

SAINT MARTIN DE PORRES ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

SAINT MARTIN DE PORRES ACADEMY

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Saint Martin de Porres Academy

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Martin de Porres Academy (a nonprofit organization) which comprise the statements of financial position as of July 31, 2016 and 2015, and the related statements of activities and change in net assets, and cash flows for the years then ended, 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 accounting principles generally accepted in the United States of America; 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 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 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 Saint Martin de Porres Academy as of July 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 17-18 are 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 schedules of functional expenses are fairly stated in all material respects in relation to the financial statements as a whole.

Marum LLP

New Haven, CT
December 22, 2016

SAINT MARTIN DE PORRES ACADEMY

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 138,761	\$ 130,586
Accounts receivable - students	15,289	11,548
Other receivables	9,302	4,829
Pledges receivable	--	22,867
Prepaid expenses and other current assets	<u>14,238</u>	<u>16,670</u>
Total Current Assets	177,590	186,500
College Loans Receivable (net of allowance of \$41,969 and \$27,529, respectively)	10,491	6,882
Interest in Charitable Remainder Trust	117,219	119,652
Property and Equipment - net	<u>309,385</u>	<u>336,791</u>
Total Assets	<u>\$ 614,685</u>	<u>\$ 649,825</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 556	\$ 12,546
Accounts payable	61,271	44,510
Accrued expenses	<u>3,905</u>	<u>17,525</u>
Total Current Liabilities	65,732	74,581
Long-Term Debt - net of current portion	<u>--</u>	<u>1,625</u>
Total Liabilities	<u>65,732</u>	<u>76,206</u>
Net Assets		
Unrestricted	357,674	382,595
Temporarily restricted	171,279	171,024
Permanently restricted	<u>20,000</u>	<u>20,000</u>
Total Net Assets	<u>548,953</u>	<u>573,619</u>
Total Liabilities and Net Assets	<u>\$ 614,685</u>	<u>\$ 649,825</u>

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

SAINT MARTIN DE PORRES ACADEMY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 741,640	\$ 339,834	\$ --	\$1,081,474
Special event income - net of expenses of \$47,762	250,105	--	--	250,105
Grant income	52,890	--	--	52,890
Student fees	39,655	--	--	39,655
Sublease income	26,288	--	--	26,288
Other income	7,959	--	--	7,959
Donated services	25,182	--	--	25,182
Net assets released from restrictions	<u>337,092</u>	<u>(337,092)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>1,480,811</u>	<u>2,742</u>	<u>--</u>	<u>1,483,553</u>
Expenses and Deductions				
Program services	1,118,723	--	--	1,118,723
Fundraising	154,776	--	--	154,776
Management and general	<u>232,004</u>	<u>--</u>	<u>--</u>	<u>232,004</u>
	1,505,503	--	--	1,505,503
Net loss from investments	<u>229</u>	<u>2,487</u>	<u>--</u>	<u>2,716</u>
Total Expenses and Deductions	<u>1,505,732</u>	<u>2,487</u>	<u>--</u>	<u>1,508,219</u>
Change in Net Assets	(24,921)	255	--	(24,666)
Net Assets - Beginning	<u>382,595</u>	<u>171,024</u>	<u>20,000</u>	<u>573,619</u>
Net Assets - End	<u>\$ 357,674</u>	<u>\$ 171,279</u>	<u>\$ 20,000</u>	<u>\$ 548,953</u>

