

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

**FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION  
YEAR ENDED JUNE 30, 2013**

**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 financial statements of Mother Caroline Academy and Education Center, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statement of activities for the year ended June 30, 2013 and the statements of cash flows for the years ended June 30, 2013 and 2012 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 U.S. generally accepted accounting principles; 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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 Mother Caroline Academy and Education Center, Inc. as of June 30, 2013 and 2012, and the changes in its net assets for the year ended June 30, 2013 and its cash flows for the years ended June 30, 2013 and 2012 in accordance with U.S. generally accepted accounting principles.

### **Report on Summarized Comparative Information**

We have previously audited the Mother Caroline Academy and Education Center, Inc.'s June 30, 2012 financial statements, and our report dated May 6, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tonneson & Company, Inc.*

**tonneson + co**

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

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2013 AND 2012**

**ASSETS**

**Unrestricted Net Assets**

	<b>Educational and General</b>	<b>Investment in Plant</b>	<b>Board Designated</b>	<b>Long-Term Investment</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>ASSETS:</b>									
Cash and cash equivalents	\$ 4,202	\$	\$	\$	\$ 4,202	\$ 250,656	\$ 203	\$ 255,061	\$ 440,356
Accounts receivable, net	23,131				23,131			23,131	26,199
Pledges receivable, net					-	272,513		272,513	480,959
Investments	1,092,319	1,180,319	1,676,848	1,351,830	5,301,316	1,347,007	4,928,992	11,577,315	10,686,871
Prepaid expenses and other assets	22,802				22,802			22,802	30,567
Property and equipment, net		2,131,683			2,131,683			2,131,683	2,437,358
<b>TOTAL ASSETS</b>	<b>\$ 1,142,454</b>	<b>\$ 3,312,002</b>	<b>\$ 1,676,848</b>	<b>\$ 1,351,830</b>	<b>\$ 7,483,134</b>	<b>\$ 1,870,176</b>	<b>\$ 4,929,195</b>	<b>\$ 14,282,505</b>	<b>\$ 14,102,310</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>									
Accounts payable	\$ 19,328	\$	\$	\$	\$ 19,328	\$	\$	\$ 19,328	\$ 72,670
Accrued expenses	72,481				72,481			72,481	101,461
<b>TOTAL LIABILITIES</b>	<b>91,809</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,809</b>	<b>-</b>	<b>-</b>	<b>91,809</b>	<b>174,131</b>
<b>NET ASSETS:</b>									
Unrestricted	1,050,645	3,312,002	1,676,848	1,351,830	7,391,325			7,391,325	7,483,846
Temporarily restricted						1,870,176		1,870,176	1,515,341
Permanently restricted							4,929,195	4,929,195	4,928,992
<b>TOTAL NET ASSETS</b>	<b>1,050,645</b>	<b>3,312,002</b>	<b>1,676,848</b>	<b>1,351,830</b>	<b>7,391,325</b>	<b>1,870,176</b>	<b>4,929,195</b>	<b>14,190,696</b>	<b>13,928,179</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,142,454</b>	<b>\$ 3,312,002</b>	<b>\$ 1,676,848</b>	<b>\$ 1,351,830</b>	<b>\$ 7,483,134</b>	<b>\$ 1,870,176</b>	<b>\$ 4,929,195</b>	<b>\$ 14,282,505</b>	<b>\$ 14,102,310</b>

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2013**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

	Unrestricted Net Assets					Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
	Educational and General	Investment in Plant	Board Designated	Long-Term Investment	Total Unrestricted				
<b>REVENUES:</b>									
Activity and registration fees	\$ 87,305	\$	\$	\$	\$ 87,305	\$	\$	\$ 87,305	\$ 74,712
<b>EXPENSES:</b>									
Academy	1,631,328	234,196			1,865,524			1,865,524	1,607,062
Adult education program	163,300	39,033			202,333			202,333	266,060
Mentoring program	68,515				68,515			68,515	70,486
Shining star program					-			-	97,423
Administrative	396,800	42,026			438,826			438,826	402,616
Fundraising	388,349	9,758			398,107			398,107	435,431
Total expenses	2,648,292	325,013	-	-	2,973,305	-	-	2,973,305	2,879,078
<b>DECREASE BEFORE SUPPORT</b>	(2,560,987)	(325,013)	-	-	(2,886,000)	-	-	(2,886,000)	(2,804,366)
<b>SUPPORT:</b>									
Contributions and grants, net of allowance for doubtful pledges	751,981				751,981	579,392	203	1,331,576	1,238,076
Contributed services and materials	415,798				415,798			415,798	413,497
Interest and dividend income	17,601	19,709	28,001	22,574	87,885	109,388		197,273	222,962
Realized and unrealized gains (losses), net	104,540	118,257	168,004	135,441	526,242	656,321		1,182,563	13,748
Other income	21,307				21,307			21,307	40,796
Appropriation of gains on investments	274,723				274,723	(274,723)		-	-
Net assets released	715,543				715,543	(715,543)		-	-
Total support	2,301,493	137,966	196,005	158,015	2,793,479	354,835	203	3,148,517	1,929,079
<b>TRANSFERS:</b>									
Purchase of equipment	(19,338)	19,338			-			-	-
Total transfers	(19,338)	19,338	-	-	-	-	-	-	-
<b>NET INCREASE (DECREASE)</b>	(278,832)	(167,709)	196,005	158,015	(92,521)	354,835	203	262,517	(875,287)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,329,477	3,479,711	1,480,843	1,193,815	7,483,846	1,515,341	4,928,992	13,928,179	14,803,466
<b>NET ASSETS, END OF YEAR</b>	\$ 1,050,645	\$ 3,312,002	\$ 1,676,848	\$ 1,351,830	\$ 7,391,325	\$ 1,870,176	\$ 4,929,195	\$ 14,190,696	\$ 13,928,179

