

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

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
YEAR ENDED JUNE 30, 2015**

tonneson + co

Certified Public Accountants & Consultants

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014	2
STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)	3
STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014	4
NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015	5 - 13
INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION	14
ACCOMPANYING INFORMATION	
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)	15

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, 2015 and 2014, and the related statement of activities for the year ended June 30, 2015 and the statements of cash flows for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets for the year ended June 30, 2015 and its cash flows for the years ended June 30, 2015 and 2014 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2015. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts
November 11, 2015

Tonneson & Company, PC
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MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
ASSETS:					
Cash and cash equivalents	\$ 81,705	\$	\$	\$ 81,705	\$ 111,122
Accounts receivable, net	23,228			23,228	12,619
Pledges receivable, net	-	282,455		282,455	217,466
Investments	4,681,787	2,730,456	4,929,195	12,341,438	12,568,129
Prepaid expenses and other assets	25,018			25,018	18,856
Property and equipment, net	1,605,908			1,605,908	1,837,393
TOTAL ASSETS	<u>\$ 6,417,646</u>	<u>\$ 3,012,911</u>	<u>\$ 4,929,195</u>	<u>\$ 14,359,752</u>	<u>\$ 14,765,585</u>

LIABILITIES AND NET ASSETS

LIABILITIES:					
Accounts payable	\$ 47,998	\$	\$	\$ 47,998	\$ 42,929
Accrued expenses	83,457			83,457	71,315
Capital lease obligations	101,245			101,245	-
Due to related party	35,000			35,000	-
TOTAL LIABILITIES	<u>267,700</u>	<u>-</u>	<u>-</u>	<u>267,700</u>	<u>114,244</u>
NET ASSETS:					
Unrestricted	6,149,946			6,149,946	7,181,709
Temporarily restricted		3,012,911		3,012,911	2,540,437
Permanently restricted			4,929,195	4,929,195	4,929,195
TOTAL NET ASSETS	<u>6,149,946</u>	<u>3,012,911</u>	<u>4,929,195</u>	<u>14,092,052</u>	<u>14,651,341</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,417,646</u>	<u>\$ 3,012,911</u>	<u>\$ 4,929,195</u>	<u>\$ 14,359,752</u>	<u>\$ 14,765,585</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUES:					
Activity and registration fees	\$ 69,375	\$	\$	\$ 69,375	\$ 78,235
EXPENSES:					
Academy	2,499,536			2,499,536	2,083,825
Adult education program	-			-	206,339
Administrative	358,376			358,376	411,510
Fundraising	288,530			288,530	362,736
Total expenses	<u>3,146,442</u>	<u>-</u>	<u>-</u>	<u>3,146,442</u>	<u>3,064,410</u>
DECREASE BEFORE SUPPORT	<u>(3,077,067)</u>	<u>-</u>	<u>-</u>	<u>(3,077,067)</u>	<u>(2,986,175)</u>
SUPPORT:					
Contributions and grants, net of allowance for doubtful pledges	1,017,471	513,001		1,530,472	1,170,341
Contributed services and materials	362,680			362,680	316,743
Interest and dividend income	86,005	124,030		210,035	204,176
Realized and unrealized gains	156,147	233,079		389,226	1,731,321
Other income	25,365			25,365	24,239
Appropriation of gains on investments	314,649	(314,649)		-	-
Net assets released	82,987	(82,987)		-	-
Total support	<u>2,045,304</u>	<u>472,474</u>	<u>-</u>	<u>2,517,778</u>	<u>3,446,820</u>
NET INCREASE (DECREASE)	<u>(1,031,763)</u>	<u>472,474</u>	<u>-</u>	<u>(559,289)</u>	<u>460,645</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,181,709</u>	<u>2,540,437</u>	<u>4,929,195</u>	<u>14,651,341</u>	<u>14,190,696</u>
NET ASSETS, END OF YEAR	<u>\$ 6,149,946</u>	<u>\$ 3,012,911</u>	<u>\$ 4,929,195</u>	<u>\$ 14,092,052</u>	<u>\$ 14,651,341</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (559,289)	\$ 460,645
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	330,275	325,162
Realized and unrealized gains on investments, net	(389,226)	(1,731,321)
Changes in certain assets and liabilities:		
Accounts receivable	(14,124)	10,512
Pledges receivable	(64,989)	55,047
Prepaid expenses and other assets	(2,850)	3,946
Accounts payable and accrued expenses	17,211	22,435
	<u>(682,992)</u>	<u>(853,574)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from (purchases of) investments, net	616,120	740,507
Purchase of property and equipment, net	<u>(31,999)</u>	<u>(30,872)</u>
	<u>584,121</u>	<u>709,635</u>
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party	65,000	-
Proceeds from capital lease obligations	49,391	-
Repayments to related party	(30,000)	-
Repayments of capital lease obligations	<u>(14,937)</u>	<u>-</u>
	<u>69,454</u>	<u>-</u>
Net cash provided by financing activities		
DECREASE IN CASH AND CASH EQUIVALENTS	(29,417)	(143,939)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>111,122</u>	<u>255,061</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 81,705</u>	<u>\$ 111,122</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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, which was suspended for the year ended June 30, 2015, offered programs that empowered adults to achieve their greatest personal and economic potential. 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 Accounting - The financial statements of the School have been prepared on the accrual basis of accounting.

