

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: July 22, 2014 Consent Regular
 Ordinance Public Hearing

Department: Department of Economic Sustainability

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: **A) approve** the application of Saint Andrew's School of Boca Raton, Inc. for the issuance of the County's up to \$36,000,000 Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project), Series 2014 (the "Bonds"); **B) conduct** a Tax Equity & Fiscal Responsibility Act (TEFRA) public hearing concerning the proposed issuance of the Bonds; and **C) adopt** a Resolution of the Board of County Commissioners of Palm Beach County, Florida, authorizing the issuance of the County's Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project), Series 2014 in the aggregate principal amount of not exceeding \$36,000,000 for the purpose of providing funds to make a loan to Saint Andrew's School of Boca Raton, Inc. (the "Borrower") to provide funds to refinance the County's Variable Rate Demand Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project) Series 2007, potentially pay the cost of termination of an interest rate swap related to the Series 2007 Bonds and pay the costs of issuing the Bonds; authorizing the execution of a Financing Agreement; awarding the sale of the Bonds by a negotiated sale; authorizing officials of the County to take certain action in connection with the issuance of the Bonds; making certain other covenants and agreements in connection with the issuance of the Bonds; and providing an effective date.

Summary: The Borrower offers lower, middle and upper school education at their 81 acre campus located at 3900 Jog Road in Boca Raton. The Borrower has applied for the issuance of an Industrial Development Revenue Bond by the County in an amount not to exceed \$36,000,000. Bond proceeds will be used to refinance the County's Variable Rate Demand Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project) Series 2007, and potentially pay the cost of termination of an interest rate swap related to the Series 2007 Bonds. The 2007 Bonds were issued to refinance earlier bonds issued by the County and to finance capital assets for the Borrower's facilities. Prior to the issuance of any portion of the Bonds that will be tax-exempt, the Internal Revenue Code requires that the County hold a TEFRA public hearing. The Economic Impact Analysis demonstrates a positive impact of \$54.5 Million over five (5) years. The Bonds will be payable solely from revenues derived from the Borrower. **Neither the taxing power nor the faith and credit of the County, nor any County funds, shall be pledged to pay the principal, premium, if any, or interest on the Bond.** ~~District 5~~ (PFK) District 4

Background and Policy Issues: The Bonds are being purchased by Bank United or one of its affiliated entities.

Attachments:

1. Application from Saint Andrew's School of Boca Raton, Inc.
2. Economic Impact Analysis
3. Text of the TEFRA Public Notice
4. Resolution

Recommended By: *Jimmy Howard* 6-18-14
Department Director Date

Approved By: *[Signature]* 6/24/14
Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2014	2015	2016	2017	2018
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT					


# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget? Yes _____ No _____
 Budget Account No.:

Fund _____ Dept _____ Unit _____ Object _____ Program Code/Period _____

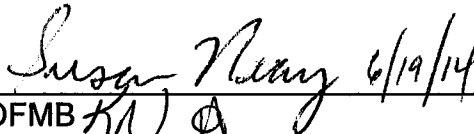
B. Recommended Sources of Funds/Summary of Fiscal Impact:


No fiscal impact for bond issuance up to \$28,435,000. Proceeds in excess of this amount are subject to County issuance fees to be determined in conjunction with the bond closing.

C. Departmental Fiscal Review: 
 Shairette Major, Fiscal Manager I
 6/18/14

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

 6/19/14
 OFMB ~~FN~~ ~~A~~
 6/19 6/19

 6/23/14
 Contract Development and Control
 6-23-14 

B. Legal Sufficiency:

 6/24/14
 Senior Assistant County Attorney

C. Other Department Review:

 Department Director

MARK E. RAYMOND

ATTORNEY AT LAW

4360 NORTHLAKE BOULEVARD
SUITE 204
PALM BEACH GARDENS, FL 33410
Tel: 561.775.8440
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mark.raymond@mraymondllaw.com

May 16, 2014

Palm Beach County, Florida
c/o Steven Misshula
Department of Economic Sustainability
100 Australian Ave.
Suite 500
West Palm Beach, FL 33406

Re: Industrial Development Bond Application for Saint Andrew's School of Boca Raton, Inc.

Ladies and Gentlemen:

I have been engaged by Saint Andrew's School of Boca Raton, Inc. (the "School"), to serve as bond counsel in connection with a proposed tax-exempt industrial revenue bond issuance for the benefit of the School. The School is asking the County to issue up to \$36,000,000 in principal amount of bonds.

Accordingly, enclosed please find the application by the School for this financing. Set forth below is the information required by the application instructions to the extent such information is not included in the application itself. The numbers preceding such information correspond to the numbers on the application instructions pursuant to which such information is provided.

1. Chair, Board of Trustees MaryJo Finocchiaro; Assistant Treasurer Philip Cork.
3. The School is a 501(c)(3) nonprofit corporation incorporated under the laws of the State of Florida in 1961. The School owns and operates a private school serving grades kindergarten through twelve and located in the City of Boca Raton, Florida. The enrollment of the School is approximately 1287 students.
4. The proposed transaction will refinance the County's Variable Rate Demand Revenue Refunding Bonds (Saint Andrew's School of Boca Raton, Inc. Project), Series 2007 (the "2007 Bonds") and potentially the termination of the ISDA Master Agreement, dated June 27, 2007, between the Corporation and Bank of America, N.A. Costs of issuance may also be included. The outstanding amount of the 2007 Bonds is \$28,435,000.
5. Enclosed in this application package are five year financial projections.

ATTACHMENT 1

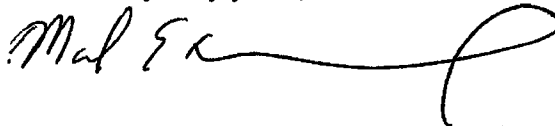
6. Property taxes will not be impacted. The transaction is solely a refinancing of existing obligations of the School, and is expected to allow the School to continue to operate as it has in the past. No material change in the operations of the School are expected, but the completion of the refinancing is important to the ability of the School to continue normal operations. In addition to the contribution the School makes to the education of the youth of Palm Beach County, the School employs over 265 full time equivalent employees.

8. This financing will take the form of a private placement with a bank. Bank United or an affiliate thereof will hold the debt.

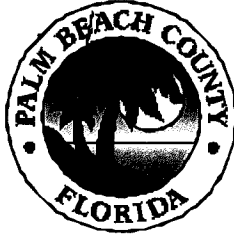
9. Enclosed in this application package are three years of financial statements prepared in accordance with generally accepted accounting principles which have been audited or reviewed by an independent Certified Public Accountant as well as five year financial projections.

10. Please see the attached distribution list for the names, addresses and phone numbers of the parties to the financing team.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark E. Raymond", with a large, stylized flourish at the end.

Mark E. Raymond



INDUSTRIAL DEVELOPMENT REVENUE BOND

PALM BEACH COUNTY, FLORIDA

APPLICATION FORM

When there is insufficient space on the application to provide information include attachments. Enclose all pertinent documentation.

**INDUSTRIAL REVENUE BOND FINANCING
PROJECT ELIGIBILITY QUESTIONNAIRE**

1. Entity that will lease or purchase the project (or borrow the bond proceeds) from the bond issuer.

Saint Andrew's School of Boca Raton, Inc.
3900 Jog Road
Boca Raton, Florida 33434
(561) 210-2031

This entity is referred to as the project's "principal user" for the remainder of this questionnaire.

2. Form of organization of principal user (check one): corporation

Is the principal user related to any other organization by more than 50% common ownership? No.

3. Ownership: List all stockholders or partners having 10% or more interest in the principal user: None.

4. If any of the above persons own more than 50% of the principal user, list all other organizations which are related to the principal user by virtue of such persons having more than a 50% interest in such organizations: N/A

5. Location of the project (street address & municipality or unincorporated area of County):

The "project" includes only the refinancing of existing debt. No new buildings or real estate improvements are included. The assets to be refinanced are located at the following location:

3900 Jog Road, Boca Raton, FL

6. Project Site (land):N/A (see "project" description above)

(a) Indicate approximate size (in acres or square feet) of project site: Are there buildings now on the project site?

- (b) Indicate the present use of the project site:
 - (c) Indicate present owner of project site:
7. If the principal user now owns the project site, indicate:
- (a) Date of Purchase: various
 - (b) Purchase Price: various
 - (c) Balance of Existing Mortgage: \$28,435,000
 - (d) Holder of Mortgage: Bank of America, N.A.
8. If the principal user is not now the owner of the project site, does the principal user have an option to purchase the site and any buildings on the site? N/A
9. Has the principal user entered into a contract to purchase the site? N/A
10. If the principal user is not the owner of project site, does the principal user now lease the site or any buildings on the site? N/A
11. Is there a relationship legally or by virtue of common control or ownership between the principal user and the seller / lessor of the project site? N/A
12. Does the project involve acquisition of an existing building or buildings? no
13. Does the project consist of the construction of a new building or buildings? no
14. Does the project consist of additions and/or renovations to existing buildings? no
15. What will be the use of the buildings or buildings to be acquired, constructed or expanded by the principal user for this project? N/A
16. If any space in the project is to be leased to third parties, indicate total square footage of the project, amount to be leased to each tenant, and proposed use by each tenant: N/A
17. Has construction work on this project begun? N/A
18. List principal items or categories of equipment to be acquired as part of the project: Software for a point of sale system.
19. Has any of the above equipment been ordered or purchased? No
20. List the face amount of all tax-exempt finance previously arranged by or for the benefit of the principal user in Palm Beach County:

Date of Issue	Original Face	Current Outstanding
6/14/2007	\$36,000,0000	\$28,435,000

21. State the proposed uses of bond proceeds: Proceeds of the bonds will be used to retire the principal of the 2007 bonds referenced in item 20, and possibly to pay the cost of terminating an interest rate swap associated with the bonds and to pay costs of issuance.

22. Have any of the above expenditures already been made by the applicant? No

23. Have any of the above expenditures been incurred but not paid by the principal user? No

24. Are costs of working capital, moving expenses, work in process, or stock in trade included in the proposed uses of bond proceeds? no

25. Will any of the funds to be borrowed through the County be used to repay or refinance an existing mortgage or outstanding loan? yes

If yes, indicate particulars: Proceeds of the bonds will be used as described in paragraph 21. The 2007 bonds were issued to refinance earlier IDB's issued by the County and to finance capital assets for the principal user.