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2013 AND 2012**

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

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 262,517	\$ (875,287)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	325,013	332,060
Realized and unrealized gains on investments, net	(1,182,563)	(9,129)
Contributions restricted for endowment	(203)	(17,084)
Changes in certain assets and liabilities:		
Accounts receivable	3,068	46,249
Pledges receivable	208,446	48,995
Prepaid expenses and other assets	7,765	33,649
Accounts payable and accrued expenses	(82,322)	94,910
	<u>(458,279)</u>	<u>(345,637)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from (purchases of) investments, net	292,119	406,360
Purchase of property and equipment, net	(19,338)	(59,961)
	<u>272,781</u>	<u>346,399</u>
Net cash provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for endowment	203	26,000
	<u>203</u>	<u>26,000</u>
Net cash provided by financing activities		
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(185,295)	26,762
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>440,356</u>	<u>413,594</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 255,061</u>	<u>\$ 440,356</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2013**

#### **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 Mentoring Program offers 7<sup>th</sup> and 8<sup>th</sup> 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, 2012 from which the summarized information was derived.

**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**

### **YEAR ENDED JUNE 30, 2013**

#### **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

### YEAR ENDED JUNE 30, 2013

#### 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 approximate 3.5%.

**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 \$410,000 and \$400,000 for the years ended June 30, 2013 and 2012, respectively. Materials donated to the School amounted to approximately \$3,000 and \$20,000 for the years ended June 30, 2013 and 2012, 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 places its temporary cash investments in high credit financial institutions. There were no amounts in excess of FDIC insured levels at June 30, 2013.

**Subsequent Events** - The date to which events occurring after June 30, 2013 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Pledges expected to be collected in:		
Less than one year	\$ 148,334	\$ 198,833
One to five years	158,666	348,274
	<u>307,000</u>	<u>547,107</u>
Less present value discount	15,487	16,148
Less allowance for doubtful pledges	<u>19,000</u>	<u>50,000</u>
Net pledges receivable	<u>\$ 272,513</u>	<u>\$ 480,959</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 the 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**

**YEAR ENDED JUNE 30, 2013**

**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 assets measured at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles as of June 30, 2013 and 2012:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Level 1 Investments		
Public equities:		
Large cap funds	\$ 4,854,013	\$ 4,615,130
Mid cap funds	2,336,495	2,043,153
Specialty funds	87,421	166,737
Emerging market funds	181,052	179,551
Bond investments:		
Intermediate-term	1,260,652	1,316,081
Short-term	1,574,138	1,566,961
Short-term investments:		
Money market funds	<u>1,283,544</u>	<u>799,258</u>
Total Level 1 Investments	11,577,315	10,686,871
Level 2 Investments	-	-
Level 3 Investments	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 11,577,315</u>	<u>\$ 10,686,871</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**Note 4 - Property and Equipment**

Property and equipment at June 30, 2013 and 2012 consists of the following:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Land	\$ 25,443	\$ 25,443
Building	5,967,434	5,967,434
Equipment	<u>637,876</u>	<u>618,537</u>
	6,630,753	6,611,414
Less accumulated depreciation	<u>4,499,070</u>	<u>4,174,056</u>
Property and equipment, net	<u>\$ 2,131,683</u>	<u>\$ 2,437,358</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.