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

SAINT MARTIN DE PORRES ACADEMY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 824,251	\$ 292,938	\$ 20,000	\$1,137,189
Special event income - net of expenses of \$46,724	239,293	--	--	239,293
Grant income	46,702	--	--	46,702
Student fees	27,590	--	--	27,590
Sublease income	26,175	--	--	26,175
Other income	9,275	--	--	9,275
Donated services	22,217	--	--	22,217
Net assets released from restrictions	<u>325,512</u>	<u>(325,512)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>1,521,015</u>	<u>(32,574)</u>	<u>20,000</u>	<u>1,508,441</u>
Expenses				
Program services	1,063,566	--	--	1,063,566
Fundraising	154,669	--	--	154,669
Management and general	<u>191,135</u>	<u>--</u>	<u>--</u>	<u>191,135</u>
	1,409,370	--	--	1,409,370
Net loss from investments	<u>1,189</u>	<u>12,265</u>	<u>--</u>	<u>13,454</u>
Total Expenses and Deductions	<u>1,410,559</u>	<u>12,265</u>	<u>--</u>	<u>1,422,824</u>
Change in Net Assets	110,456	(44,839)	20,000	85,617
Net Assets - Beginning	<u>272,139</u>	<u>215,863</u>	<u>--</u>	<u>488,002</u>
Net Assets - End	<u>\$ 382,595</u>	<u>\$ 171,024</u>	<u>\$ 20,000</u>	<u>\$ 573,619</u>

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

SAINT MARTIN DE PORRES ACADEMY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (24,666)	\$ 85,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,082	50,979
College loan receivable reserve	14,440	9,681
Interest in charitable remainder trust - unrealized loss	2,433	12,265
Changes in assets and liabilities:		
Accounts receivable - students	(3,741)	3,356
Pledges receivable	22,867	34,345
Other receivables	(4,473)	(90)
Prepaid expenses and other current assets	2,432	6,479
Accounts payable	16,761	(39,078)
Accrued expenses	(13,620)	(6,645)
Net Cash Provided by Operating Activities	<u>64,515</u>	<u>156,909</u>
Cash Flows from Investing Activities		
College loans disbursed	(18,049)	(12,193)
Acquisitions of property and equipment	(24,676)	(15,451)
Net Cash Used in Investing Activities	<u>(42,725)</u>	<u>(27,644)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	110,000	80,000
Payments on line of credit	(110,000)	(160,000)
Payments on long-term debt	(13,615)	(12,178)
Net Cash Used in Financing Activities	<u>(13,615)</u>	<u>(92,178)</u>
Net Change in Cash and Cash Equivalents	8,175	37,087
Cash and Cash Equivalents - Beginning	<u>130,586</u>	<u>93,499</u>
Cash and Cash Equivalents - End	<u>\$ 138,761</u>	<u>\$ 130,586</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,530</u>	<u>\$ 3,941</u>

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

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Saint Martin de Porres Academy (the “Academy”) is a not-for-profit organization incorporated in January 2005. The Academy is an independent Catholic School dedicated to providing a faith-based, tuition-free education for girls and boys from low-income families in the New Haven, Connecticut area. The Academy receives its support from private foundations, the City of New Haven, and individuals.

BASIS OF PRESENTATION

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when funds are earned and expenses when the related liability for goods or services are incurred regardless of the timing of cash flows.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as follows:

Permanently Restricted – Net assets, representing primarily the original amount of endowment gifts, subject to donor-imposed stipulations that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the investment return on these assets.

Temporarily Restricted – Net assets whose use by the Academy is subject to donor-imposed stipulations that can be fulfilled by actions of the Academy pursuant to those stipulations or that expire by the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statement of activities and changes in net assets.

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Academy classifies all cash accounts, and its money market account, that are not subject to withdrawal restrictions and highly liquid instruments with a maturity of three months or less when purchased as cash equivalents.

The Academy places its cash deposits and temporary cash investments with high credit quality institutions. At times, cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limits. The Academy has not suffered any losses in connection with its banking activity.

ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of student tuition and fees related to instructional programs and activities. The Academy establishes an allowance for doubtful accounts based on its review of delinquent accounts. An account is written off when it is reasonably certain that the account will not be collected. No allowances were deemed necessary by management as of July 31, 2016 or 2015.

PROPERTY AND EQUIPMENT

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets which range from 5 to 39 years. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the useful life of the related asset or the lease term.

CONTRIBUTIONS AND FUNDRAISING

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions of marketable securities are valued at fair value on the date of donation.

Contributions are recognized when the donor makes a promise to give to the Academy, that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities and changes in net assets.

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANT REVENUE

Grant awards are recognized as unrestricted revenue to the extent of grant expenditures incurred. Grant expenditures incurred in excess of grant funds received are reported as a receivable. Grant funds received in excess of grant expenditures incurred are reported as deferred revenue.

