

SAINT ALOYSIUS SCHOOL AND CHILD, INC.

COMBINED FINANCIAL STATEMENTS

AUGUST 31, 2005 AND 2004

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
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AUGUST 31, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saint Aloysius School And CHILD, Inc.

We have audited the accompanying combined statements of financial position of Saint Aloysius School and CHILD, Inc. as of August 31, 2005 and 2004, and the related combined statements of unrestricted activities, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the statements of financial position of Saint Aloysius School and CHILD, Inc. as of August 31, 2005 and 2004, and its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PUSTORINO, PUGLISI & CO., LLP
New York, New York
January 20, 2006

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2005 AND 2004

	<u>ASSETS</u>		<u>2005</u>	<u>2004</u>
<u>Current Assets:</u>				
Cash and cash equivalents		\$	169,741	\$ 259,209
Pledges receivable			102,016	988,500
Investments, at market value			-	27,501
Other current assets			<u>40,204</u>	<u>6,700</u>
Total Current Assets			311,961	1,281,910
<u>Non-Current Assets:</u>				
Cash held for long-term purposes			1,446,484	2,176,657
<u>Other Assets:</u>				
Property and equipment, net of accumulated depreciation of \$865,240 for 2005 and \$690,333 for 2004			<u>3,197,419</u>	<u>1,251,857</u>
Total Assets			<u>\$4,955,864</u>	<u>\$4,710,424</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities:</u>				
Accounts payable and accrued expenses		\$	555,881	\$ 125,927
Deferred tuition and fees			<u>25,465</u>	<u>20,701</u>
Total Current Liabilities			<u>581,346</u>	<u>146,628</u>
<u>Net Assets:</u>				
Unrestricted			2,980,482	1,508,310
Temporarily restricted			582,843	2,244,293
Permanently restricted			<u>811,193</u>	<u>811,193</u>
Total Net Assets			<u>4,374,518</u>	<u>4,563,796</u>
Total Liabilities and Net Assets			<u>\$4,955,864</u>	<u>\$4,710,424</u>

The accompanying notes are an integral part of these financial statements.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
 COMBINED STATEMENTS OF UNRESTRICTED ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>Revenue:</u>		
Tuition and related fees	\$ 488,969	\$ 428,622
Student fundraising	29,245	13,886
Contributions	1,881,764	1,979,277
Less: Cost of special event	<u>(79,098)</u>	<u>(79,201)</u>
	1,802,666	1,900,076
NYS mandated services	43,405	59,353
Federal grant	107,691	337,858
Investment income	<u>43,714</u>	<u>19,682</u>
	2,515,690	2,759,477
Net assets released from restrictions	<u>2,049,812</u>	<u>282,742</u>
 Total Revenue	 <u>4,565,502</u>	 <u>3,042,219</u>
 <u>Expenses:</u>		
Program services	2,500,701	2,100,827
Administration	394,554	308,481
Development	<u>198,075</u>	<u>193,572</u>
 Total Expenses	 <u>3,093,330</u>	 <u>2,602,880</u>
 Net Change in Unrestricted Net Assets	 <u>\$1,472,172</u>	 <u>\$ 439,339</u>

The accompanying notes are an integral part of these financial statements.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
 COMBINED STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>Unrestricted net assets:</u>		
Total unrestricted revenue	\$2,515,690	\$2,759,477
Net assets released from restrictions	2,049,812	282,742
Total unrestricted expenses	<u>(3,093,330)</u>	<u>(2,602,880)</u>
Change in unrestricted net assets	<u>1,472,172</u>	<u>439,339</u>
 <u>Temporarily restricted net assets:</u>		
Contributions	388,362	1,682,847
Net assets released from restrictions	<u>(2,049,812)</u>	<u>(282,742)</u>
Change in temporarily restricted net assets	<u>(1,661,450)</u>	<u>1,400,105</u>
 <u>Permanently restricted net assets:</u>		
Contributions	<u>-</u>	<u>211,337</u>
 Change in net assets	(189,278)	2,050,781
Net assets at the beginning of the year	<u>4,563,796</u>	<u>2,513,015</u>
Net assets at the end of the year	<u>\$4,374,518</u>	<u>\$4,563,796</u>