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**

**YEAR ENDED JUNE 30, 2013**

**Note 5 - Endowment (Continued)**

The endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 1,347,007	\$ 4,929,195	\$ 6,276,202
Board designated endowment funds	1,351,830			1,351,830
	<u>\$ 1,351,830</u>	<u>\$ 1,347,007</u>	<u>\$ 4,929,195</u>	<u>\$ 7,628,032</u>

The endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 856,021	\$ 4,928,992	\$ 5,785,013
Board designated endowment funds	1,193,815			1,193,815
	<u>\$ 1,193,815</u>	<u>\$ 856,021</u>	<u>\$ 4,928,992</u>	<u>\$ 6,978,828</u>

The changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2011	\$ 1,163,600	\$ 950,652	\$ 4,902,992	\$ 7,017,244
Investment income, net	30,215	153,803		184,018
Contributions received			26,000	26,000
Appropriations of cumulative gains		(248,434)		(248,434)
Balance, June 30, 2012	1,193,815	856,021	4,928,992	6,978,828
Investment income, net	158,015	765,709		923,724
Contributions received			203	203
Appropriations of cumulative gains		(274,723)		(274,723)
Balance, June 30, 2013	<u>\$ 1,351,830</u>	<u>\$ 1,347,007</u>	<u>\$ 4,929,195</u>	<u>\$ 7,628,032</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**Note 6 - Temporarily Restricted Net Assets**

At June 30, 2013 and 2012, temporarily restricted net assets consist of the following:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Class Sponsor	\$ 80,000	\$ 309,006
Cumulative Gains from Permanent Endowment Funds	1,347,007	856,021
Enrichment	-	13,000
General Academy Support	148,123	215,724
GMH Scholarship	55,861	55,811
Emergency Funds	2,795	2,795
Mentoring Program	-	49,034
Scholarships	-	10,151
Strategic planning	209,523	-
Summer	25,000	-
Other	1,867	3,799
	<u>\$ 1,870,176</u>	<u>\$ 1,515,341</u>

**Note 7 - Permanently Restricted Net Assets**

At June 30, 2013 and 2012, permanently restricted net assets consist of the following:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Building Improvements	\$ 246,400	\$ 246,400
Library	75,000	75,000
General Purposes:		
Caroline Fund	342,241	342,241
Endowment Challenge	2,045,500	2,045,500
Gala	153,494	153,494
General Fund	1,216,662	1,216,459
Millennium Fund	849,898	849,898
	<u>\$ 4,929,195</u>	<u>\$ 4,928,992</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**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 \$9,000 for each the years ended June 30, 2013 and 2012.

**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, 2012, contributions from one donor comprised approximately 10% of total contributions. There were no contributions from donors comprising 10% or more of total contributions during the year ended June 30, 2013.

**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, 2013, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School is generally subject to potential examination by taxing jurisdictions for the prior three years.

## INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

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

We have audited the financial statements of Mother Caroline Academy and Education Center, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated January 30, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements 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 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 our 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.

*Tonneson & Company, Inc.*

Wakefield, Massachusetts  
January 30, 2014

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2013**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

	<u>Academy</u>	<u>Adult Education Program</u>	<u>Mentoring</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Bad debt expense	\$ 6,024	\$ 185	\$	\$ 11,355	\$ 90	\$ 17,654	\$ 7,725
Communications and public relations					8,264	8,264	-
Contributed services and materials	405,171	305		147	9,035	414,658	423,938
Fringe benefits	155,850	20,989	10,619	56,952	26,527	270,937	249,750
Fundraising and special events		11	4,843		53,900	58,754	90,493
Insurance	36,241	6,490		7,032	1,622	51,385	51,836
Miscellaneous expense	8,074	1,200		10,321	1,140	20,735	15,903
Operation and maintenance of plant	89,575	14,929		17,779	3,728	126,011	151,217
Postage	46		348	2,113	6,665	9,172	6,723
Printing and publications	9,104	3,908	1,878	3,647	15,333	33,870	35,860
Professional fees	61,107	18,900	225	39,538	10,127	129,897	119,009
Salaries and related expenses	629,193	87,522	45,320	225,329	240,501	1,227,865	1,127,379
Scholarships	61,854					61,854	62,752
Staff development	11,592		173	1,751	1,790	15,306	17,873
Student activities	96,869		2,532			99,401	74,049
Supplies	22,680	2,837	1,038	7,712	2,594	36,861	39,948
Technology	8,761	6,024		2,685	6,342	23,812	30,462
Travel and hospitality	29,186		1,539	10,439	692	41,856	42,101
	<u>1,631,328</u>	<u>163,300</u>	<u>68,515</u>	<u>396,800</u>	<u>388,349</u>	<u>2,648,292</u>	<u>2,547,018</u>
Depreciation	<u>234,196</u>	<u>39,033</u>		<u>42,026</u>	<u>9,758</u>	<u>325,013</u>	<u>332,060</u>
Total	<u>\$ 1,865,524</u>	<u>\$ 202,333</u>	<u>\$ 68,515</u>	<u>\$ 438,826</u>	<u>\$ 398,107</u>	<u>\$ 2,973,305</u>	<u>\$ 2,879,078</u>

See Independent Auditors' Report on Accompanying Information.