DONATED SERVICES

The Academy received professional services which otherwise would have had to be paid for. These donated services amounts to \$25,182 in 2016 and \$22,217 in 2015. Additionally, several individuals volunteer significant time to the Academy's management and fund-raising activities. However, during the year ended July 31, 2016 and 2015, those services did not meet the criteria for recognition in the financial statements and have not been recorded.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Academy is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provisions for income taxes are made in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Academy and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. Management has analyzed the tax positions taken by the Academy, and has concluded that as of July 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Academy is subject to routine audits by taxing jurisdictions; however, there are currently no audits pending or in progress for any tax periods.

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment income as reported in the statement of activities and changes in net assets, includes net depreciation in fair value of investments including both realized and unrealized gains and losses, dividend income recognized on the ex-dividend date, and interest income recognized as earned.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2016, the date the financial statements were available for issuance. No events requiring recognition or disclosure in the accompanying financial statements were identified.

NOTE 2 – PROPERTY AND EQUIPMENT

A summary of property and equipment at July 31, 2016 and 2015, is as follows:

	2016	2015
Leasehold improvements	\$ 409,752	\$ 405,252
Furniture and fixtures	42,706	41,458
Computer and other equipment	165,346	146,419
Vehicles	<u>90,119</u>	<u>90,119</u>
Total property and equipment	707,923	683,248
Less accumulated depreciation and amortization	<u>(398,538)</u>	<u>(346,457)</u>
Property and equipment, net	<u>\$ 309,385</u>	<u>\$ 336,791</u>

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

INVESTMENTS

The following summarizes investments as of July 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money Market Funds	\$ 48,409	\$ 48,547

The Academy currently invests its endowment fund and certain temporarily restricted net assets in its money market fund. The money market fund is included in cash and cash equivalents.

The Academy's policy for investments is to immediately convert it to cash, unless the donor restricts the investment to long-term purposes. Accordingly, the cash receipt from the sale of stocks are classified as operating cash flows in the accompanying statement of cash flows.

BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

In May 2014, the Academy became the sole beneficiary in a charitable remainder trust. The trust document provides for the trust's recipient to receive seven per cent of the fair value of the trust annually until the recipient's death. Upon the recipient's death, the Academy is to receive the balance of the assets within the trust, which are held in a brokerage account. The following is a reconciliation of the changes in the fair value of the beneficial interest in the charitable remainder trust:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 119,652	\$ 131,917
Change in fair value	<u>(2,433)</u>	<u>(12,265)</u>
Balance, end of year	<u>\$ 117,219</u>	<u>\$ 119,652</u>

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT (*CONTINUED*)

FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices in active markets are available for identical assets and liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the assets measured at fair value.

Money Market Fund – Valued at the closing price of \$1 per share reported on the active market.

Beneficial Interest in Charitable Remainder Trust – valued using the net present value of the estimated future cash flows. In calculating the fair value of the Academy's interest in the trust, the Academy has estimated earnings at five percent annually, annual withdrawals of seven percent, and applied a discount factor of two and one-half percent to the estimated remaining annual balance.

There have been no changes in the methodologies used at July 31, 2016 and 2015.

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of investments, by type, as of July 31:

	2016			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 48,409	\$ --	\$ --	\$ 48,409
Beneficial Interest in Charitable Remainder Trust	--	117,219	--	117,219
	\$ 48,409	\$ 117,219	\$ --	\$ 165,628
	2015			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 48,547	\$ --	\$ --	\$ 48,547
Beneficial Interest in Charitable Remainder Trust	--	119,652	--	119,652
	\$ 48,547	\$ 119,652	\$ --	\$ 168,199

The following schedule summarizes the investment return in the statements of activities for the years ended July 31, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 12	\$ 5
Investment fees	(150)	(150)
Realized loss on investments	(145)	(1,044)
Unrealized loss on investments	(2,433)	(12,265)
	\$ (2,716)	\$ (13,454)

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 4 – FINANCING ARRANGEMENTS

LINE OF CREDIT

The Academy maintains a line of credit agreement with Bankwell (the “Bank”) that provides for \$160,000 to be available to the Academy subject to annual renewals. Drawdowns on the line are payable upon demand. The line carries a variable interest rate (3.25% at July 31, 2016 and 2015) and is secured by substantially all Academy’s assets as well as the personal guarantees of five members of the Board of Directors, and two non-Board members. There was no outstanding balance at July 31, 2016 or 2015.