The accompanying notes are an integral part of these financial statements.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
 COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004

2005				
	Program Services	Administrative	Development	Total
Salaries	\$1,200,645	\$ 267,021	\$ 155,812	\$1,623,478
Payroll taxes and fringe benefits	325,256	68,425	39,927	433,608
Professional fees	-	27,930	-	27,930
High school scholarships	224,915	-	-	224,915
Education and school activities	241,561	-	-	241,561
Building related	132,044	-	-	132,044
Depreciation	197,059	1,612	2,336	201,007
Office and related	179,221	29,566	-	208,787
Total as reported on statement of unrestricted activities	<u>\$2,500,701</u>	<u>\$ 394,554</u>	<u>\$ 198,075</u>	3,093,330
Cost of special event				79,098
				<u>\$3,172,428</u>
2004				
	Program Services	Administrative	Development	Total
Salaries	\$1,161,019	\$ 207,029	\$ 160,027	\$1,528,075
Payroll taxes and fringe benefits	261,993	41,790	32,302	336,085
Professional fees	-	52,849	-	52,849
High school scholarships	178,396	-	-	178,396
Education and school activities	95,801	-	-	95,801
Building related	131,109	-	-	131,109
Depreciation	104,855	858	1,243	106,956
Office and related	167,654	5,955	-	173,609
Total as reported on statement of unrestricted activities	<u>\$2,100,827</u>	<u>\$ 308,481</u>	<u>\$ 193,572</u>	2,602,880
Cost of special event				79,201
				<u>\$2,682,081</u>

The accompanying notes are an integral part of these financial statements.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004

	2005	2004
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$ (189,278)	\$ 2,050,781
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	201,007	106,956
Unrealized loss on investments	3,774	(465)
Realized (gain) loss on investments	(5,084)	(4,807)
Contributions received for long-term purposes	(2,051,358)	(1,141,262)
Contributions of securities	(86,699)	(86,291)
Changes in assets and liabilities:		
Pledges receivable	886,484	(706,172)
Other current assets	(33,504)	(1,600)
Deferred tuition and fees	4,764	(9,298)
Accounts payable and accrued expenses	(39,334)	55,776
Net cash provided (used) by operations	(1,309,228)	263,618
<u>Cash Flows from Investing Activities:</u>		
Capital expenditures	(1,677,283)	(477,058)
Change in cash held for long term purposes	730,173	(993,191)
Proceeds from sales of securities	116,497	96,153
Purchases of securities	(985)	(539)
Net cash used by investing activities	(831,598)	(1,374,635)
<u>Cash Flows from Financing Activities:</u>		
Contributions received for long-term purposes	2,051,358	1,141,262
Net cash provided by financing activities	2,051,358	1,141,262
Net change in cash	(89,468)	30,245
Cash at the beginning of the year	259,209	228,964
Cash at the end of the year	\$ 169,741	\$ 259,209

The accompanying notes are an integral part of these financial statements.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

Note 1 - Organization, Activities and Tax-Exempt Status:

a. Organization and Activities:

St. Aloysius Parochial Elementary School is a parish-sponsored school that has served the Harlem community for more than fifty years. The School is dedicated to educating 2 1/2 to 14 year old children who are at great risk of never achieving their fullest potential. The school is administered by the St. Aloysius Roman Catholic Church. The central focus of the school's mission is to empower its students with an ever expanding appreciation of their cultural past, a healthy confidence in themselves and their abilities today, and a future vision that calls each student to be a "person for others."

To meet the educational needs of Harlem's children and families, the School's structure consists of four programs. Special emphasis is placed upon leadership development, the pursuit of academic excellence, and the formation of relationships and a strong system of values.

