

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

**FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION  
YEAR ENDED JUNE 30, 2010**

**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, 2010 and 2009, and the related statement of activities for the year ended June 30, 2010, and cash flows for the years ended June 30, 2010 and 2009. 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, 2009 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 8, 2010 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, 2010 and 2009, and the changes in its net assets for the year ended June 30, 2010 and cash flows for the years ended June 30, 2010 and 2009 in conformity with U.S. generally accepted accounting principles.

*Tonneson + Co*  
Tonneson + Co

March 11, 2011

**tonneson + co**  
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**MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2010**

**ASSETS**

	Unrestricted Net Assets					2010 Total	2009 Total
	Educational and General	Investment in Plant	Board Designated	Long-Term Investment	Total Unrestricted		
Cash and cash equivalents	\$ 250,543	\$ -	\$ -	\$ -	\$ 250,543	\$ 435,874	\$ 463,548
Accounts receivable, net	22,828	-	-	-	22,828	22,828	19,917
Pledges receivable, net	1,331,770	818,008	1,162,123	936,873	4,248,774	872,614	638,047
Investments	79,241	3,033,085	-	-	79,241	9,093,517	8,302,037
Prepaid expenses and other assets	-	-	-	-	-	79,241	64,288
Property and equipment, net	-	-	-	-	3,033,085	3,033,085	3,272,865
<b>TOTAL ASSETS</b>	<b>\$ 1,684,382</b>	<b>\$ 3,851,093</b>	<b>\$ 1,162,123</b>	<b>\$ 936,873</b>	<b>\$ 7,634,471</b>	<b>\$ 13,537,159</b>	<b>\$ 12,760,702</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 27,140	\$ -	\$ -	\$ -	\$ 27,140	\$ 31,417
Accrued expenses other liabilities	55,020	-	-	-	55,020	57,125
<b>TOTAL LIABILITIES</b>	<b>82,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,160</b>	<b>88,542</b>
<b>NET ASSETS:</b>						
Unrestricted	1,602,222	3,851,093	1,162,123	936,873	7,552,311	7,110,781
Temporarily restricted	-	-	-	991,732	-	639,870
Permanently restricted	-	-	-	-	4,910,956	4,921,509
<b>TOTAL NET ASSETS</b>	<b>1,602,222</b>	<b>3,851,093</b>	<b>1,162,123</b>	<b>991,732</b>	<b>13,454,999</b>	<b>12,672,160</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,684,382</b>	<b>\$ 3,851,093</b>	<b>\$ 1,162,123</b>	<b>\$ 991,732</b>	<b>\$ 13,537,159</b>	<b>\$ 12,760,702</b>

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

	Unrestricted Net Assets					2010 Total	2009 Total
	Educational and General	Investment in Plant	Board Designated	Long-Term Investment	Total Unrestricted		
<b>REVENUES:</b>	\$	\$	\$	\$	\$	\$	\$
Activity and registration fees	81,544				81,544	81,544	48,635
<b>EXPENSES:</b>							
Academy	1,351,971	225,159			1,577,130	1,577,130	1,656,206
Adult education program	237,294	40,327			277,621	277,621	260,606
Shining star program	54,474	16,803			71,277	71,277	74,204
Administrative	372,130	43,688			415,818	415,818	523,308
Fundraising	376,617	10,081			386,698	386,698	323,596
Total expenses	2,392,486	336,058			2,728,544	2,728,544	2,837,920
<b>DECREASE BEFORE SUPPORT</b>	<b>(2,310,942)</b>	<b>(336,058)</b>			<b>(2,647,000)</b>	<b>(2,647,000)</b>	<b>(2,789,285)</b>
<b>SUPPORT:</b>							
Contributions and grants, net of allowance for doubtful pledges	717,305				717,305	1,010,341	1,911,988
Contributed services and materials	462,643				462,643	462,643	463,592
Interest and dividend income	33,273	19,347	27,485	33,004	113,109	108,001	206,490
Realized and unrealized gains (losses)	173,801	82,236	116,831	483,079	855,947	114,638	(1,368,717)
Other income	58,408				58,408	58,408	29,594
Appropriation of gains on investments	216,387				216,387	(216,387)	-
Net assets released	664,731				664,731	(664,731)	-
Total support	2,326,548	101,583	144,316	516,083	3,088,530	351,862	1,242,747
<b>TRANSFERS:</b>							
Purchase of equipment	(96,278)	96,278					
Total transfers	(96,278)	96,278					
<b>NET INCREASE (DECREASE)</b>	<b>(80,672)</b>	<b>(138,197)</b>	<b>144,316</b>	<b>516,083</b>	<b>441,530</b>	<b>351,862</b>	<b>(1,546,538)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,682,894</b>	<b>3,989,290</b>	<b>1,017,807</b>	<b>420,790</b>	<b>7,110,781</b>	<b>639,870</b>	<b>14,218,698</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,602,222</b>	<b>\$ 3,851,093</b>	<b>\$ 1,162,123</b>	<b>\$ 936,873</b>	<b>\$ 7,552,311</b>	<b>\$ 991,732</b>	<b>\$ 13,454,999</b>
							<b>\$ 12,672,160</b>

