

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

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
YEAR ENDED JUNE 30, 2017**

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Certified Public Accountants & Consultants

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

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INDEPENDENT AUDITOR’S 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. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statement of activities for the year ended June 30, 2017, and the statements of cash flows for the years ended June 30, 2017 and 2016, 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School’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 School’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, 2017 and 2016, and the changes in its net assets for the year ended June 30, 2017, and its cash flows for the years ended June 30, 2017 and 2016 in accordance with U.S. generally accepted accounting principles.

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Report on Summarized Comparative Information

We have previously audited the Mother Caroline Academy and Education Center, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2017. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonneson & Company, PC

Wakefield, Massachusetts
April 9, 2018

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MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 48,960 | \$ | \$ | \$ 48,960 | \$ 25,076 |
| Accounts receivable | 8,406 | | | 8,406 | 20,864 |
| Pledges receivable, net | - | 136,381 | | 136,381 | 203,593 |
| Investments | 4,306,531 | 2,511,249 | 4,929,195 | 11,746,975 | 11,535,390 |
| Prepaid expenses and other assets | 40,356 | | | 40,356 | 34,596 |
| Property and equipment, net | 975,190 | | | 975,190 | 1,278,104 |
| Due from (to) other funds | (235,856) | 235,856 | | - | - |
| TOTAL ASSETS | <u>\$ 5,143,587</u> | <u>\$ 2,883,486</u> | <u>\$ 4,929,195</u> | <u>\$ 12,956,268</u> | <u>\$ 13,097,623</u> |

LIABILITIES AND NET ASSETS

| | | | | | |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|
| LIABILITIES: | | | | | |
| Accounts payable | \$ 51,859 | \$ | \$ | \$ 51,859 | \$ 31,726 |
| Accrued expenses | 51,677 | | | 51,677 | 49,876 |
| Capital lease obligations | 48,583 | | | 48,583 | 74,015 |
| TOTAL LIABILITIES | <u>152,119</u> | <u>-</u> | <u>-</u> | <u>152,119</u> | <u>155,617</u> |
| NET ASSETS: | | | | | |
| Unrestricted | 4,991,468 | | | 4,991,468 | 5,468,026 |
| Temporarily restricted | | 2,883,486 | | 2,883,486 | 2,544,785 |
| Permanently restricted | | | 4,929,195 | 4,929,195 | 4,929,195 |
| TOTAL NET ASSETS | <u>4,991,468</u> | <u>2,883,486</u> | <u>4,929,195</u> | <u>12,804,149</u> | <u>12,942,006</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,143,587</u> | <u>\$ 2,883,486</u> | <u>\$ 4,929,195</u> | <u>\$ 12,956,268</u> | <u>\$ 13,097,623</u> |

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| REVENUES: | | | | | |
| Activity and registration fees | \$ 56,975 | \$ | \$ | \$ 56,975 | \$ 67,150 |
| EXPENSES: | | | | | |
| Academy | 2,333,781 | | | 2,333,781 | 2,294,952 |
| Administrative | 375,502 | | | 375,502 | 364,015 |
| Fundraising | 335,747 | | | 335,747 | 282,595 |
| Total expenses | 3,045,030 | - | - | 3,045,030 | 2,941,562 |
| DECREASE BEFORE SUPPORT | (2,988,055) | - | - | (2,988,055) | (2,874,412) |
| SUPPORT: | | | | | |
| Contributions and grants | 968,380 | 490 | | 968,870 | 1,123,863 |
| Contributed services and materials | 425,185 | | | 425,185 | 373,356 |
| Interest and dividend income | 83,835 | 143,120 | | 226,955 | 212,947 |
| Realized and unrealized gains (losses) | 441,819 | 757,309 | | 1,199,128 | (18,538) |
| Other income | 30,060 | | | 30,060 | 32,738 |
| Appropriation of gains on investments | 352,026 | (352,026) | | - | - |
| Net assets released | 210,192 | (210,192) | | - | - |
| Total support | 2,511,497 | 338,701 | - | 2,850,198 | 1,724,366 |
| NET INCREASE (DECREASE) | (476,558) | 338,701 | - | (137,857) | (1,150,046) |
| NET ASSETS, BEGINNING OF YEAR | 5,468,026 | 2,544,785 | 4,929,195 | 12,942,006 | 14,092,052 |
| NET ASSETS, END OF YEAR | \$ 4,991,468 | \$ 2,883,486 | \$ 4,929,195 | \$ 12,804,149 | \$ 12,942,006 |