(Complete questions 26 and 27 only if the proposed financing is an industrial development financing in excess of \$1 million.)

26. List capital expenditures with respect to this project: N/A.

27. List capital expenditures with respect to other facilities of the principal user or any related person, if the facilities are located in Palm Beach County: N/A This is a 501(c)(3) financing.

28. Indicate approximate number of individuals who will be employed after completion of the project:

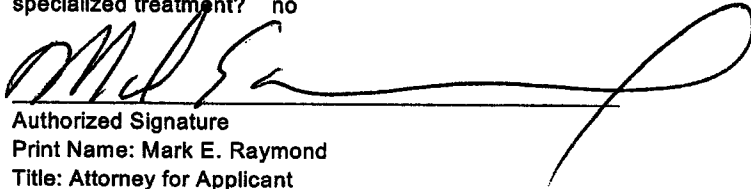
The Borrower has approximately 265 full-time equivalent employees.

29. Do any of said employees require specialized training or skills to qualify for said employment? Yes. Certain personnel require specialized training. State and local educational institutions provide such training.

30. Please indicate utility needs; i.e., electrical, water and sewer. Include quantity and character of said needs: All utility needs are currently met.

31. Does the project produce emissions through stacks or chimneys which would subject it to the jurisdiction of the Florida Department of Environmental Regulation? no

32. Does the project produce sewage, industrial effluent, or discharge of an unusual character requiring specialized treatment? no



Authorized Signature
Print Name: Mark E. Raymond
Title: Attorney for Applicant
Date: May 16, 2014

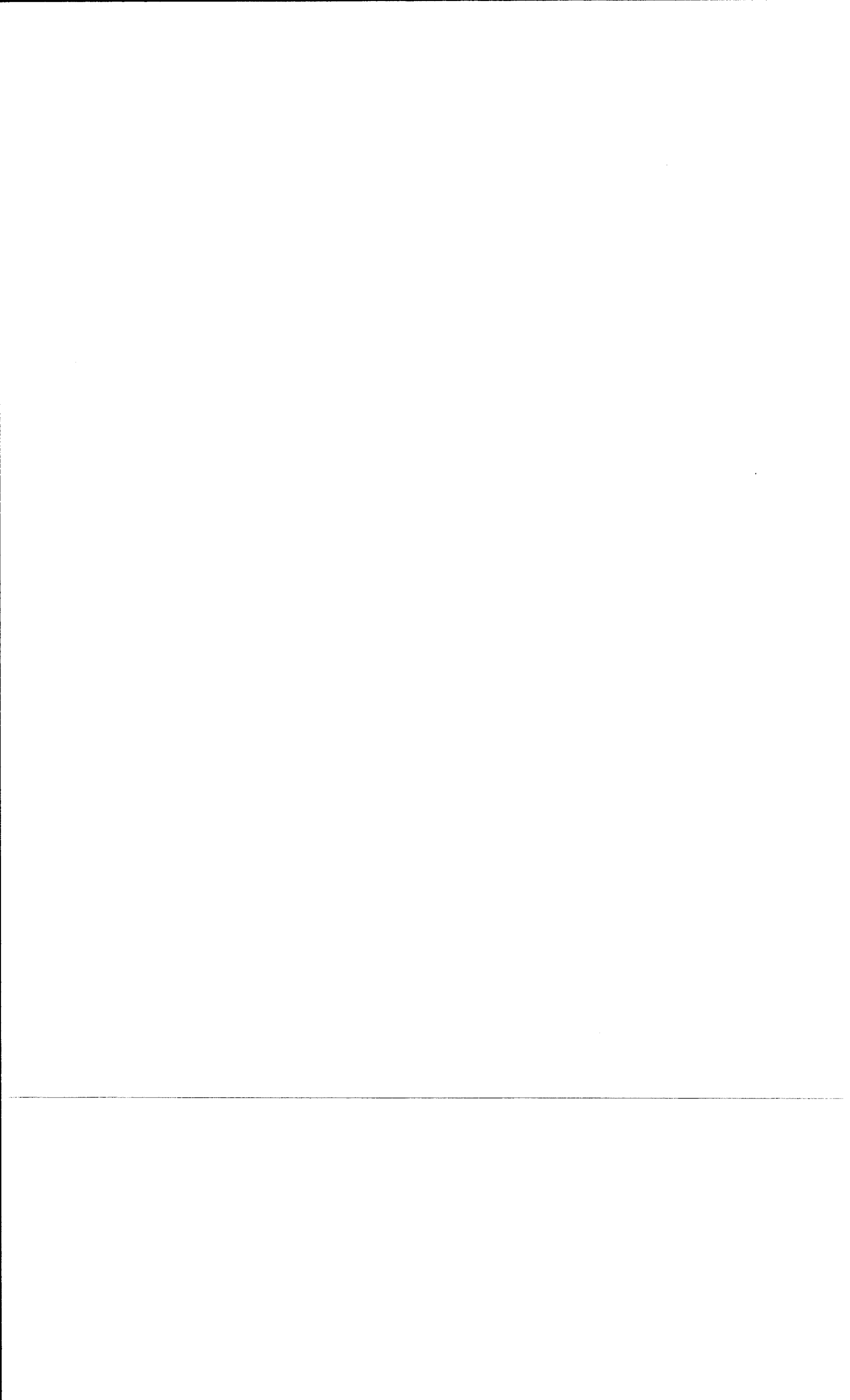




EXHIBIT V

Audited Financial Statements (FY 2011-13)

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

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Report of Independent Auditors

Board of Trustees
Saint Andrew's School of Boca Raton, Inc.
and Saint Andrew's School Endowment Fund, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. (non-profit organizations) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. as of June 30, 2013 and 2012, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Templeton & Company, LLP

West Palm Beach, Florida
October 16, 2013

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,462,994	\$ 14,379,055
Investments (Notes 2 and 3)	12,637,134	11,744,782
Accounts receivable, less allowance for doubtful accounts of \$200,000 in 2013 and 2012	207,994	192,993
Current portion of unconditional promises to give (Note 4)	430,614	919,878
Inventories	483,529	498,900
Other current assets	1,000,653	878,010
Total current assets	29,222,918	28,613,618
Property, plant and equipment, net (Note 5)	44,357,456	46,284,899
Unconditional promises to give, net (Note 4)	211,510	767,718
Loan costs, net	126,876	135,196
Deposits and other assets	363,735	370,985
Total assets	\$ 74,282,495	\$ 76,172,416
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,613,113	\$ 1,488,599
Deferred revenue	17,397,935	17,185,055
Current portion of capital lease (Note 7)	141,087	141,087
Current portion of long-term debt (Note 6)	1,315,000	1,195,000
Total current liabilities	20,467,135	20,009,741
Fair value of cash flow hedge (Notes 3 and 6)	5,156,285	7,317,619
Capital lease, net of current portion (Note 7)	133,209	270,357
Long-term debt, net of current portion (Note 6)	28,435,000	29,750,000
Total liabilities	54,191,629	57,347,717
Net assets:		
Unrestricted	8,399,571	6,814,405
Temporarily restricted (Note 8)	1,071,984	1,255,576
Permanently restricted (Note 9)	10,619,311	10,754,718
Total net assets (Note 10)	20,090,866	18,824,699
Total liabilities and net assets	\$ 74,282,495	\$ 76,172,416

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012**

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Support and revenues:								
Academic programs, net	\$ 28,989,771	\$ -	\$ -	\$ 28,989,771	\$ 28,035,614	\$ -	\$ -	\$28,035,614
Contributions	847,455	621,442	(135,407)	1,333,490	1,447,626	659,984	(300,657)	1,806,953
Auxiliary services	2,715,697	-	-	2,715,697	2,729,910	-	-	2,729,910
Net investment return (loss)	1,177,707	(12,075)	-	1,165,632	(160,993)	(10,825)	-	(171,818)
Fund raising events, net of directly-related expenses of \$336,800 and \$613,367 in 2013 and 2012, respectively	110,754	-	-	110,754	110,774	-	-	110,774
Other income, net	53,105	-	-	53,105	118,545	-	-	118,545
Net assets released from restrictions	792,959	(792,959)	-	-	2,613,423	(2,613,423)	-	-
Total support and revenues	34,687,448	(183,592)	(135,407)	34,368,449	34,894,899	(1,964,264)	(300,657)	32,629,978
Expenses:								
Academic programs	22,999,664	-	-	22,999,664	21,332,096	-	-	21,332,096
Auxiliary services	4,642,118	-	-	4,642,118	4,495,744	-	-	4,495,744
Supporting services:								
General and administrative	5,106,521	-	-	5,106,521	5,194,343	113,608	-	5,307,951
Advancement	1,203,165	-	-	1,203,165	1,193,731	-	-	1,193,731
Interest	1,312,148	-	-	1,312,148	1,220,839	-	-	1,220,839
Total expenses	35,263,616	-	-	35,263,616	33,436,753	113,608	-	33,550,361
Increase (decrease) in net assets from operating activities	(576,168)	(183,592)	(135,407)	(895,167)	1,458,146	(2,077,872)	(300,657)	(920,383)
Unrealized cash flow hedge gain (loss)	2,161,334	-	-	2,161,334	(2,870,113)	-	-	(2,870,113)
Increase (decrease) in net assets	1,585,166	(183,592)	(135,407)	1,266,167	(1,411,967)	(2,077,872)	(300,657)	(3,790,496)
Net assets - beginning of year	6,814,405	1,255,576	10,754,718	18,824,699	8,226,372	3,333,448	11,055,375	22,615,195
Net assets - end of year	\$ 8,399,571	\$ 1,071,984	\$ 10,619,311	\$ 20,090,866	\$ 6,814,405	\$ 1,255,576	\$10,754,718	\$18,824,699