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2010**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 782,839	\$ (1,546,538)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	336,058	325,702
Realized and unrealized (gains) losses on investments, net	(970,585)	1,368,717
Contributions restricted for long-term purposes	-	(38,647)
Changes in certain assets and liabilities:		
Accounts receivable	(2,911)	(8,773)
Pledges receivable	(234,567)	(237,058)
Prepaid expenses and other assets	(14,953)	(45,880)
Accounts payable and accrued expenses	(6,382)	23,647
	<u>(110,501)</u>	<u>(158,830)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from (purchases of) investments, net	179,105	(615,653)
Purchase of property and equipment, net	(96,278)	(86,869)
	<u>82,827</u>	<u>(702,522)</u>
Net cash (used in) provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Investment in permanent endowment	-	130,500
	<u>-</u>	<u>130,500</u>
Net cash provided by financing activities		
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(27,674)	(730,852)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>463,548</u>	<u>1,194,400</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ <u>435,874</u>	\$ <u>463,548</u>

# MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2010 AND 2009

#### 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.

**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, 2009 from which the summarized information was derived.

Certain reclassifications have been made to the 2009 financial statements in order to conform to the presentation for 2010.

**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, 2010 AND 2009**

**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, 2010 AND 2009**

**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 \$453,000 and \$426,000 for the years ended June 30, 2010 and 2009, respectively. Materials donated to the School amounted to approximately \$10,000 and \$38,000 for the years ended June 30, 2010 and 2009, 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 has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. The maximum loss that would have resulted from that risk totaled approximately \$209,000 and \$206,000 as of June 30, 2010 and 2009, respectively.

**Subsequent Events** - The date to which events occurring after June 30, 2010 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, 2010 and 2009 are as follows:

	<b><u>2010</u></b>	<b><u>2009</u></b>
Pledges expected to be collected in:		
Less than one year	\$ 17,500	\$ 62,500
One to five years	928,000	641,300
	<u>945,500</u>	<u>703,800</u>
Less present value discount	29,386	37,753
Less allowance for doubtful pledges	43,500	28,000
	<u>872,614</u>	<u>638,047</u>
Net pledges receivable	\$ 872,614	\$ 638,047

**Note 3 - Investments**

Effective July 1, 2008, the School implemented the requirements of U.S. generally accepted accounting principles for its financial assets and liabilities. The adoption did not have a material impact on the School's financial position or results of operations. U.S. generally accepted accounting principles refines the definition of fair value, expands disclosure requirements about fair value measurements, and establishes specific requirements as well as guidelines for a consistent framework to measure fair value. U.S. generally accepted accounting principles defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**Note 3 - Investments (Continued)**

Further, U.S. generally accepted accounting principles requires the School to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. U.S. generally accepted accounting principles specifies a 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.

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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment portfolio:			
Public equities:	\$	\$	\$
Large cap funds	3,726,749		
Mid cap funds	2,028,887		
Bond investments:			
Intermediate term	1,661,258		
Short term	1,589,444		
Short-term investments:			
Money market funds	87,179		
	<u>\$ 9,093,517</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**Note 3 - Investments (Continued)**

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, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment portfolio:			
Public equities:	\$	\$	\$
Large cap funds	3,257,989		
Mid cap funds	1,637,752		
Bond investments:			
Intermediate term	1,507,461		
Short term	1,502,096		
Short-term investments:			
Money market funds	<u>396,739</u>		
	<u>\$ 8,302,037</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 4 - Property and Equipment**

Property and equipment at June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 25,443	\$ 25,443
Building	5,922,299	5,922,299
Equipment	<u>640,695</u>	<u>544,417</u>
	6,588,437	6,492,159
Less accumulated depreciation	<u>3,555,352</u>	<u>3,219,294</u>
Property and equipment, net	<u>\$ 3,033,085</u>	<u>\$ 3,272,865</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 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**Note 5 - Endowment (Continued)**

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

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>                    </u>	<u>                    </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 endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (801,360)	\$ 499	\$ 4,792,992	\$ 3,992,131
Board designated endowment funds	<u>1,222,150</u>	<u>                    </u>	<u>                    </u>	<u>1,222,150</u>
	<u>\$ 420,790</u>	<u>\$ 499</u>	<u>\$ 4,792,992</u>	<u>\$ 5,214,281</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**Note 5 - Endowment (Continued)**