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Decrease in net assets | \$ (137,857) | \$ (1,150,046) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 334,366 | 335,981 |
| Realized and unrealized (gains) losses on investments, net | (1,199,128) | 18,538 |
| Changes in certain assets and liabilities: | | |
| Accounts receivable | 10,681 | 4,069 |
| Pledges receivable | 67,212 | 78,862 |
| Prepaid expenses and other assets | (6,888) | (9,578) |
| Accounts payable | 20,133 | (16,272) |
| Accrued expenses | 1,801 | (33,581) |
| | <u>(909,680)</u> | <u>(772,027)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from investments, net | 987,543 | 787,510 |
| Purchase of property and equipment | (30,324) | (8,177) |
| Advances to employees | (3,993) | (9,299) |
| Repayment of employee advances | 5,770 | 7,594 |
| | <u>958,996</u> | <u>777,628</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related party | 25,000 | - |
| Repayments to related party | (25,000) | (35,000) |
| Repayments of capital lease obligations | (25,432) | (27,230) |
| | <u>(25,432)</u> | <u>(62,230)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 23,884 | (56,629) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>25,076</u> | <u>81,705</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 48,960</u> | <u>\$ 25,076</u> |

See Notes to Financial Statements.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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 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.

The School relies heavily on contributions from donors and support from investments in achieving its mission.

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 not subject to donor-imposed stipulations or for which restrictions have expired.

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, 2016 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.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - Cash equivalents consist of money market funds and similar investments with original maturities of 90 days or less. Marketable securities with original maturities in excess of 90 days are classified as investments. Cash equivalents are carried at cost which approximates market. Money market funds in the amount of \$479,602 and \$887,633 at June 30, 2017 and 2016, respectively, are classified as investments in the accompanying statements of financial position.

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 and a credit to accounts or pledges receivable.

Investments - Investments are recorded at fair 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 statements 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 an appropriation of cumulative gains in the accompanying statement of activities. 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.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

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 range between .1% and 3.5% for the year ended June 30, 2016.

Contributed Services and Materials - The School recognizes contributed 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 \$420,000 and \$360,000 for the years ended June 30, 2017 and 2016, respectively. Materials donated to the School amounted to approximately \$1,000 and \$12,000 for the years ended June 30, 2017 and 2016, 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 School is not aware of any concentrations of credit risk for cash accounts at June 30, 2017.

Subsequent Events - The date to which events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 2 - Pledges Receivable

Pledges receivable at June 30, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------|-------------------|
| Pledges expected to be collected in: | | |
| Less than one year | \$ 146,896 | \$ 128,833 |
| One to five years | - | 75,000 |
| | <u>146,896</u> | <u>203,833</u> |
| Less present value discount | - | 240 |
| Less allowance for doubtful pledges | <u>10,515</u> | <u>-</u> |
| Net pledges receivable | <u>\$ 136,381</u> | <u>\$ 203,593</u> |

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.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 3 - Fair Value (Continued)

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, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|-----------------------------|
| <u>Level 1</u> | | |
| Public equities: | | |
| Large cap funds | \$ 5,712,647 | \$ 5,798,470 |
| Mid cap funds | 2,572,174 | 2,115,121 |
| Bank loan funds | 272,690 | 258,178 |
| Emerging market funds | 211,246 | 177,815 |
| Specialty funds | 82,873 | 102,134 |
| Bond investments: | | |
| Short-term bond funds | 1,406,117 | 1,405,445 |
| Intermediate-term bond funds | 1,009,626 | 1,040,596 |
| Short-term investments - Money market funds | 479,602 | 637,631 |
| Total Level 1 Investments | \$ <u>11,746,975</u> | \$ <u>11,535,390</u> |