St. Aloysius School's four academic programs are:

- Mother Theodore Program - Coeducational Pre-Kindergarten and Kindergarten
- Pierre Toussaint Program - Coeducational grades 1 to 5
- Gonzaga Program - Boys, grades 6, 7, and 8
- Sister Thea Bowman Program - Girls, grades 6, 7 and 8.

b. Tax Exempt Status :

The school is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. The school is similarly exempt from New York State and New York City taxes.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation:

The accounting records and financial statements of the school are prepared on the accrual basis. The combined financial statements include the financial statements of CHILD, Inc., which is under common control of Saint Aloysius School. All intercompany accounts and activity have been eliminated in combination.

b. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the school considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

Note 2 - Summary of Significant Accounting Policies (cont'd):

c. Recognition and Classification of Support, Revenue and Expenses:

All support, including endowment gifts (and pledges, if any, at their estimated net realizable value) is recognized as income in the statement of activities in the period received (or pledged). Bequests are recognized at the time the school's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

Contributions received with donor stipulations as to their intended use are reported in the statement of activities as restricted support, except that temporarily restricted contributions that are expended for their specified purposes in the year of the gift are classified as unrestricted.

All expenses are charged in the statement of activities to unrestricted net assets, regardless of how funded. Temporarily restricted net assets are reclassified as unrestricted when available for unrestricted use as a result of compliance with or expiration of the related restriction.

Certain expenses are allocated functionally to program, administrative and development activities on the basis of estimates by management.

d. Use of Estimates:

The preparation of financial statements in conformity with 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Property and Equipment:

Capitalized fixed assets are valued at approximate fair market value at date of donation or cost at date of purchase and are being depreciated over their estimated useful lives utilizing the straight-line method:

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

Note 3 - Property and Equipment (cont'd):

	<u>2005</u>	<u>2004</u>
Furniture and Fixtures	\$ 88,515	\$ 83,153
Computers and Technology Equipment	233,045	206,501
Vehicles	34,150	60,251
Building and Related Improvements	<u>3,706,949</u>	<u>1,592,285</u>
	4,062,659	1,942,190
 Accumulated Depreciation	 <u>(865,240)</u>	 <u>(690,333)</u>
	 <u>\$3,197,419</u>	 <u>\$1,251,857</u>

Note 4 - Investments and Investment Income:

Investments are carried at fair market value based on established market quotation and consist of a mutual fund invested in the health care sector.

Investment income for the year ended August 31, 2005 and 2004 consists of the following:

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 42,404	\$ 14,410
Unrealized gains (loss) on investments	(3,774)	465
Realized gain on investments	<u>5,084</u>	<u>4,807</u>
	 <u>\$ 43,714</u>	 <u>\$ 19,682</u>

Note 5 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following:

	<u>2005</u>	<u>2004</u>
Capital projects	\$ 487,512	\$2,181,465
Music and arts programs	<u>95,331</u>	<u>62,828</u>
	<u>\$ 582,843</u>	<u>\$2,244,293</u>

SAINT ALOYSIUS SCHOOL AND CHILD, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

Note 6 - Permanently Restricted Net Assets:

Investment income earned on permanently restricted net assets is available for unrestricted use.

Note 7 - Concentration of Credit Risk:

The School maintains most of its cash balance in one commercial bank. The total cash balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. While the School attempts to limit any financial exposure, its deposit balances may, at times, exceed the federally insured limits. The School has not experienced any losses on such account.

The School's securities positions are held by its clearing broker, which is a broker/dealer and a member of all major securities exchanges. The School is subject to credit risk should this clearing broker be unable to meet its obligations either to repay amounts owed or to return the School's securities. This risk is mitigated by the fact that the School's accounts are carried by this clearing broker as customer accounts, as defined, and are therefore afforded certain protection under Securities and Exchange Commission Rules with regard thereto and under the Securities Investor Protection Corporation's insurance program and supplemental insurance programs maintained by such broker.

Note 8 – Related Party Transactions:

The School hired an architectural firm, in which one of the School's advisory board members and CHILD's board members is a partner, to renovate the school during the fiscal years. The firm has charged the School \$123,193 and \$133,788 for its service for the years 2005 and 2004, including accrual of \$45,305 and \$41,096 as of August 31, 2005 and 2004, respectively.