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 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, 2014 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, 2015

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 - Investments are recorded at market value. The School accounts for investments in accordance with U.S. generally accepted accounting principles whereby 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 and losses are included in the change in net assets in the accompanying statement of activities.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. 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 and losses on investments are reported as increases or decreases 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 or decreases 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 and losses on board designated funds are reported as increases or decreases 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, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Lease Obligations - Long-term lease transactions relating to the financing of property and equipment are accounted for as installment purchases of property and equipment. The capital lease obligation reflects as a liability the present value of future rental payments and a corresponding amount is capitalized as the cost of the assets and amortized over the estimated economic life of the assets. Amortization of assets under capital leases is included in depreciation expense in the accompanying financial statements.

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 \$355,000 and \$315,000 for the years ended June 30, 2015 and 2014, respectively. Materials donated to the School amounted to approximately \$8,000 and \$3,000 for the years ended June 30, 2015 and 2014, 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. The maximum loss that could have resulted from that risk totaled approximately \$100,000 as of June 30, 2015.

Subsequent Events - The date to which events occurring after June 30, 2015 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Pledges expected to be collected in:		
Less than one year	\$ 125,413	\$ 92,000
One to five years	170,000	139,937
	<u>295,413</u>	<u>231,937</u>
Less present value discount	12,958	14,471
Less allowance for doubtful pledges	<u>-</u>	<u>-</u>
Net pledges receivable	<u>\$ 282,455</u>	<u>\$ 217,466</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 3 - Fair Value

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.

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.

Following is a description of the Plan's valuation methodologies for assets measured at fair value:

Mutual Funds

These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds are classified within Level 1 of the valuation hierarchy.

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Level 1</u>		
Investments:		
Public equities:		
Large cap funds	\$ 6,120,820	\$ 5,676,235
Mid cap funds	2,236,142	2,773,943
Emerging market funds	199,112	206,579
Specialty funds	61,427	97,838
Bond investments:		
Short-term bond funds	1,620,422	1,600,811
Intermediate-term bond funds	1,255,496	1,291,621
Short-term investments:		
Money market funds	848,019	921,102
Total Level 1 Investments	\$ <u>12,341,438</u>	\$ <u>12,568,129</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 4 - Property and Equipment

Property and equipment at June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 25,443	\$ 25,443
Building	5,976,462	5,976,462
Equipment	758,509	659,720
	<u>6,760,414</u>	<u>6,661,625</u>
Less accumulated depreciation	5,154,506	4,824,232
	<u>1,605,908</u>	<u>1,837,393</u>
Property and equipment, net	<u>\$ 1,605,908</u>	<u>\$ 1,837,393</u>

Note 5 - Capital Lease Obligations

The following is a schedule by years of future minimum lease payments required under capital lease agreements, together with the net present value of the future minimum lease payments as of June 30, 2015:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$ 33,638
2017	33,638
2018	21,202
2019	20,077
2020	16,713
	<u>125,268</u>
Total future minimum lease payments	125,268
Less amount representing interest	<u>24,023</u>
Net present value of future minimum lease payments	<u>\$ 101,245</u>

Note 6 - Due to Related Party

At June 30, 2015, the School had an unsecured non-interest bearing advance due from the Head of School in the amount of \$35,000. There were no formal repayment terms and the balance was included in due to related party on the accompanying statements of financial position. The advance was repaid during July 2015.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 7 - 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