Note 4 - Property and Equipment

Property and equipment at June 30, 2017 and 2016 consists of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|--------------------------|----------------------------|
| Land | \$ 25,443 | \$ 25,443 |
| Building | 5,976,462 | 5,976,462 |
| Equipment | 797,010 | 766,686 |
| | <u>6,798,915</u> | <u>6,768,591</u> |
| Less accumulated depreciation | <u>5,823,725</u> | <u>5,490,487</u> |
| Property and equipment, net | \$ <u>975,190</u> | \$ <u>1,278,104</u> |

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017:

| <u>Years Ending June 30,</u> | | <u>Amount</u> |
|--|----|----------------------|
| 2018 | \$ | 21,202 |
| 2019 | | 20,077 |
| 2020 | | 15,626 |
| Total future minimum lease payments | | 56,905 |
| Less amount representing interest | | 8,322 |
| Net present value of future minimum lease payments | \$ | <u>48,583</u> |

Note 6 - 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

YEARS ENDED JUNE 30, 2017 AND 2016

Note 6 - Endowment (Continued)

The endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| <u>As of June 30, 2017:</u> | | | | |
| Donor-restricted endowment funds | \$ | \$ 2,511,249 | \$ 4,929,195 | \$ 7,440,444 |
| Board designated endowment funds | 4,306,531 | | | 4,306,531 |
| | <u>\$ 4,306,531</u> | <u>\$ 2,511,249</u> | <u>\$ 4,929,195</u> | <u>\$ 11,746,975</u> |
| <u>As of June 30, 2016:</u> | | | | |
| Donor-restricted endowment funds | \$ | \$ 1,962,846 | \$ 4,929,195 | \$ 6,892,041 |
| Board designated endowment funds | 4,643,349 | | | 4,643,349 |
| | <u>\$ 4,643,349</u> | <u>\$ 1,962,846</u> | <u>\$ 4,929,195</u> | <u>\$ 11,535,390</u> |

The changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Balance, July 1, 2015 | \$ 5,242,332 | \$ 2,169,911 | \$ 4,929,195 | \$ 12,341,438 |
| Investment income, net | 61,696 | 132,460 | | 194,156 |
| Appropriations of cumulative gains | 339,525 | (339,525) | | - |
| Other transfers | (1,000,204) | | | (1,000,204) |
| Balance, June 30, 2016 | 4,643,349 | 1,962,846 | 4,929,195 | 11,535,390 |
| Investment income, net | 525,654 | 900,429 | | 1,426,083 |
| Appropriations of cumulative gains | 352,026 | (352,026) | | - |
| Other transfers | (1,214,498) | | | (1,214,498) |
| Balance, June 30, 2017 | <u>\$ 4,306,531</u> | <u>\$ 2,511,249</u> | <u>\$ 4,929,195</u> | <u>\$ 11,746,975</u> |

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 7 - Temporarily Restricted Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Building | \$ - | \$ 4,875 |
| Class Sponsor | 220,000 | 309,760 |
| Cumulative Gains from Permanent Endowment Funds | 2,511,249 | 1,962,846 |
| General Academy Support | 56,681 | 105,132 |
| GMH Scholarship | 72,761 | 72,511 |
| Emergency Funds | 2,795 | 2,795 |
| Strategic Planning | 20,000 | 60,000 |
| Summer | - | 25,000 |
| Other | - | 1,866 |
| | <u>\$ 2,883,486</u> | <u>\$ 2,544,785</u> |

Note 8 - Permanently Restricted Net Assets

At June 30, 2017 and 2016, permanently restricted net assets consist of the following:

| | <u>2017</u> | <u>2016</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 9 - 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 and \$5,000 for the years ended June 30, 2017 and 2016, respectively.

