,197)</u>	<u>82,827</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(22,280)	(27,674)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>435,874</u>	<u>463,548</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 413,594</u>	<u>\$ 435,874</u>

See Notes to Financial Statements.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies

Organization - Mother Caroline Academy and Education Center, Inc ("the School") was established in 1992. It is a not-for-profit charitable organization whose mission is to provide educational opportunities to an underserved population of Boston by offering programs that are both challenging and liberating.

The School accomplishes its mission by offering several programs. The Academy prepares middle school girls to succeed in competitive secondary schools by emphasizing the importance of scholarship, leadership and social and moral development. The Adult Education Program offers programs that empower adults to achieve their greatest personal and economic potential. The Shining Star Program offers a stimulating after-school program enabling third and fourth grade boys and girls to enter challenging middle schools. The Mentoring Program offers 7th and 8th grade students another adult (usually outside of the immediate school community) from which to receive support and guidance as they prepare for their lives in high school and beyond.

Basis of Presentation - The School's financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted net assets include net assets that are not subject to donor-imposed stipulation.

Temporarily restricted net assets include net assets subject to donor-imposed stipulations that will be met by actions of the School and/or the passage of time.

Permanently restricted net assets include net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

Comparative Financial Information - The statement of activities includes 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Financial Statement Presentation - Certain reclassifications have been made to the 2010 financial statements in order to conform to the presentation for 2011.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - Cash equivalents consist of money market funds and similar investments with original maturities of 90 days or less. Investments with original maturities in excess of 90 days are classified as marketable securities. Cash equivalents are carried at cost which approximates market.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts and Pledges Receivable - Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Changes in the valuation allowance have not been material to the financial statements.

Investments - The School reports its investments pursuant to U.S. generally accepted accounting principles. In accordance with U.S. generally accepted accounting principles, investments are recorded at market value. Under U.S. generally accepted accounting principles, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the Statement of Financial Position. Net realized and unrealized gains or losses in fair value of investments are reflected in the Statement of Activities.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Dividends, interest and net gains on investments are reported as increases in permanently restricted net assets if the terms of the underlying gift require that they be added to the principal of a permanent endowment fund, or as increases in temporarily restricted net assets if the terms of the underlying gift or relevant state law impose restrictions on the use of the income or net gains. Income and net gains on board designated funds are reported as an increase in unrestricted net assets.

Investment Return Objectives and Parameters - The School's primary objective is long-term capital appreciation which together with income will provide for the growth of the endowment while allowing support for current activities. To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy - The School utilizes a spending policy whereby 5% of the historical average market value of the endowment for program services and capital needs is distributed and treated as support for operating activities. The amount distributed is reported as a component of net assets released from restrictions. To the extent the total return requirement for the current year is not fulfilled by interest and dividends, the School utilizes realized gains of its endowment. To the extent the total return requirement for the current year is exceeded by interest and dividends, the School adds the excess income to its endowment.

Property and Equipment - Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Gifts of property and equipment are stated at the fair market value at the date of donation. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Discount rates range from 0.49% to 4.0%.

Contributed Services and Materials - The School recognizes 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. The School's faculty includes certain volunteer teachers. These services were valued at approximately \$452,000 and \$453,000 for the years ended June 30, 2011 and 2010, respectively. Materials donated to the School amounted to approximately \$18,000 and \$10,000 for the years ended June 30, 2011 and 2010, respectively.

Concentration of Credit Risk - Financial instruments, which subject the School to concentrations of credit risk, consist principally of temporary cash investments, marketable securities and pledges receivable. The School's bank offers supplemental deposit insurance in addition to FDIC insurance which insures all deposits above the FDIC insurance levels.

Subsequent Events - The date to which events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditors' Report which is the date the financial statements were available to be issued.