The endowment net asset composition by type of fund as of June 30, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>As of June 30, 2015:</u>				
Donor-restricted endowment funds	\$	\$ 2,169,910	\$ 4,929,195	\$ 7,099,105
Board designated endowment funds	<u>4,681,787</u>			<u>4,681,787</u>
	<u>\$ 4,681,787</u>	<u>\$ 2,169,910</u>	<u>\$ 4,929,195</u>	<u>\$ 11,780,892</u>
<u>As of June 30, 2014:</u>				
Donor-restricted endowment funds	\$	\$ 2,127,450	\$ 4,929,195	\$ 7,056,645
Board designated endowment funds	<u>5,511,687</u>			<u>5,511,687</u>
	<u>\$ 5,511,687</u>	<u>\$ 2,127,450</u>	<u>\$ 4,929,195</u>	<u>\$ 12,568,332</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 7 - Endowment (Continued)

The changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2013	\$ 5,301,316	\$ 1,347,007	\$ 4,929,195	\$ 11,577,518
Investment income, net	856,739	1,079,021		1,935,760
Appropriations of cumulative gains	(242,735)	(298,578)		(541,313)
Other transfers	(403,633)			(403,633)
Balance, June 30, 2014	5,511,687	2,127,450	4,929,195	12,568,332
Investment income, net	240,443	357,109		597,552
Appropriations of cumulative gains	(248,882)	(314,649)		(563,531)
Other transfers	(821,461)			(821,461)
Balance, June 30, 2015	\$ <u>4,681,787</u>	\$ <u>2,169,910</u>	\$ <u>4,929,195</u>	\$ <u>11,780,892</u>

Note 8 - Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 23,022	\$ 23,022
Class Sponsor	418,060	-
Cumulative Gains from Permanent Endowment Funds	2,169,910	2,127,450
General Academy Support	143,126	141,165
GMH Scholarship	72,461	63,961
Emergency Funds	2,795	2,795
Enrichment	35,000	-
Strategic Planning	115,988	149,495
Summer	25,000	25,000
Other	7,549	7,549
	\$ <u>3,012,911</u>	\$ <u>2,540,437</u>

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 9 - Permanently Restricted Net Assets

At June 30, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
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	1,216,662
Millennium Fund	849,898	849,898
	<u>\$ 4,929,195</u>	<u>\$ 4,929,195</u>

Note 10 - 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 \$6,000 for the years ended June 30, 2015 and 2014, respectively.

While the School expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

Note 11 - 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 12 - Significant Contributions

During the years ended June 30, 2015 and 2014, contributions from one donor comprised approximately 28% and 21% of total contributions, respectively.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note 13 - 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, 2015, 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.

Note 14 - Statement of Cash Flows Supplemental Notes

Cash paid for interest for the year ended June 30, 2015 amounted to \$2,505. There was no interest paid for the year ended June 30, 2014.

During the year ended June 30, 2015, the School entered into two capital lease agreements for certain equipment totaling \$66,791.

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, 2015, and our report thereon dated November 11, 2015, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tonneson & Company, PC

Wakefield, Massachusetts
November 11, 2015

tonneson + co

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 www.tonneson.com

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	<u>Academy</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2015 Total</u>	<u>2014 Total</u>
Bad debt expense	\$ 1,610	\$ 3,788	\$	\$ 5,398	\$ 17,935
Communications and public relations	1,394		1,166	2,560	380
Contributed services and materials	362,680			362,680	316,743
Fringe benefits and payroll taxes	194,808	42,607	21,803	259,218	323,512
Fundraising and special events	2,507		63,185	65,692	55,958
Insurance	48,899	2,724	1,891	53,514	54,175
Miscellaneous expense	5,767	13,908	152	19,827	16,367
Operation and maintenance of plant	128,004	8,448	4,929	141,381	138,796
Postage	598	2,020	3,792	6,410	8,025
Printing and publications	10,609	1,550	6,997	19,156	32,408
Professional fees	98,920	31,562	24,115	154,597	162,086
Salaries and related expenses	1,041,425	217,796	144,031	1,403,252	1,301,099
Scholarships	51,867			51,867	57,793
Staff development	7,546	3,153		10,699	12,646
Student activities	100,017	251		100,268	99,293
Supplies	45,896	2,943	924	49,763	64,673
Technology	63,280	1,127	3,596	68,003	23,265
Travel and hospitality	34,810	6,683	389	41,882	54,094
	<u>2,200,637</u>	<u>338,560</u>	<u>276,970</u>	<u>2,816,167</u>	<u>2,739,248</u>
Depreciation	<u>298,899</u>	<u>19,816</u>	<u>11,560</u>	<u>330,275</u>	<u>325,162</u>
Total	<u>\$ 2,499,536</u>	<u>\$ 358,376</u>	<u>\$ 288,530</u>	<u>\$ 3,146,442</u>	<u>\$ 3,064,410</u>