MOTHER CAROLINE ACADEMY AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 9 - Retirement Plan (Continued)

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 10 - 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 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, 2017, 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 12 - Statement of Cash Flows Supplemental Notes

Cash paid for interest for the years ended June 30, 2017 and 2016 amounted to approximately \$1,000 and \$3,000, respectively.

INDEPENDENT AUDITOR'S 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 June 30, 2017 and 2016 and for the year ended June 30, 2017, and our report thereon dated April 9, 2018, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted 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 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.

Wakefield, Massachusetts
April 9, 2018

Tonneson & Company, PC

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.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | | | 2016 | | | |
|-------------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| | Academy | Administrative | Fundraising | Total | Academy | Administrative | Fundraising | Total |
| Bad debt expense | \$ 10,160 | \$ | \$ | \$ 10,160 | \$ 10,905 | \$ 2,990 | \$ | \$ 13,895 |
| Communications and public relations | 276 | | 192 | 468 | 1,402 | 90 | 90 | 1,582 |
| Contributed services and materials | 424,649 | | | 424,649 | 370,886 | | 2,470 | 373,356 |
| Fringe benefits and payroll taxes | 152,835 | 43,461 | 24,943 | 221,239 | 153,595 | 41,866 | 18,346 | 213,807 |
| Fundraising and special events | 12,080 | | 57,901 | 69,981 | 6,713 | | 73,877 | 80,590 |
| Insurance | 63,830 | | | 63,830 | 56,496 | 4,394 | 1,883 | 62,773 |
| Miscellaneous expense | 5,832 | 8,825 | 113 | 14,770 | 3,351 | 8,085 | 5,609 | 17,045 |
| Operation and maintenance of plant | 135,242 | 9,400 | 5,230 | 149,872 | 127,378 | 8,445 | 4,926 | 140,749 |
| Postage | 386 | 1,380 | 3,329 | 5,095 | 704 | 4,142 | 1,715 | 6,561 |
| Printing and publications | 6,444 | 2,606 | 13,778 | 22,828 | 9,600 | 2,296 | 15,617 | 27,513 |
| Professional fees | 56,441 | 56,167 | 87,566 | 200,174 | 74,339 | 36,443 | 48,123 | 158,905 |
| Salaries and related expenses | 943,796 | 220,679 | 119,241 | 1,283,716 | 923,766 | 223,068 | 91,594 | 1,238,428 |
| Scholarships | 54,874 | | 268 | 55,142 | 57,359 | | | 57,359 |
| Staff development | 10,710 | 825 | 1,699 | 13,234 | 11,126 | 1,311 | 2,049 | 14,486 |
| Student activities | 93,419 | 462 | 49 | 93,930 | 111,139 | | | 111,139 |
| Supplies | 21,988 | 3,294 | 448 | 25,730 | 28,185 | 5,574 | 389 | 34,148 |
| Technology | 14,463 | 3,494 | 6,000 | 23,957 | 14,597 | 1,528 | 3,997 | 20,122 |
| Travel and hospitality | 23,806 | 4,813 | 3,270 | 31,889 | 29,348 | 3,624 | 151 | 33,123 |
| | <u>2,031,231</u> | <u>355,406</u> | <u>324,027</u> | <u>2,710,664</u> | <u>1,990,889</u> | <u>343,856</u> | <u>270,836</u> | <u>2,605,581</u> |
| Depreciation and amortization | 302,550 | 20,096 | 11,720 | 334,366 | 304,063 | 20,159 | 11,759 | 335,981 |
| Total | <u>\$ 2,333,781</u> | <u>\$ 375,502</u> | <u>\$ 335,747</u> | <u>\$ 3,045,030</u> | <u>\$ 2,294,952</u> | <u>\$ 364,015</u> | <u>\$ 282,595</u> | <u>\$ 2,941,562</u> |

See Independent Auditor's Report on Accompanying Information.