Note 2 - Pledges Receivable

Pledges receivable at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Pledges expected to be collected in:		
Less than one year	\$ 17,500	\$ 17,500
One to five years	635,008	928,000
	<u>652,508</u>	<u>945,500</u>
Less present value discount	12,138	29,386
Less allowance for doubtful pledges	<u>101,500</u>	<u>43,500</u>
Net pledges receivable	<u>\$ 538,870</u>	<u>\$ 872,614</u>

Note 3 - Investments

Fair value is defined under U.S. generally accepted accounting principles as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, the School is required to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the School's market assumptions.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 3 - Investments (Continued)

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

The following table summarizes the School's financial asset measured at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Level 1 Investments		
Public equities:		
Large cap funds	\$ 4,969,703	\$ 3,726,749
Mid cap funds	2,295,641	2,028,887
Specialty funds	250,388	-
Emerging markets funds	213,557	-
Bond investments:		
Intermediate term	1,279,987	1,661,258
Short term	1,530,364	1,589,444
Short-term investments:		
Money market funds	<u>544,462</u>	<u>87,179</u>
Total Level 1 Investments	11,084,102	9,093,517
Level 2 Investments	-	-
Level 3 Investments	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 11,084,102</u>	<u>\$ 9,093,517</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 4 - Property and Equipment

Property and equipment at June 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 25,443	\$ 25,443
Building	5,922,299	5,922,299
Equipment	603,712	640,695
	<u>6,551,454</u>	<u>6,588,437</u>
Less accumulated depreciation	<u>3,841,997</u>	<u>3,555,352</u>
Property and equipment, net	<u>\$ 2,709,457</u>	<u>\$ 3,033,085</u>

Note 5 - Endowment

The School's endowment consists of approximately seven individual funds established for a variety of purposes. Its Endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the School and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the School
7. The investment policies of the School

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 5 - Endowment (Continued)

The endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 950,652	\$ 4,902,992	\$ 5,853,644
Board designated endowment funds	<u>1,163,600</u>			<u>1,163,600</u>
	<u>\$ 1,163,600</u>	<u>\$ 950,652</u>	<u>\$ 4,902,992</u>	<u>\$ 7,017,244</u>

The endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (458,569)	\$ 6,751	\$ 4,837,992	\$ 4,386,174
Board designated endowment funds	<u>1,395,442</u>			<u>1,395,442</u>
	<u>\$ 936,873</u>	<u>\$ 6,751</u>	<u>\$ 4,837,992</u>	<u>\$ 5,781,616</u>

The changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2009	\$ 420,790	\$ 499	\$ 4,792,992	\$ 5,214,281
Investment income, net	516,083	222,639		738,722
Contributions received			45,000	45,000
Appropriations of cumulative gains		<u>(216,387)</u>		<u>(216,387)</u>
Balance, June 30, 2010	936,873	6,751	4,837,992	5,781,616
Investment income, net	226,727	1,172,810		1,399,537
Contributions received			65,000	65,000
Appropriations of cumulative gains		<u>(228,909)</u>		<u>(228,909)</u>
Balance, June 30, 2011	<u>\$ 1,163,600</u>	<u>\$ 950,652</u>	<u>\$ 4,902,992</u>	<u>\$ 7,017,244</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 6 - Temporarily Restricted Net Assets

At June 30, 2011 and 2010, temporarily restricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Class Sponsor	\$ 589,863	\$ 647,439
Cumulative Gains from Permanent Endowment Funds	950,652	6,751
Enrichment	31,760	1,760
General Academy Support	67,228	155,837
General Support - Other	-	74,635
GMH Scholarship	38,961	30,325
Emergency Funds	2,795	-
Mentoring Program	97,858	-
Scholarships	10,441	62,813
Strategic Planning	8,598	8,598
Writers Express	3,574	3,574
	<u>\$ 1,801,730</u>	<u>\$ 991,732</u>