LONG-TERM DEBT

At July 31, 2016 and 2015, the Academy has the following long-term debt:

	<u>2016</u>	<u>2015</u>
Note payable to a Bank, payable in monthly installments of \$565, including interest at 6.25 percent through September 2016. The note is secured by a vehicle	\$ 556	\$ 7,611
Note payable to a Bank, repaid during fiscal year 2016	<u>--</u>	<u>6,560</u>
	556	14,171
Less current portion	<u>(556)</u>	<u>(12,546)</u>
	<u>\$ --</u>	<u>\$ 1,625</u>

The aggregate amount of principle due per fiscal year is as follows:

2017	<u>\$ 556</u>
	<u>\$ 556</u>

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of July 31, 2016 and 2015 are available for the following purposes:

	2016	2015
Interest in charitable remainder trust	\$ 117,219	\$ 119,652
Scholarship funds	25,971	9,780
Music	10,717	17,316
Other	17,372	24,276
	<u>\$ 171,279</u>	<u>\$ 171,024</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of July 31, 2016 and 2015 represents a \$20,000 donation for the Academy to establish an endowment fund. The funds are currently held in the Academy's money market investment account. There were no donor specifications regarding how the funds were to be invested or restrictions on the investment earnings for the endowment, and as such, all investment earnings are reported as changes in unrestricted net assets.

NOTE 7 – EMPLOYEE BENEFITS

Eligible employees can participate in medical, dental, life, long-term disability, and retirement group benefit programs offered through the Archdiocese of Hartford. The Academy also provides tuition assistance towards graduate courses for its teaching staff as an additional benefit. Total benefits expense for the year ended July 31, 2016 and 2015 was \$77,476 and \$70,511, respectively.

NOTE 8 – OPERATING LEASES

The Academy leases its school building in New Haven, Connecticut under an operating lease that extends through 2017 and includes options to renew the lease for two additional five-year terms. Terms of the lease call for annual rent of \$24,000 due in monthly installments, with maintenance of the property paid for by the Academy.

SAINT MARTIN DE PORRES ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2016 AND 2015

NOTE 8 – OPERATING LEASES (CONTINUED)

The Academy also leases a space for staff and intern residences in New Haven, Connecticut. The Academy lease is on a month-to-month basis for monthly installments of \$2,479. The Academy subleases this space to its staff and interns on a month-to-month basis under unwritten, verbal agreements.

Minimum future lease payments under non-cancelable operating leases, having remaining terms in excess of one year as of July 31, 2016 were as follows:

Year ending July 31,

2017	\$ <u>22,000</u>
	\$ <u>22,000</u>

Rent expense totaled \$53,753 in 2016 and \$54,053 in 2015. Sublease rental income totaled \$26,288 in 2016 and \$26,175 in 2015.

NOTE 9 – COLLEGE LOANS

The Academy has a college loan program available to its graduates. The loans are considered long-term as repayment does not begin until 5 years after the student graduates from college. These loans are non-interest bearing but require 20% of the loan be paid back per year once repayment begins. At June 30, 2016 and 2015 there were four and three loans outstanding, totaling \$52,460 and \$34,412, respectively. Due to the inherent uncertainty in repayment and lack of historical information, management has reserved 80% of the balance of these loans. Total reserves were \$41,969 and \$27,529 as of July 31, 2016 and 2015, respectively. Net college loans receivable at June 30, 2016 and 2015 on the Statements of Financial Position are \$10,491 and \$6,882, respectively.