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses (Excluding Interest)	
	Instruction	Student Activities	Subtotal	Food Services		School Store	Student Publications	Auxiliary Facilities Usage	Subtotal	Operation and Maintenance	General and Administrative		Advancement
				Infirmary									
Salaries and wages	\$ 9,884,660	\$ 753,203	\$ 10,637,863	\$ -	\$ 110,350	\$ 103,198	\$ -	\$ 876,580	\$ 1,090,128	\$ 2,183,282	\$ 2,886,055	\$ 594,178	\$ 17,391,506
Payroll taxes and benefits	2,560,237	116,757	2,676,994	-	26,061	22,443	-	133,685	182,189	481,305	710,517	153,569	4,204,574
Contract labor	84,990	35,643	120,633	-	-	-	-	-	-	-	-	-	120,633
Recruitment/placement	122,732	-	122,732	-	-	-	-	-	-	-	24,585	-	147,317
Other personnel	17,894	-	17,894	-	-	-	-	-	-	117	-	-	18,011
Total personnel expenses	12,670,513	905,603	13,576,116	-	136,411	125,641	-	1,010,265	1,272,317	2,664,704	3,621,157	747,747	21,882,041
Academic supplies expenses	263,954	45,242	309,196	-	-	-	-	3,837	3,837	-	-	-	313,033
Advertising	-	-	-	-	-	-	-	4,182	4,182	-	24,826	193,212	222,220
Athletic expenses	-	115,594	115,594	-	-	-	-	222,273	222,273	-	-	-	337,867
Bad debt	-	-	-	-	-	-	-	-	-	-	108,268	-	108,268
Bank fees	-	-	-	-	-	-	-	-	-	-	173,638	-	173,638
Commencement	-	-	-	-	-	-	-	-	-	-	32,314	-	32,314
Contracted food services	-	-	-	1,597,069	-	-	-	44,149	1,641,218	-	-	-	1,641,218
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	71,860	4,895	76,755
Insurance	-	-	-	-	24,023	-	-	-	24,023	1,035,076	-	-	1,059,099
Miscellaneous	35,158	-	35,158	-	-	-	-	32,477	32,477	16,898	58,721	1,689	144,943
Office supplies	-	-	-	-	-	-	-	-	-	-	51,076	7,947	59,023
Postage and shipping	-	-	-	-	10,394	-	-	-	10,394	-	53,638	-	64,032
Printing and publications	-	7,222	7,222	-	-	-	127,104	-	127,104	-	13,917	52,889	201,132
Professional development	151,684	-	151,684	-	-	-	-	-	-	-	30,374	5,505	187,563
Professional fees	-	-	-	-	-	-	-	-	-	-	130,126	72,329	202,455
Property taxes	-	-	-	-	-	-	-	-	-	-	68,869	-	68,869
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	54,509	-	-	54,509
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	374,622	-	-	374,622
Equipment	391,562	-	391,562	-	-	-	-	-	-	8,357	108,383	-	508,302
Fleet	-	-	-	-	-	-	-	-	-	132,832	-	-	132,832
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	97,948	-	-	97,948
Housekeeping	-	-	-	-	-	-	-	-	-	37,555	-	-	37,555
Plant	-	-	-	-	-	-	-	-	-	260,130	-	-	260,130
Student activities	-	98,532	98,532	-	-	-	-	-	-	-	-	-	98,532
Student store purchases	-	-	-	-	-	682,248	-	-	682,248	-	-	-	682,248
Summer camp supplies	-	-	-	-	-	-	-	86,344	86,344	-	-	-	86,344
Support services	137,398	-	137,398	-	-	-	-	-	-	-	-	-	137,398
Telephone	-	-	-	-	-	-	-	-	-	-	47,565	-	47,565
Travel and entertainment	-	63,869	63,869	-	-	-	-	-	-	-	47,687	48,648	160,204
Uniform	-	18,421	18,421	-	-	-	-	-	-	23,875	-	-	42,296
Utilities	-	-	-	-	-	-	-	-	-	811,372	-	-	811,372
Total expenses before depreciation and amortization	13,650,269	1,254,483	14,904,752	1,597,069	170,828	807,889	127,104	1,403,527	4,106,417	5,517,878	4,642,419	1,134,861	30,306,327
Allocation of operation and maintenance expenses	4,252,039	622,635	4,874,674	198,164	24,101	32,068	-	68,261	322,594	(5,517,878)	279,478	41,132	-
	17,902,308	1,877,118	19,779,426	1,795,233	194,929	839,957	127,104	1,471,788	4,429,011	-	4,921,897	1,175,993	30,306,327
Depreciation	2,475,910	362,553	2,838,463	115,388	14,034	18,673	-	39,747	187,842	-	162,736	23,951	3,212,992
Amortization	333,011	48,764	381,775	15,520	1,888	2,511	-	5,346	25,265	-	21,888	3,221	432,149
Total expenses before interest	\$ 20,711,229	\$ 2,288,435	\$ 22,999,664	\$ 1,926,141	\$ 210,851	\$ 861,141	\$ 127,104	\$ 1,516,881	\$ 4,642,118	\$ -	\$ 5,106,521	\$ 1,203,165	\$ 33,951,468

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses (Excluding Interest)	
	Instruction	Student Activities	Subtotal	Food Services	Infirmary	School Store	Student Publications	Auxiliary Facilities Usage	Subtotal	Operation and Maintenance	General and Administrative		Advancement
Salaries and wages	\$ 9,413,971	\$ 679,334	\$ 10,093,305	\$ -	\$ 108,975	\$ 105,169	\$ -	\$ 831,043	\$ 1,045,187	\$ 2,029,607	\$ 2,985,016	\$ 604,431	\$ 16,757,546
Payroll taxes and benefits	2,389,820	119,570	2,509,390	-	26,807	31,902	-	130,718	189,427	509,263	686,070	156,253	4,050,403
Contract labor	82,150	29,568	111,718	-	-	-	-	-	-	-	-	-	111,718
Recruitment/placement	49,672	-	49,672	-	-	-	-	-	-	-	36,550	-	86,222
Other personnel	16,798	-	16,798	-	-	-	-	-	-	271	-	-	17,069
Total personnel expenses	11,952,411	828,472	12,780,883	-	135,782	137,071	-	961,761	1,234,614	2,539,141	3,707,636	760,684	21,022,958
Academic supplies expenses	175,925	27,254	203,179	-	-	-	-	304	304	-	-	-	203,483
Advertising	-	-	-	-	-	-	-	4,194	4,194	-	20,031	125,722	149,947
Athletic expenses	-	84,304	84,304	-	-	-	-	205,364	205,364	-	-	-	289,668
Bad debt	-	-	-	-	-	-	-	-	-	-	271,118	-	271,118
Bank fees	-	-	-	-	-	-	-	-	-	-	161,571	-	161,571
Commencement	-	-	-	-	-	-	-	-	-	-	32,218	-	32,218
Contracted food services	-	-	-	1,551,899	-	-	-	45,190	1,597,089	-	-	-	1,597,089
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	79,616	4,830	84,446
Insurance	-	-	-	-	26,576	-	-	-	26,576	858,220	-	-	884,796
Miscellaneous	47,304	-	47,304	-	-	-	-	53,083	53,083	13,639	83,006	34,827	231,859
Office supplies	-	-	-	-	-	-	-	-	-	-	54,874	4,631	59,505
Postage and shipping	-	-	-	-	10,190	-	-	-	10,190	-	53,636	-	63,826
Printing and publications	-	6,428	6,428	-	-	-	116,735	-	116,735	-	13,633	29,373	166,169
Professional development	137,763	-	137,763	-	-	-	-	-	-	-	19,889	8,164	165,816
Professional fees	-	-	-	-	-	-	-	-	-	-	93,883	71,314	165,197
Property taxes	-	-	-	-	-	-	-	-	-	-	69,486	-	69,486
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	52,296	-	-	52,296
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	362,187	-	-	362,187
Equipment	246,273	-	246,273	-	-	-	-	-	-	12,760	98,234	-	357,267
Fleet	-	-	-	-	-	-	-	-	-	129,707	-	-	129,707
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	96,280	-	-	96,280
Housekeeping	-	-	-	-	-	-	-	-	-	30,381	-	-	30,381
Plant	-	-	-	-	-	-	-	-	-	253,640	-	-	253,640
Student activities	-	74,197	74,197	-	-	-	-	-	-	-	-	-	74,197
Student store purchases	-	-	-	-	-	644,128	-	-	644,128	-	-	-	644,128
Summer camp supplies	-	-	-	-	-	-	-	104,981	104,981	-	-	-	104,981
Support services	144,671	-	144,671	-	-	-	-	-	-	-	-	-	144,671
Telephone	-	-	-	-	-	-	-	-	-	-	54,659	-	54,659
Travel and entertainment	-	46,876	46,876	-	-	-	-	-	-	-	62,599	90,626	200,101
Uniform	-	27,636	27,636	-	-	-	-	-	-	22,615	-	-	50,251
Utilities	-	-	-	-	-	-	-	-	-	787,330	-	-	787,330
Total expenses before depreciation and amortization	12,704,347	1,095,167	13,799,514	1,551,899	172,548	781,199	116,735	1,374,877	3,997,258	5,158,196	4,876,089	1,130,171	28,961,228
Allocation of operation and maintenance expenses	<u>3,974,872</u>	<u>582,049</u>	<u>4,556,921</u>	<u>185,246</u>	<u>22,530</u>	<u>29,977</u>	<u>-</u>	<u>63,811</u>	<u>301,564</u>	<u>(5,158,196)</u>	<u>261,260</u>	<u>38,451</u>	<u>-</u>
	16,679,219	1,677,216	18,356,435	1,737,145	195,078	811,176	116,735	1,438,688	4,298,822	-	5,137,349	1,168,622	28,961,228
Depreciation	2,247,052	329,041	2,576,093	104,722	12,737	16,947	-	36,073	170,479	-	147,694	21,737	2,916,003
Amortization	348,532	51,036	399,568	16,243	1,976	2,629	-	5,595	26,443	-	22,908	3,372	452,291
Total expenses before interest	\$ 19,274,803	\$ 2,057,293	\$ 21,332,096	\$ 1,858,110	\$ 209,791	\$ 830,752	\$ 116,735	\$ 1,480,356	\$ 4,495,744	\$ -	\$ 5,307,951	\$ 1,193,731	\$ 32,329,522

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012**

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,266,167	\$ (3,790,496)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,645,141	3,368,294
Realized gain on investments, net	(188,585)	(102,698)
Unrealized (gain) loss on investments, net	(689,633)	600,558
Unrealized cash flow hedge (gain) loss	(2,161,334)	2,870,113
Changes in operating assets and liabilities:		
Increase in accounts receivable	(15,001)	(105,427)
Decrease in unconditional promises to give	1,045,472	801,422
Decrease in inventories	15,371	40,055
Increase in other current assets	(122,643)	(124,597)
Increase in accounts payable	124,514	370,785
Increase in deferred revenue	212,880	448,755
Net cash provided by operating activities	3,132,349	4,376,764
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,285,549)	(3,580,600)
Purchases of investments, net	(14,134)	(233,258)
Decrease in other assets, net	7,250	105,957
Net cash used in investing activities	(1,292,433)	(3,707,901)
Cash flows from financing activities:		
Repayment of long-term debt	(1,195,000)	(1,195,000)
Repayment of capital lease	(137,148)	-
Loan costs paid	(423,829)	(443,971)
Net cash used in financing activities	(1,755,977)	(1,638,971)
Net increase (decrease) in cash and cash equivalents	83,939	(970,108)
Cash and cash equivalents, beginning of year	14,379,055	15,349,163
Cash and cash equivalents, end of year	\$ 14,462,994	\$ 14,379,055
Supplemental schedule of noncash investing and financing activities		
Property acquired under capital lease	\$ -	\$ 411,444

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities and organization

Saint Andrew's School of Boca Raton, Inc. (Saint Andrew's) operates a coeducational school serving approximately 1,300 junior Kindergarten through twelfth grade students located in Boca Raton, Florida. The main source of revenue (approximately 84% and 86% for the years ended June 30, 2013 and 2012, respectively) is from tuition and other fees charged to students.