Note 7 - Permanently Restricted Net Assets

At June 30, 2011 and 2010, permanently restricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Building Improvements	\$ 246,400	\$ 246,400
Library	75,000	75,000
Pledges Receivable	8,916	72,964
General Purposes:		
Caroline Fund	342,241	342,241
Endowment Challenge	2,045,500	2,045,500
Gala	153,494	153,496
General Fund	1,190,459	1,125,457
Millennium Fund	849,898	849,898
	<u>\$ 4,911,908</u>	<u>\$ 4,910,956</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Note 8 - Retirement Plan

The School provides a tax deferred annuity program under Internal Revenue Code Section 403(b) to all full time employees. The Plan does not have a service requirement. The employees may contribute a specified percentage of their salary as defined in the Plan. The School contributes 25% of the participant's pre tax contributions, not to exceed \$3,000 per year. The School's contribution to the annuity program amounted to approximately \$7,000 and \$5,000 for the years ended June 30, 2011 and 2010, respectively.

Note 9 - Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 10 - Significant Contributions

During the years ended June 30, 2011 and 2010, contributions from one donor comprised approximately 23% and 36% of total contributions, respectively.

Note 11 - Income Taxes

The Internal Revenue Service has recognized this School as a tax-exempt organization under Section 501(c)(3). Section 501(c)(3) provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual.

In determining the recognition of uncertain tax positions, the School applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of June 30, 2011, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School is no longer subject to examination by Federal or State tax authorities for years prior to 2007.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Trustees
Mother Caroline Academy and Education Center, Inc.
Dorchester, Massachusetts

Our report on our audit of the basic financial statements of Mother Caroline Academy and Education Center, Inc. for the year ended June 30, 2011 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained on page 14 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 our 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.

Tonneson + Co
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January 24, 2012

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INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Trustees
Mother Caroline Academy and Education Center, Inc.
Dorchester, Massachusetts

Our report on our audit of the basic financial statements of Mother Caroline Academy and Education Center, Inc. for the year ended June 30, 2011 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained on page 14 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 our 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.

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January 24, 2012

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MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>Academy</u>	<u>Adult Education Program</u>	<u>Mentoring</u>	<u>Shining Star After School Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2011 Total</u>	<u>2010 Total</u>
Bad debt expense	\$ 7,204	\$	\$	\$	\$	\$	\$ 7,204	\$ 7,619
Contributed services and materials	452,202					12,883	465,085	462,643
Fringe benefits	112,901	30,315		10,619	35,020	37,176	226,031	219,275
Fundraising and special events	469			2,447	840	86,492	87,801	84,056
Insurance	32,794	5,874		220	6,363	1,468	48,946	42,033
Miscellaneous expense	2,892			8,358	7,803		10,915	9,764
Operation and maintenance of plant	112,060	20,060			21,734	4,965	167,177	142,837
Postage					2,591	3,499	6,090	6,731
Printing and publications	5,139	3,038		825	5,774	24,265	39,041	29,617
Professional fees	45,649	17,470		1,800	39,675	28,004	132,598	80,766
Salaries and related expenses	436,955	125,668		29,177	224,808	213,570	1,030,178	1,046,904
Scholarships	56,980		700				57,680	53,119
Staff development	4,548		1,590		2,439	4,250	12,827	8,084
Student activities	91,701		4,059				95,760	90,799
Supplies	9,609	6,938		830	6,720	136	24,233	22,852
Technology	19,393	8,569		887	4,137	7,471	40,457	39,039
Travel and hospitality	25,784		326	53	13,337	3,355	42,855	46,348
Depreciation	1,416,280	217,932	6,675	55,216	371,241	427,534	2,494,878	2,392,486
	232,129	41,575		17,323	45,040	10,394	346,461	336,058
Total	\$ 1,648,409	\$ 259,507	\$ 6,675	\$ 72,539	\$ 416,281	\$ 437,928	\$ 2,841,339	\$ 2,728,544

See Independent Auditors' Report on Accompanying Information.