SAINT MARTIN DE PORRES ACADEMY

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2016

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 398,034	\$ 77,707	97,833	\$ 573,574
Interns	127,766	--	--	127,766
Employee benefits	53,765	10,496	13,215	77,476
Utilities	44,239	--	4,915	49,154
Payroll taxes	41,736	8,148	10,259	60,143
Food and supplies	47,233	--	--	47,233
Scholarships	145,340	--	--	145,340
Depreciation and amortization	46,874	--	5,208	52,082
Books, supplies and materials	10,859	--	--	10,859
Music supplies and instruction	2,313	--	--	2,313
Printing and copying	6,775	8,172	752	15,699
Office expenses	8,182	--	8,181	16,363
Maintenance	24,044	--	2,672	26,716
Liability insurance	28,373	--	3,153	31,526
Workers compensation insurance	3,492	682	858	5,032
Meetings and events	14,673	8,478	1,629	24,780
Professional fees	11,250	26,250	26,282	63,782
Dues and subscriptions	--	--	6,169	6,169
Postage	533	3,225	532	4,290
Professional development	--	--	2,772	2,772
Field trips	14,619	--	--	14,619
Summer programs	2,517	--	--	2,517
Sports and sports equipment	5,131	--	--	5,131
Transportation	9,993	--	--	9,993
Student uniforms and related supplies	5,200	--	--	5,200
Interest expense	1,530	--	--	1,530
Gifts and awards	4,878	--	1,005	5,883
Travel	--	687	26	713
Marketing and fundraising	--	10,931	--	10,931
Advertising	520	--	--	520
Library books and subscriptions	172	--	--	172
Internet and telephone	2,958	--	330	3,288
Other clubs and instruction	718	--	--	718
Reserve for college loans	--	--	15,655	15,655
Graduate support	6,629	--	--	6,629
Rent	48,377	--	5,376	53,753
Donated Services	--	--	25,182	25,182
	<u>\$ 1,118,723</u>	<u>\$ 154,776</u>	<u>\$ 232,004</u>	<u>\$ 1,505,503</u>

See accompanying independent auditors' report.

SAINT MARTIN DE PORRES ACADEMY

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2015

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 352,149	\$ 89,087	\$ 90,737	\$ 531,973
Interns	115,345	--	--	115,345
Employee benefits	46,676	11,808	12,027	70,511
Utilities	56,744	--	6,305	63,049
Payroll taxes	36,737	9,294	9,465	55,496
Food and supplies	41,898	--	--	41,898
Scholarships	162,630	--	--	162,630
Depreciation and amortization	45,881	--	5,098	50,979
Books, supplies and materials	8,097	--	--	8,097
Music supplies and instruction	3,802	--	--	3,802
Printing and copying	8,453	10,196	939	19,588
Office expenses	6,231	--	6,230	12,461
Maintenance	24,388	--	2,710	27,098
Liability insurance	21,706	--	2,412	24,118
Workers compensation insurance	4,038	--	832	4,870
Meetings and events	15,859	9,163	1,761	26,783
Professional fees	11,250	20,000	5,394	36,644
Dues and subscriptions	--	--	5,085	5,085
Postage	542	3,278	541	4,361
Professional development	--	--	2,980	2,980
Field trips	15,141	--	--	15,141
Summer programs	1,750	--	--	1,750
Sports and sports equipment	3,555	--	--	3,555
Transportation	11,051	--	--	11,051
Student uniforms and related supplies	5,645	--	--	5,645
Interest expense	3,941	--	--	3,941
Gifts and awards	1,892	--	390	2,282
Travel	--	208	8	216
Marketing and fundraising	--	1,635	--	1,635
Advertising	208	--	--	208
Library books and subscriptions	769	--	--	769
Internet and telephone	3,148	--	351	3,499
Other clubs and instruction	1,780	--	--	1,780
Reserve for college loans	--	--	10,247	10,247
Graduate support	3,613	--	--	3,613
Rent	48,647	--	5,406	54,053
Donated Services	--	--	22,217	22,217
	<u>\$ 1,063,566</u>	<u>\$ 154,669</u>	<u>\$ 191,135</u>	<u>\$ 1,409,370</u>

See accompanying independent auditors' report.