Saint Andrew's School Endowment Fund, Inc. (the Fund) is a separate corporate entity established to hold and invest certain contributions which are restricted by donors. All income earned is available for transfer annually to Saint Andrew's School of Boca Raton, Inc. for use in accordance with specific restrictions and the School's exempt function.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Saint Andrew's and the Fund (collectively, the School). All significant account balances and transactions are eliminated in the consolidation.

Basis of presentation

The School's consolidated financial statements are prepared on the accrual basis of accounting in accordance with the provisions of FASC 958-605, *Accounting for Contributions Received and Contributions Made*, and FASC 958-205, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. The School distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

The School classifies net assets and revenue, expenses, gains and losses as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the School's operations. The unrestricted net assets may be used at the discretion of the School's management and the Board of Trustees.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the earnings on related investments for the general or specific purposes.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual 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 by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

Revenue recognition

The School recognizes revenue from academic programs in the period that the academic services are provided. Such revenue is recorded net of financial aid and tuition allowances, and amounts received in advance are recorded as deferred revenue. For the years ended June 30, 2013 and 2012, financial aid and tuition allowances totaled \$3,774,356 and \$3,821,238, respectively.

Contributions

Contributions, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not reported until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The School reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other highly liquid investments with an original maturity of three months or less when purchased.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Investments

Investments include marketable equity securities, corporate debt securities, government debt securities, international debt securities, mortgage-backed securities, and private funds. Investments, other than private funds, are carried at fair values based on quoted market prices. Private funds are redeemable based on their net asset values. Such funds may invest a portion of their net assets in securities for which market quotations are not readily available. In such cases, the private fund manager prices such securities using other fair value estimation techniques. The resulting fair value is intended to represent a good faith approximation of the amount that the fund could reasonably expect to receive from the investment if the interest were sold at the time of valuation, based on information reasonably available to the manager at the time the valuation is made.

Investment income and realized gains and losses on investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term.

Accounts receivable

The School grants credit without collateral to a number of its student families. These accounts receivable are evaluated for collectability and allowances for amounts deemed uncollectible are determined based on historical trends and aging of these balances.

Inventories

Inventories, which consist of clothing, books, and bookstore supplies held for resale, are stated at the lower of cost or market.

Property, plant and equipment

Property, plant and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. The School provides for depreciation on operating property and equipment over the estimated useful lives of the related assets using the straight-line method. Useful lives are summarized in the following table:

Land improvements	30 years
Buildings and building improvements	30 years
Equipment	3-12 years
Furniture and fixtures	7 years

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Amortization

Costs associated with the issuance of debt are capitalized and amortized using the straight-line method over the term of the related debt. At June 30, 2013, the cost and accumulated amortization of debt issuance costs are \$197,075 and \$70,199, respectively.

Income taxes

Saint Andrew's and the Fund have been recognized by the Internal Revenue Service as organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the consolidated financial statements. Saint Andrew's and the Fund are required to operate in conformity with the provisions of the IRC to maintain their exempt status.

The School analyses tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, the School did not identify any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease. For the years ended June 30, 2013 and 2012, there were no related interest or penalties recorded or included in the School's consolidated financial statements. The School is no longer subject to income tax examinations for fiscal years prior to 2010.

Advertising

Advertising is expensed as incurred and amounted to \$222,220 and \$149,947 for the years ended June 30, 2013 and 2012, respectively.

Fair value disclosures

The consolidated financial statements provide for fair value disclosures for financial instruments for which it is practicable to estimate fair value. The fair value of the School's cash and cash equivalents, portfolio investments, receivables, and liabilities approximate their carrying values.

Derivative financial instruments

Cash flow hedges, including interest rate swap agreements (see Note 6), are used to manage exposure to market risk associated with changes in interest rates. Interest rate changes are accounted for on the accrual basis and payments made or received are recognized as an adjustment to interest expense.

Donated services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Several businesses have donated materials, facilities and services and many individuals volunteer significant time to the School. No amounts are reflected in the accompanying consolidated financial statements for volunteers, as no objective measure is available to measure the value of such contributed services.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities of the School have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on systematic methods and estimates made by management.

Fund raising activities

The School's consolidated financial statements are presented in accordance with FASB ASC 958-720-05, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund Raising*, that prescribes the accounting and reporting for entities that solicit contributions.

Concentration of credit risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

Note 2 – Investments

A summary of investments, by investment type, at June 30, 2013 and 2012 is presented as follows:

	<u>2013</u>	<u>2012</u>
Marketable equity securities	\$ 9,740,309	\$ 8,194,803
Corporate debt securities	436,711	716,105
Government debt securities	744,262	997,570
International debt securities	104,485	108,590
Mortgage-backed securities	-	260,282
Private funds	<u>1,611,367</u>	<u>1,467,432</u>
	<u>\$12,637,134</u>	<u>\$11,744,782</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Investments, Continued

The following schedule summarizes the net investment return (loss) on investments for the years ended June 30, 2013 and 2012:

	Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 352,443	\$ 90	\$ 352,533
Realized gain, net	188,411	174	188,585
Unrealized gain (loss), net	<u>701,021</u>	<u>(11,388)</u>	<u>689,633</u>
	1,241,875	(11,124)	1,230,751
Less: investment expenses	<u>(64,168)</u>	<u>(951)</u>	<u>(65,119)</u>
Total net investment return (loss), net	<u>\$ 1,177,707</u>	<u>\$ (12,075)</u>	<u>\$ 1,165,632</u>

	Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 325,651	\$ 391	\$ 326,042
Realized gain, net	102,645	53	102,698
Unrealized loss, net	<u>(528,431)</u>	<u>(9,909)</u>	<u>(538,340)</u>
	(100,135)	(9,465)	(109,600)
Less investment expenses	<u>(60,858)</u>	<u>(1,360)</u>	<u>(62,218)</u>
Total net investment loss, net	<u>\$ (160,993)</u>	<u>\$ (10,825)</u>	<u>\$ (171,818)</u>

Note 3 – Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include venture capital investments in equity or equity-oriented securities of privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2013:

	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
Investments:				
Marketable equity securities	\$ 9,740,309	\$ -	\$ -	\$ 9,740,309
Corporate debt securities	436,711	-	-	436,711
Government debt securities	744,262	-	-	744,262
International debt securities	104,485	-	-	104,485
Private funds	-	-	1,611,367	1,611,367
Total investments	11,025,767	-	1,611,367	12,637,134
Liabilities:				
Fair value of cash flow hedge	-	(5,156,285)	-	(5,156,285)
	<u>\$11,025,767</u>	<u>\$ (5,156,285)</u>	<u>\$ 1,611,367</u>	<u>\$ 7,480,849</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2012:

	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
Investments:				
Marketable equity securities	\$ 8,194,803	\$ -	\$ -	\$ 8,194,803
Corporate debt securities	716,105	-	-	716,105
Government debt securities	997,570	-	-	997,570
International debt securities	108,590	-	-	108,590
Mortgage backed securities	-	260,282	-	260,282
Private funds	-	-	1,467,432	1,467,432
Total investments	10,017,068	260,282	1,467,432	11,744,782
Liabilities:				
Fair value of cash flow hedge	-	(7,317,619)	-	(7,317,619)
	<u>\$ 10,017,068</u>	<u>\$ (7,057,337)</u>	<u>\$ 1,467,432</u>	<u>\$ 4,427,163</u>

The following is a schedule of Level 3 investment activity for the year ended June 30, 2013 measured on a recurring basis using significant unobservable inputs:

	Private Funds
Balance as of July 1, 2012	\$ 1,467,432
Net unrealized gain included in the consolidated statement of activities	<u>143,935</u>
Balance as of June 30, 2013	<u>\$ 1,611,367</u>

The School invests in certain private funds that may be redeemed quarterly after applicable lock-up periods. The private fund managers require prior notice ranging from 45 to 100 days before redemption of all or a portion of the investment balances. There were no unfunded commitments for the School's private fund investments as of June 30, 2013.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of June 30, 2013 and 2012 are presented as follows:

	2013	2012
Annual fund pledges	\$ 139,000	\$ 514,500
Program pledges	142,000	283,000
Capital campaign pledges	195,000	375,000
Property, plant and equipment pledges	25,114	168,378
Endowment pledges	248,500	728,500
	749,614	2,069,378
Less: unamortized discount	(18,490)	(57,282)
Subtotal	731,124	2,012,096
Less: allowance for uncollectible pledges	(89,000)	(324,500)
Net unconditional promises to give	\$ 642,124	\$ 1,687,596
Amounts due in:		
Less than one year	\$ 519,614	\$ 1,244,378
One to five years	210,000	793,000
More than five years	20,000	32,000
Total	\$ 749,614	\$ 2,069,378

The School applies a discount rate of 5% to its pledges with terms in excess of one year.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment

The following is a summary of property and equipment as of June 30, 2013 and 2012:

	2013	2012
Land	\$ 4,958,242	\$ 4,958,242
Land improvements	4,651,893	4,541,230
Buildings and building improvements	59,354,447	56,823,206
Equipment	8,334,620	7,374,561
Furniture and fixtures	<u>5,698,819</u>	<u>5,551,129</u>
	82,998,021	79,248,368
Less: accumulated depreciation	<u>(38,773,315)</u>	<u>(35,594,823)</u>
	44,224,706	43,653,545
Construction in progress	<u>132,750</u>	<u>2,631,354</u>
Property and equipment, net	<u>\$ 44,357,456</u>	<u>\$ 46,284,899</u>

Depreciation totaled \$3,212,992 and \$2,916,003 for the years ended June 30, 2013 and 2012, respectively.