The changes in endowment net assets for the years ended June 30, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2008	\$ 1,403,497	\$ 19,642	\$ 4,662,492	\$ 6,085,631
Investment income (loss), net	(771,925)	(14,402)		(786,327)
Contributions			130,500	130,500
Appropriations of cumulative gains	<u>(210,782)</u>	<u>(4,741)</u>		<u>(215,523)</u>
Endowment Net Assets, June 30, 2009	420,790	499	4,792,992	5,214,281
Investment income (loss), net	516,083	222,639		738,722
Contributions			45,000	45,000
Appropriations of cumulative gains		<u>(216,387)</u>		<u>(216,387)</u>
Endowment Net Assets, June 30, 2010	\$ <u>936,873</u>	\$ <u>6,751</u>	\$ <u>4,837,992</u>	\$ <u>5,781,616</u>

**Note 6 - Temporarily Restricted Net Assets**

At June 30, 2010 and 2009, temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Class Sponsor	\$ 647,439	\$ 262,222
Cumulative Gains from Permanent Endowment Funds	6,751	499
Enrichment	1,760	-
General Academy Support	155,837	219,569
General Support - Other	74,635	-
GMH Scholarship	30,325	-
Laptop Lab	-	8,045
Master Teacher	-	24,373
Scholarships	62,813	92,536
Strategic Planning	8,598	29,052
Writers Express	3,574	3,574
	\$ <u>991,732</u>	\$ <u>639,870</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**Note 7 - Permanently Restricted Net Assets**

At June 30, 2010 and 2009, permanently restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Building Improvements	\$ 246,400	\$ 246,400
Library	75,000	75,000
Pledges Receivable	72,964	128,517
General Purposes:		
Caroline Fund	342,241	342,241
Endowment Challenge	2,045,500	2,000,500
Gala	153,496	153,496
General Fund	1,125,457	1,125,457
Millennium Fund	849,898	849,898
	<u>\$ 4,910,956</u>	<u>\$ 4,921,509</u>

**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 \$5,000 and \$6,000 for the years ended June 30, 2010 and 2009, 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 year ended June 30, 2010, contributions from one donor comprised approximately 36% of total contributions. There were no donors contributing more than 10% of total contributions during the year ended June 30, 2009.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**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.

These determinations have been reviewed according to guidance in a recent Financial Accounting Standards Board pronouncement related to accounting for uncertainty in income taxes which was adopted by the School on July 1, 2009. In determining the recognition of uncertain tax positions, the School now 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, 2010, 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, 2010 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 15 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.

*Townson + Co*  
Townson + Co

March 11, 2011

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2010**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

	Academy	Adult Education Program	Shining Star After School Program	Administrative	Fundraising	2010 Total	2009 Total
Bad debt expense	\$ 7,619	\$	\$	\$	\$	7,619	6,233
Contributed services and materials	462,263				380	462,643	463,592
Fringe benefits	112,021	26,779	4,528	35,015	40,932	219,275	250,133
Fundraising and special events	28,162	5,044	2,102	5,464	84,056	84,056	49,356
Insurance	1,363			8,401	1,261	42,033	44,048
Miscellaneous expense	95,477	17,100	7,410	18,575	4,275	142,837	172,410
Operation and maintenance of plant	4,974	3,866	900	3,028	3,703	6,731	7,181
Postage	10,946	8,188	1,128	5,219	14,658	29,617	37,913
Printing and publications	431,647	161,030	37,150	54,478	6,026	80,766	99,848
Professional fees	53,119			205,837	211,240	1,046,904	1,048,221
Salaries and related expenses	3,829	210		3,890	155	53,119	76,558
Scholarships	90,799					8,084	13,936
Staff development	7,789	6,519	228	7,612	704	90,799	118,773
Student activities	17,031	8,558	885	4,304	8,261	22,852	25,438
Supplies	24,932		143	20,307	966	39,039	42,871
Technology	1,351,971	237,294	54,474	372,130	376,617	46,348	41,108
Travel and hospitality	225,159	40,327	16,803	43,688	10,081	2,392,486	2,512,218
Depreciation						336,058	325,702
<b>Total</b>	<b>\$ 1,577,130</b>	<b>\$ 277,621</b>	<b>\$ 71,277</b>	<b>\$ 415,818</b>	<b>\$ 386,698</b>	<b>\$ 2,728,544</b>	<b>\$ 2,837,920</b>

See Independent Auditors' Report on Accompanying Information.