Construction in progress represents renovation and construction not yet in service as of June 30, 2013 at the School's Boca Raton, Florida campus.

The Company is obligated under capital leases for certain property and equipment. The net book value of assets under capital leases at June 30, 2013 and 2012 totaled \$282,173 and \$411,444, respectively.

Note 6 – Long-term Debt

Variable rate bonds

The School is obligated under Variable Rate Demand Revenue Refunding Bonds Series 2007 (the Bonds) issued by Palm Beach County, Florida in the original amount of \$36,000,000. The net proceeds from the Bonds were used to finance the acquisition of land, construction and equipping of an additional lower school building and improvements on the related tract of land and to retire the School's outstanding Variable Rate Demand Revenue Refunding Bonds Series 2003. The remaining principal outstanding on the Bonds as of June 30, 2013 totals \$29,750,000.

The Bonds bear interest at the weekly rate determined by the Remarketing Agent on and as of each Wednesday (0.10% at June 30, 2013). Interest on the Bonds is payable monthly and principal payments are due in specified annual installments through 2028. Debt service payments are collateralized by an irrevocable bank letter of credit pursuant to certain loan agreements with a bank (the Agreements). Under the Agreements, the School pledged substantially all of its real property and business assets, is required to meet certain financial covenants, and may not encumber its properties or incur additional debt beyond certain limits. The Bonds are collateralized by a Trust Indenture, dated June 1, 2007 (the Indenture), between Palm Beach County, Florida and Wells Fargo Bank, N.A., as Trustee.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 6 – Long-term Debt, Continued

In the event the School cannot make scheduled principal payments, repayment would be made by a draw on the School's irrevocable letter of credit. Any such draws on the letter of credit are immediately payable by the School to the issuer of the letter of credit.

Financial covenants

The School is required to maintain a letter of credit as collateral for the Bonds and meet certain minimum financial ratios. As of June 30, 2013, all financial covenants have been met.

Required future minimum payments

Principal due on long-term debt in years subsequent to June 30, 2013 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 1,315,000
2015	1,315,000
2016	1,315,000
2017	1,615,000
2018	1,615,000
Thereafter	<u>22,575,000</u>
	<u>\$29,750,000</u>

Interest rate swap agreement

The School is party to an interest rate swap agreement that effectively converts the Bonds from a variable rate obligation to a long-term fixed rate of 4.34%. The interest rate swap agreement at June 30, 2013 was for a notional amount aggregating \$29,750,000 which expires through 2028. The interest rate swap is accounted for as a cash flow hedge. The aggregate fair value of the cash flow hedge of \$(5,156,285) and \$(7,317,619), respectively, at June 30, 2013 and 2012, represents the estimated amount at which the swap agreement could be settled and is included in the accompanying consolidated statements of financial position as a cash flow hedge. The change in fair value of the cash flow hedge during the years ended June 30, 2013 and 2012 of \$2,161,334 and \$(2,870,113), respectively, is included in the accompanying consolidated statements of activities as an unrealized gain (loss) on cash flow hedge.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 7 – Description of Leasing Arrangements

As lessee:

The School leases certain equipment under a non-cancelable lease agreement. Future minimum lease payments under the non-cancelable lease and the present value of future minimum capital lease payments as of June 30, 2013 are as follows:

Year Ending June 30,	Capital Lease
2014	\$ 141,087
2015	<u>141,086</u>
Total minimum lease payments	282,173
Less: interest	<u>7,877</u>
Present value of net minimum capital lease payments	274,296
Less: current portion	<u>141,087</u>
Capital lease, less current portion	<u>\$ 133,209</u>

As lessor:

The School leases, on a part-time basis, the use of the School's chapel facility located on the School's campus to The Chapel of Saint Andrew, Inc. (the Chapel) under a noncancelable operating lease expiring in 2041 with extensions through 2091.

Effective July 1, 2006, the School's lease with the Chapel was amended to allow use of one of the Chapel's facilities by the School. Under this amendment, no rental income will be received by the School for the Chapel's existing use of the School's facilities nor paid by the School for use of the Chapel's facility while the amendment remains in effect. The School has agreed to use the Chapel's facility for a minimum of five years.

No rental income in connection with this lease was collected during the years ended June 30, 2013 and 2012. The School has not paid the Chapel for the use of its facilities located on the School's campus for either year ended June 30, 2013 and 2012.

The costs and related accumulated depreciation of the School's Chapel and improvements made thereto amounted to \$1,205,064 and \$402,078, respectively, as of June 30, 2013 and \$1,167,806, and \$350,361, respectively, as of June 30, 2012.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 are available to support the following purposes:

	2013	2012
Acquisition of property and equipment	\$ 22,114	\$ 151,378
Capital campaign	288,371	307,680
Instructional and athletic expenses	761,499	796,518
	<u>\$ 1,071,984</u>	<u>\$ 1,255,576</u>

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the years ended June 30, 2013 and 2012 for the following purposes:

	2013	2012
Purpose of restriction:		
Property and equipment acquisitions	\$ 191,227	\$ 2,314,849
Instruction	121,172	62,675
Student activities	23,620	29,613
Capital campaign expenses	72,329	71,314
Operation and maintenance	33,833	4,930
General and administrative	57,108	33,021
Financial aid	293,670	97,021
	<u>\$ 792,959</u>	<u>\$ 2,613,423</u>

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the following:

	2013	2012
Financial aid	\$ 4,791,409	\$ 4,705,277
Faculty compensation	3,802,390	4,024,205
Plant operations	8,333	8,333
School activities	2,017,179	2,016,903
	<u>\$ 10,619,311</u>	<u>\$ 10,754,718</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment

The School considers its endowment to include certain assets designated by the Board of Trustees. The Endowment by net asset category and purpose at June 30, 2013 and in total by purpose at June 30, 2012 is presented as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
Endowment gifts and designations:					
Board designated endowment	\$ 1,053,034	\$ -	\$ -	\$ 1,053,034	\$ 1,053,034
Acquisition of property and equipment		22,114	-	22,114	151,378
Capital campaign	-	288,371	-	288,371	307,680
Instructional and athletic expenses	-	761,499	-	761,499	796,518
Financial aid	-	-	4,791,409	4,791,409	4,705,277
Faculty compensation	-	-	3,802,391	3,802,391	4,024,205
Plant operations and capital projects	631,691	-	8,333	640,024	640,024
School activities	-	-	2,017,178	2,017,178	2,016,903
Total endowment gifts and designations	1,684,725	1,071,984	10,619,311	13,376,020	13,695,019
Non-endowment net assets	6,714,846	-	-	6,714,846	5,129,680
Total net assets	<u>\$ 8,399,571</u>	<u>\$ 1,071,984</u>	<u>\$ 10,619,311</u>	<u>\$20,090,866</u>	<u>\$ 18,824,699</u>

The School's endowment is established for the purposes expressed in the School's charter. The School's endowment consists of 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 are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

Effective July 1, 2012, the School adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) which supersedes the repealed statute the State of Florida Statute (1010.10) cited as the "Florida Uniform Management of Institutional Funds Act." FUPMIFA requires the Board of Trustees to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board of Trustees may expend so much of an endowment fund as the Board of Trustees determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such funds with deficiencies as of June 30, 2013.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment, Continued

Return objectives and risk parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grant programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

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 allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The School's policy is to appropriate for distribution each year. Accordingly, over the long-term, the School expects the current spending policy to allow its endowment to grow at an average of 7% annually. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

Changes in endowment net assets for the year ended June 30, 2013 are presented as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of July 1, 2012	\$ 1,684,725	\$ 1,255,576	\$ 10,754,718	\$13,695,019
Investment return:				
Investment income	-	90	-	90
Net depreciation (realized and unrealized)	-	(12,165)	-	(12,165)
Total investment return (loss)	-	(12,075)	-	(12,075)
Contributions	-	621,442	(135,407)	486,035
Release of restrictions	-	(792,959)	-	(792,959)
Balance as of June 30, 2013	<u>\$ 1,684,725</u>	<u>\$ 1,071,984</u>	<u>\$ 10,619,311</u>	<u>\$ 13,376,020</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 11 – Retirement Plans

The School participates in the Teacher's Insurance and Annuity of America College Retirement Equities Fund (TIAA-CREF) (the Plan). The Plan includes all full-time employees who have completed one year of service with the School. Participants may contribute to the Plan and the School matches their contributions based upon their compensation and completed years of service as specified by the Plan. School contributions to the Plan for the years ended June 30, 2013 and 2012 totaled \$803,394 and \$771,757, respectively.

Effective July 1, 2007, the School established a deferred compensation and retirement plan for its Headmaster. The School contributes the maximum allowable amount to the plan on an annual basis up to \$25,000. To the extent that \$25,000 exceeds the maximum allowable amount, the Headmaster is entitled to the excess as additional salary.

Note 12 – Supplemental Statement of Cash Flows Disclosure

Interest paid for the years ended June 30, 2013 and 2012 amounted to \$1,317,691 and \$1,379,355, respectively.

Note 13 – Legal Matters

From time to time, the School is subject to legal proceedings which arise in the ordinary course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the School's consolidated financial position, cash flows, or results of operations.

Note 14 – Subsequent Events

Subsequent to June 30, 2013, the School leased certain equipment under a non-cancelable lease agreement totaling approximately \$356,000.

The School evaluated its activities subsequent to June 30, 2013 through October 16, 2013, the date the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

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Report of Independent Auditors

Board of Trustees
Saint Andrew's School of Boca Raton, Inc.
and Saint Andrew's School Endowment Fund, Inc.

We have audited the accompanying consolidated statements of financial position of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. (non-profit organizations) as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these consolidated 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. as of June 30, 2012 and 2011 and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Templeton & Company, LLP

West Palm Beach, Florida
October 8, 2012

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**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,379,055	\$ 15,349,163
Investments (Notes 2 and 3)	11,744,782	12,009,384
Accounts receivable, less allowance for doubtful accounts of \$200,000 in 2012 and \$150,000 in 2011	192,993	87,566
Current portion of unconditional promises to give (Note 4)	919,878	1,125,484
Inventories	498,900	538,955
Other current assets	878,010	753,413
Total current assets	28,613,618	29,863,965
Property, plant and equipment, net (Note 5)	46,284,899	45,208,858
Unconditional promises to give, net (Note 4)	767,718	1,363,534
Loan costs, net	135,196	143,516
Deposits and other assets	370,985	476,942
Total assets	<u>\$ 76,172,416</u>	<u>\$ 77,056,815</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,488,599	\$ 1,117,814
Deferred revenue	17,185,055	16,736,300
Current portion of capital lease (Note 7)	141,087	-
Current portion of long-term debt (Note 6)	1,195,000	1,195,000
Total current liabilities	20,009,741	19,049,114
Fair value of cash flow hedge (Notes 3 and 6)	7,317,619	4,447,506
Capital lease, net of current portion (Note 7)	270,357	-
Long-term debt, net of current portion (Note 6)	29,750,000	30,945,000
Total liabilities	<u>57,347,717</u>	<u>54,441,620</u>
Net assets:		
Unrestricted	6,814,405	8,226,372
Temporarily restricted (Note 8)	1,255,576	3,333,448
Permanently restricted (Note 9)	10,754,718	11,055,375
Total net assets (Note 10)	<u>18,824,699</u>	<u>22,615,195</u>
Total liabilities and net assets	<u>\$ 76,172,416</u>	<u>\$ 77,056,815</u>

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011**

	Year Ended June 30, 2012				Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Support and revenues:								
Academic programs, net	\$ 28,035,614	\$ -	\$ -	\$ 28,035,614	\$ 27,100,084	\$ -	\$ -	\$ 27,100,084
Contributions	1,447,626	659,984	(300,657)	1,806,953	1,124,758	1,455,515	309,799	2,890,072
Auxiliary services	2,729,910	-	-	2,729,910	3,298,491	-	-	3,298,491
Net investment return (loss)	(160,993)	(10,825)	-	(171,818)	1,992,481	8,441	-	2,000,922
Fund raising events, net of directly-related expenses of \$613,367 and \$343,760 in 2012 and 2011, respectively	110,774	-	-	110,774	125,466	-	-	125,466
Other income, net	118,545	-	-	118,545	118,631	-	-	118,631
Net assets released from restrictions	2,613,423	(2,613,423)	-	-	839,738	(839,738)	-	-
Total support and revenues	34,894,899	(1,964,264)	(300,657)	32,629,978	34,599,649	624,218	309,799	35,533,666
Expenses:								
Academic programs	21,332,096	-	-	21,332,096	20,360,465	-	-	20,360,465
Auxiliary services	4,495,744	-	-	4,495,744	4,675,474	-	-	4,675,474
Supporting services:								
General and administrative	5,194,343	113,608	-	5,307,951	5,211,718	61,202	-	5,272,920
Advancement	1,193,731	-	-	1,193,731	1,077,278	-	-	1,077,278
Interest	1,220,839	-	-	1,220,839	1,422,019	-	-	1,422,019
Total expenses	33,436,753	113,608	-	33,550,361	32,746,954	61,202	-	32,808,156
Increase (decrease) in net assets from operating activities	1,458,146	(2,077,872)	(300,657)	(920,383)	1,852,695	563,016	309,799	2,725,510
Unrealized cash flow hedge gain (loss)	(2,870,113)	-	-	(2,870,113)	387,430	-	-	387,430
Increase (decrease) in net assets	(1,411,967)	(2,077,872)	(300,657)	(3,790,496)	2,240,125	563,016	309,799	3,112,940
Net assets - beginning of year	8,226,372	3,333,448	11,055,375	22,615,195	5,986,247	2,770,432	10,745,576	19,502,255
Net assets - end of year	<u>\$ 6,814,405</u>	<u>\$ 1,255,576</u>	<u>\$ 10,754,718</u>	<u>\$ 18,824,699</u>	<u>\$ 8,226,372</u>	<u>\$ 3,333,448</u>	<u>\$ 11,055,375</u>	<u>\$ 22,615,195</u>

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses (Excluding Interest)	
	Instruction	Student		Food Services	Infirmary	School Store	Student Publications	Auxiliary		Operation and Maintenance	General and Administrative		Advancement
		Activities	Subtotal					Facilities Usage	Subtotal				
Salaries and wages	\$ 9,413,971	\$ 679,334	\$ 10,093,305	\$ -	\$ 108,975	\$ 105,169	\$ -	\$ 831,043	\$ 1,045,187	\$ 2,029,607	\$ 2,985,016	\$ 604,431	\$ 16,757,546
Payroll taxes and benefits	2,389,820	119,570	2,509,390	-	26,807	31,902	-	130,718	189,427	509,263	686,070	156,253	4,050,403
Contract labor	82,150	29,568	111,718	-	-	-	-	-	-	-	-	-	111,718
Recruitment/placement	49,672	-	49,672	-	-	-	-	-	-	-	36,550	-	86,222
Other personnel	16,798	-	16,798	-	-	-	-	-	-	271	-	-	17,069
Total personnel expenses	11,952,411	828,472	12,780,883	-	135,782	137,071	-	961,761	1,234,614	2,539,141	3,707,636	760,684	21,022,958
Academic supplies expenses	175,925	27,254	203,179	-	-	-	-	304	304	-	-	-	203,483
Advertising	-	-	-	-	-	-	-	4,194	4,194	-	20,031	125,722	149,947
Athletic expenses	-	84,304	84,304	-	-	-	-	205,364	205,364	-	-	-	289,668
Bad debt	-	-	-	-	-	-	-	-	-	-	271,118	-	271,118
Bank fees	-	-	-	-	-	-	-	-	-	-	161,571	-	161,571
Commencement	-	-	-	-	-	-	-	-	-	-	32,218	-	32,218
Contracted food services	-	-	-	1,551,899	-	-	-	45,190	1,597,089	-	-	-	1,597,089
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	79,616	4,830	84,446
Insurance	-	-	-	-	26,576	-	-	-	26,576	858,220	-	-	884,796
Miscellaneous	47,304	-	47,304	-	-	-	-	53,083	53,083	13,639	83,006	34,827	231,859
Office supplies	-	-	-	-	-	-	-	-	-	-	54,874	4,631	59,505
Postage and shipping	-	-	-	-	10,190	-	-	-	10,190	-	53,636	-	63,826
Printing and publications	-	6,428	6,428	-	-	-	116,735	-	116,735	-	13,633	29,373	166,169
Professional development	137,763	-	137,763	-	-	-	-	-	-	-	19,889	8,164	165,816
Professional fees	-	-	-	-	-	-	-	-	-	-	93,883	71,314	165,197
Property taxes	-	-	-	-	-	-	-	-	-	-	69,486	-	69,486
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	52,296	-	-	52,296
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	362,187	-	-	362,187
Equipment	246,273	-	246,273	-	-	-	-	-	-	12,760	98,234	-	357,267
Fleet	-	-	-	-	-	-	-	-	-	129,707	-	-	129,707
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	96,280	-	-	96,280
Housekeeping	-	-	-	-	-	-	-	-	-	30,381	-	-	30,381
Plant	-	-	-	-	-	-	-	-	-	253,626	-	-	253,626
Student activities	-	74,197	74,197	-	-	-	-	-	-	-	-	-	74,197
Student store purchases	-	-	-	-	-	644,128	-	-	644,128	-	-	-	644,128
Summer camp supplies	-	-	-	-	-	-	-	104,981	104,981	-	-	-	104,981
Support services	144,671	-	144,671	-	-	-	-	-	-	-	-	-	144,671
Telephone	-	-	-	-	-	-	-	-	-	-	54,659	-	54,659
Travel and entertainment	-	46,876	46,876	-	-	-	-	-	-	-	62,599	90,626	200,101
Uniform	-	27,636	27,636	-	-	-	-	-	-	22,615	-	-	50,251
Utilities	-	-	-	-	-	-	-	-	-	787,330	-	-	787,330
Total expenses before depreciation and amortization	12,704,347	1,095,167	13,799,514	1,551,899	172,548	781,199	116,735	1,374,877	3,997,258	5,158,196	4,876,089	1,130,171	28,961,228
Allocation of operation and maintenance expenses	3,974,872	582,049	4,556,921	185,246	22,530	29,977	-	63,811	301,564	(5,158,196)	261,260	38,451	-
	16,679,219	1,677,216	18,356,435	1,737,145	195,078	811,176	116,735	1,438,688	4,298,822	-	5,137,349	1,168,622	28,961,228
Depreciation	2,247,052	329,041	2,576,093	104,722	12,737	16,947	-	36,073	170,479	-	147,694	21,737	2,916,003
Amortization	348,532	51,036	399,568	16,243	1,976	2,629	-	5,595	26,443	-	22,908	3,372	452,291
Total expenses before interest	\$ 19,274,803	\$ 2,057,293	\$ 21,332,096	\$ 1,858,110	\$ 209,791	\$ 830,752	\$ 116,735	\$ 1,480,356	\$ 4,495,744	\$ -	\$ 5,307,951	\$ 1,193,731	\$ 32,329,522

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses	
	Instruction	Student Activities	Subtotal	Food Services	Infirmary	School Store	Student Publications	Auxiliary Facilities Usage	Subtotal	Operation and Maintenance	General and Administrative	Advancement	(Excluding Interest)
Salaries and wages	\$ 8,591,038	\$ 702,754	\$ 9,293,792	\$ -	\$ 106,604	\$ 98,654	\$ -	\$ 1,034,611	\$ 1,239,869	\$ 1,996,960	\$ 2,953,182	\$ 490,201	\$ 15,974,004
Payroll taxes and benefits	2,189,819	145,619	2,335,438	-	27,067	29,895	-	150,488	207,450	494,450	704,055	122,342	3,863,735
Contract labor	88,600	31,486	120,086	-	-	-	-	-	-	-	-	-	120,086
Recruitment/placement	27,991	-	27,991	-	-	-	-	-	-	-	43,785	-	71,776
Other personnel	5,109	-	5,109	-	-	-	-	-	-	314	-	-	5,423
Total personnel expenses	10,902,557	879,859	11,782,416	-	133,671	128,549	-	1,185,099	1,447,319	2,491,724	3,701,022	612,543	20,035,024
Academic supplies expenses	171,129	39,062	210,191	-	-	-	-	2,508	2,508	-	-	-	212,699
Advertising	-	-	-	-	-	-	-	8,691	8,691	-	25,331	130,123	164,145
Athletic expenses	-	90,669	90,669	-	-	-	-	154,912	154,912	-	-	-	245,581
Bad debt	-	-	-	-	-	-	-	-	-	-	181,268	-	181,268
Bank fees	-	-	-	-	-	-	-	-	-	-	142,284	-	142,284
Commencement	-	-	-	-	-	-	-	-	-	-	27,770	-	27,770
Contracted food services	-	-	-	1,473,732	-	-	-	90,332	1,564,064	-	-	-	1,564,064
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	76,979	2,000	78,979
Insurance	-	-	-	-	35,639	-	-	-	35,639	826,775	-	-	862,414
Miscellaneous	48,890	-	48,890	-	-	-	-	53,124	53,124	14,044	104,699	36,960	257,717
Office supplies	-	-	-	-	-	-	-	-	-	-	44,353	8,104	52,457
Postage and shipping	-	-	-	-	8,840	-	-	-	8,840	-	41,992	-	50,832
Printing and publications	-	11,338	11,338	-	-	-	110,918	-	110,918	-	88,157	63,894	274,307
Professional development	180,832	-	180,832	-	-	-	-	-	-	-	28,459	2,097	211,388
Professional fees	-	-	-	-	-	-	-	-	-	-	95,427	129,480	224,907
Property taxes	-	-	-	-	-	-	-	-	-	-	64,655	-	64,655
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	55,983	-	-	55,983
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	301,147	-	-	301,147
Equipment	368,364	-	368,364	-	-	-	-	-	-	16,376	98,387	-	483,127
Fleet	-	-	-	-	-	-	-	-	-	105,945	-	-	105,945
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	97,703	-	-	97,703
Housekeeping	-	-	-	-	-	-	-	-	-	41,126	-	-	41,126
Plant	-	-	-	-	-	-	-	-	-	395,755	-	-	395,755
Student activities	-	97,103	97,103	-	-	-	-	-	-	-	-	-	97,103
Student store purchases	-	-	-	-	-	667,282	-	-	667,282	-	-	-	667,282
Summer camp supplies	-	-	-	-	-	-	-	136,165	136,165	-	-	-	136,165
Support services	145,750	-	145,750	-	-	-	-	-	-	-	-	-	145,750
Telephone	-	-	-	-	-	-	-	-	-	-	64,272	102	64,374
Travel and entertainment	-	66,826	66,826	-	-	-	-	-	-	-	66,809	30,006	163,641
Uniform	-	14,000	14,000	-	-	-	-	-	-	18,954	-	-	32,954
Utilities	-	-	-	-	-	-	-	-	-	779,514	-	-	779,514
Total expenses before depreciation and amortization	11,817,522	1,198,857	13,016,379	1,473,732	178,150	795,831	110,918	1,630,831	4,189,462	5,145,046	4,851,864	1,015,309	28,218,060
Allocation of operation and maintenance expenses	3,964,738	580,565	4,545,303	184,774	22,472	29,901	-	63,649	300,796	(5,145,046)	260,594	38,353	-
	15,782,260	1,779,422	17,561,682	1,658,506	200,622	825,732	110,918	1,694,480	4,490,258	-	5,112,458	1,053,662	28,218,060
Depreciation	2,195,851	321,543	2,517,394	102,336	12,447	16,560	-	35,251	166,594	-	144,329	21,242	2,849,559
Amortization	245,448	35,941	281,389	11,439	1,392	1,851	-	3,940	18,622	-	16,133	2,374	318,518
Total expenses before interest	\$ 18,223,559	\$ 2,136,906	\$ 20,360,465	\$ 1,772,281	\$ 214,461	\$ 844,143	\$ 110,918	\$ 1,733,671	\$ 4,675,474	\$ -	\$ 5,272,920	\$ 1,077,278	\$ 31,386,137

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (3,790,496)	\$ 3,112,940
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,368,294	3,168,077
Realized gain on investments, net	(102,698)	(932,546)
Unrealized (gain) loss on investments, net	600,558	(687,182)
Unrealized cash flow hedge (gain) loss	2,870,113	(387,430)
Contributions received restricted for long-term investment	-	(309,799)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(105,427)	25,134
Decrease in unconditional promises to give	801,422	1,006,398
Decrease in inventories	40,055	30,874
Increase in other current assets	(124,597)	(579,067)
Increase in accounts payable	370,785	478,245
Increase in deferred revenue	448,755	325,811
Net cash provided by operating activities	4,376,764	5,251,455
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,580,600)	(1,760,664)
Sales (purchases) of investments, net	(233,258)	(33,850)
(Increase) decrease in other assets, net	105,957	(112,957)
Net cash used in investing activities	(3,707,901)	(1,907,471)
Cash flows from financing activities:		
Repayment of long-term debt	(1,195,000)	(1,170,000)
Loan costs paid	(443,971)	(310,198)
Contributions received restricted for long-term investment	-	309,799
Net cash used in financing activities	(1,638,971)	(1,170,399)
Net increase (decrease) in cash and cash equivalents	(970,108)	2,173,585
Cash and cash equivalents, beginning of year	15,349,163	13,175,578
Cash and cash equivalents, end of year	\$ 14,379,055	\$ 15,349,163
Supplemental schedule of noncash investing and financing activities		
Property acquired under capital lease	\$ 411,444	\$ -

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities and organization

Saint Andrew's School of Boca Raton, Inc. (Saint Andrew's) operates a coeducational school serving approximately 1,300 junior kindergarten through twelfth grade students located in Boca Raton, Florida. The main source of revenue (approximately 86% and 78% for the years ended June 30, 2012 and 2011, respectively) is from tuition and other fees charged to students.

Saint Andrew's School Endowment Fund, Inc. (the Fund) is a separate corporate entity established to hold and invest certain contributions which are restricted by donors. All income earned is available for transfer annually to Saint Andrew's School of Boca Raton, Inc. for use in accordance with specific restrictions and the School's exempt function.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Saint Andrew's and the Fund (collectively, the School). All significant account balances and transactions are eliminated in the consolidation.

Basis of presentation

The School's financial statements are prepared on the accrual basis of accounting in accordance with the provisions of FASC 958-605, *Accounting for Contributions Received and Contributions Made*, and FASC 958-205, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. The School distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

The School classifies net assets and revenue, expenses, gains and losses as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the School's operations. The unrestricted net assets may be used at the discretion of the School's management and the Board of Trustees.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the earnings on related investments for the general or specific purposes.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual 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 by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

Revenue recognition

The School recognizes revenue from academic programs in the period that the academic services are provided. Such revenue is recorded net of financial aid and tuition allowances, and amounts received in advance are recorded as deferred revenue. For the years ended June 30, 2012 and 2011, financial aid and tuition allowances totaled \$3,821,238 and \$3,582,445, respectively.

Contributions

Contributions, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not reported until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The School reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other highly liquid investments with an original maturity of three months or less when purchased.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Investments

Investments include marketable equity securities, corporate debt securities, government debt securities, international debt securities, mortgage-backed securities, and private funds. Investments, other than private funds, are carried at fair values based on quoted market prices. Private funds are redeemable based on their net asset values. Such funds may invest a portion of their net assets in securities for which market quotations are not readily available. In such cases, the private fund manager prices such securities using other fair value estimation techniques. The resulting fair value is intended to represent a good faith approximation of the amount that the fund could reasonably expect to receive from the investment if the interest were sold at the time of valuation, based on information reasonably available to the manager at the time the valuation is made.

Investment income and realized gains and losses on investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term.

Accounts receivable

The School grants credit without collateral to a number of its student families. These accounts receivable are evaluated for collectability and allowances for amounts deemed uncollectible are determined based on historical trends and aging of these balances.

Inventories

Inventories, which consist of clothing, books, and bookstore supplies held for resale, are stated at the lower of cost or market.

Property, plant and equipment

Property, plant and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution, less accumulated depreciation. The School provides for depreciation on operating property and equipment over the estimated useful lives of the related assets using the straight-line method. Useful lives are summarized in the following table:

Land improvements	30 years
Buildings and building improvements	30 years
Equipment	3-12 years
Furniture and fixtures	7 years

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Amortization

Costs associated with the issuance of debt are capitalized and amortized using the straight-line method over the term of the related debt. At June 30, 2012, the cost and accumulated amortization of debt issuance costs are \$197,075 and \$61,879, respectively.

Income taxes

Saint Andrew's and the Fund have been recognized by the Internal Revenue Service as organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the consolidated financial statements. Saint Andrew's and the Fund are required to operate in conformity with the provisions of the IRC to maintain their exempt status.

The School analyses tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, the School did not identify any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease. For the years ended June 30, 2012 and 2011, there were no related interest or penalties recorded or included in the School's financial statements. The School is no longer subject to income tax examinations for fiscal years prior to 2008.

Advertising

Advertising is expensed as incurred and amounted to \$149,947 and \$164,145 for the years ended June 30, 2012 and 2011, respectively.

Fair value disclosures

The financial statements provide for fair value disclosures for financial instruments for which it is practicable to estimate fair value. The fair value of the School's cash and cash equivalents, portfolio investments, receivables, and liabilities approximate their carrying values.

Derivative financial instruments

Cash flow hedges, including interest rate swap agreements (see Note 6), are used to manage exposure to market risk associated with changes in interest rates. Interest rate changes are accounted for on the accrual basis and payments made or received are recognized as an adjustment to interest expense.

Donated services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Several businesses have donated materials, facilities and services and many individuals volunteer significant time to the School. No amounts are reflected in the accompanying consolidated financial statements for volunteers, as no objective measure is available to measure the value of such contributed services.

SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities of the School have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on systematic methods and estimates made by management.

Fund raising activities

The School's financial statements are presented in accordance with FASB ASC 958-720-05, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund Raising*, that prescribes the accounting and reporting for entities that solicit contributions.

Concentration of credit risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

New accounting pronouncement

On June 17, 2011, the State of Florida passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The effective date of the enacted version of UPMIFA in Florida (FL UPMIFA) is July 1, 2012. Accordingly, the School will be required to adopt the provisions of the Donor-Restricted Endowment Fund Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (FASB ASC) commencing July 1, 2012. The FASB ASC standard provides guidance to not-for-profit organizations subject to an enacted version of UPMIFA. The School has adopted the disclosure requirements of this FASB ASC standard for the year ended June 30, 2012 (see Note 10). UPMIFA removed the concept of historical dollar value measurement of endowments under the Uniform Measurement of Institutional Funds Act and provided for standards of prudence to be utilized by organizations in making determinations appropriate to accumulate donor restricted endowment funds. UPMIFA also requires that earnings from donor-restricted endowments, unless otherwise instructed by the gift instrument, be classified as donor restricted for legal purposes until they are appropriated for expenditure. Under this FASB ASC standard, earnings from donor-restricted endowments are reported as temporarily restricted until appropriated.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Investments

A summary of investments, by investment type, at June 30, 2012 and 2011 is presented as follows:

	2012	2011
Marketable equity securities	\$ 8,194,803	\$ 8,332,933
Corporate debt securities	716,105	1,372,039
Government debt securities	997,570	534,106
International debt securities	108,590	126,454
Mortgage-backed securities	260,282	159,000
Private funds	1,467,432	1,484,852
	\$11,744,782	\$12,009,384

The following schedule summarizes the net investment return (loss) on investments for the years ended June 30, 2012 and 2011:

	Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 325,651	\$ 391	\$ 326,042
Realized gain, net	102,645	53	102,698
Unrealized loss, net	(528,431)	(9,909)	(538,340)
	(100,135)	(9,465)	(109,600)
Less: investment expenses	(60,858)	(1,360)	(62,218)
Total net investment loss, net	\$ (160,993)	\$ (10,825)	\$ (171,818)
	Year Ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 380,606	\$ 588	\$ 381,194
Realized gain (loss), net	937,426	(4,880)	932,546
Unrealized gain, net	731,671	14,039	745,710
	2,049,703	9,747	2,059,450
Less investment expenses	(57,222)	(1,306)	(58,528)
Total net investment return, net	\$ 1,992,481	\$ 8,441	\$ 2,000,922

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include venture capital investments in equity or equity-oriented securities of privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2012:

	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
Investments:				
Marketable equity securities	\$ 8,194,803	\$ -	\$ -	\$ 8,194,803
Corporate debt securities	716,105	-	-	716,105
Government debt securities	997,570	-	-	997,570
International debt securities	108,590	-	-	108,590
Mortgage backed securities	-	260,282	-	260,282
Private funds	-	-	1,467,432	1,467,432
Total investments	10,017,068	260,282	1,467,432	11,744,782
Liabilities:				
Fair value of cash flow hedge	-	(7,317,619)	-	(7,317,619)
	<u>\$10,017,068</u>	<u>\$ (7,057,337)</u>	<u>\$ 1,467,432</u>	<u>\$ 4,427,163</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2011:

	<u>Level 1:</u> Quoted prices in markets for identical assets	<u>Level 2:</u> Significant other observable inputs	<u>Level 3:</u> Significant unobservable inputs	<u>Total</u>
Investments:				
Marketable equity securities	\$ 8,332,933	\$ -	\$ -	\$ 8,332,933
Corporate debt securities	1,372,039	-	-	1,372,039
Government debt securities	534,106	-	-	534,106
International debt securities	126,454	-	-	126,454
Mortgage-backed securities	-	159,000	-	159,000
Private funds	-	-	<u>1,484,852</u>	<u>1,484,852</u>
Total investments	10,365,532	159,000	1,484,852	12,009,384
Liabilities:				
Fair value of cash flow hedge	-	<u>(4,447,506)</u>	-	<u>(4,447,506)</u>
	<u>\$10,365,532</u>	<u>\$(4,288,506)</u>	<u>\$ 1,484,852</u>	<u>\$ 7,561,878</u>

The following is a schedule of Level 3 investment activity for the year ended June 30, 2012 measured on a recurring basis using significant unobservable inputs:

	<u>Private Funds</u>
Balance as of July 1, 2011	\$ 1,484,852
Net unrealized losses included in the consolidated statement of activities	<u>(17,420)</u>
Balance as of June 30, 2012	<u>\$ 1,467,432</u>

The School invests in certain private funds that may be redeemed quarterly after applicable lock-up periods. The private fund managers require prior notice ranging from 45 to 100 days before redemption of all or a portion of the investment balances. There were no unfunded commitments for the School's private fund investments as of June 30, 2012.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of June 30, 2012 and 2011 are presented as follows:

	2012	2011
Annual fund pledges	\$ 514,500	\$ 299,000
Program pledges	283,000	523,000
Capital campaign pledges	375,000	675,000
Property, plant and equipment pledges	168,378	375,818
Endowment pledges	728,500	1,531,500
	2,069,378	3,404,318
Less: unamortized discount	(57,282)	(112,300)
Subtotal	2,012,096	3,292,018
Less: allowance for uncollectible pledges	(324,500)	(803,000)
Net unconditional promises to give	\$ 1,687,596	\$ 2,489,018
Amounts due in:		
Less than one year	\$ 1,244,378	\$ 1,928,484
One to five years	793,000	1,427,834
More than five years	32,000	48,000
Total	\$ 2,069,378	\$ 3,404,318

The School applies a discount rate of 6% to its pledges with terms in excess of one year.

Note 5 – Property and Equipment

The following is a summary of property and equipment as of June 30, 2012 and 2011:

	2012	2011
Land	\$ 4,958,242	\$ 4,958,242
Land improvements	4,541,230	4,537,931
Buildings and building improvements	56,823,206	55,196,553
Equipment	7,374,561	6,723,395
Furniture and fixtures	5,551,129	5,448,084
	79,248,368	76,864,205
Less: accumulated depreciation	(35,594,823)	(32,684,788)
	43,653,545	44,179,417
Construction in progress	2,631,354	1,029,441
Property and equipment, net	\$ 46,284,899	\$ 45,208,858

Depreciation totaled \$2,916,003 and \$2,849,559 for the years ended June 30, 2012 and 2011, respectively.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment, Continued

Construction in progress represents renovation and construction not yet in service as of June 30, 2012 at the School's Boca Raton, Florida campus.

The Company is obligated under capital leases for certain property and equipment. The net book value of assets under capital leases at June 30, 2012 totaled \$411,444. There were no assets under capital leases at June 30, 2011.

Note 6 – Long-term Debt

Variable rate bonds

The School is obligated under Variable Rate Demand Revenue Refunding Bonds Series 2007 (the Bonds) issued by Palm Beach County, Florida in the original amount of \$36,000,000. The net proceeds from the Bonds were used to finance the acquisition of land, construction and equipping of an additional lower school building and improvements on the related tract of land and to retire the School's outstanding Variable Rate Demand Revenue Refunding Bonds Series 2003. The remaining principal outstanding on the Bonds as of June 30, 2012 totals \$30,945,000.

The Bonds bear interest at the weekly rate determined by the Remarketing Agent on and as of each Wednesday (0.30% at June 30, 2012). Interest on the Bonds is payable monthly and principal payments are due in specified annual installments through 2028. Debt service payments are collateralized by an irrevocable bank letter of credit pursuant to certain loan agreements with a bank (the Agreements). Under the Agreements, the School pledged substantially all of its real property and business assets, is required to meet certain financial covenants, and may not encumber its properties or incur additional debt beyond certain limits. The Bonds are collateralized by a Trust Indenture, dated June 1, 2007 (the Indenture), between Palm Beach County, Florida and Wells Fargo Bank, N.A., as Trustee.

In the event the School cannot make scheduled principal payments, repayment would be made by a draw on the School's irrevocable letter of credit. Any such draws on the letter of credit are immediately payable by the School to the issuer of the letter of credit.

Financial covenants

The School is required to maintain a letter of credit as collateral for the Bonds and meet certain minimum financial ratios. As of June 30, 2012, all financial covenants have been met.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 6 – Long-term Debt, Continued

Required future minimum payments

Principal due on long-term debt in years subsequent to June 30, 2012 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 1,195,000
2014	1,315,000
2015	1,315,000
2016	1,340,000
2017	1,340,000
Thereafter	<u>24,440,000</u>
	<u>\$ 30,945,000</u>

Interest rate swap agreement

The School is party to an interest rate swap agreement that effectively converts the Bonds from a variable rate obligation to a long-term fixed rate of 4.34%. The interest rate swap agreement at June 30, 2012 was for a notional amount aggregating \$30,945,000 which expires through 2028. The interest rate swap is accounted for as a cash flow hedge. The aggregate fair value of the cash flow hedge of \$(7,317,619) and \$(4,447,506), respectively, at June 30, 2012 and 2011, represents the estimated amount at which the swap agreement could be settled and is included in the accompanying consolidated statements of financial position as a cash flow hedge. The change in fair value of the cash flow hedge during the years ended June 30, 2012 and 2011 of \$(2,870,113) and \$387,430, respectively, is included in the accompanying consolidated statements of activities as an unrealized gain (loss) on cash flow hedge.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 7 – Description of Leasing Arrangements

As lessee:

The Company leases certain equipment leases under a non-cancelable lease agreement. Future minimum lease payments under the non-cancelable lease and the present value of future minimum capital lease payments as of June 30, 2012 are as follows:

Year Ending June 30,	Capital Lease
2012	\$ 141,087
2013	141,087
2014	<u>141,086</u>
Total minimum lease payments	423,260
Less: interest	<u>11,816</u>
Present value of net minimum capital lease payments	411,444
Less: current portion	<u>141,087</u>
Capital lease, less current portion	<u>\$ 270,357</u>

As lessor:

The School leases, on a part-time basis, the use of the School's chapel facility located on the School's campus to The Chapel of Saint Andrew, Inc. (the Chapel) under a noncancelable operating lease expiring in 2041 with extensions through 2091.

Effective July 1, 2006, the School's lease with the Chapel was amended to allow use of one of the Chapel's facilities by the School. Under this amendment, no rental income will be received by the School for the Chapel's existing use of the School's facilities nor paid by the School for use of the Chapel's facility while the amendment remains in effect. The School has agreed to use the Chapel's facility for a minimum of five years.

No rental income in connection with this lease was collected during the years ended June 30, 2012 and 2011. The School has not paid the Chapel for the use of its facilities located on the School's campus for either year ended June 30, 2012 and 2011.

The costs and related accumulated depreciation of the School's Chapel and improvements made thereto amounted to \$1,167,806, and \$350,361, respectively, as of June 30, 2012 and \$1,167,806, and \$298,705, respectively, as of June 30, 2011.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 are available to support the following purposes:

	2012	2011
Acquisition of property and equipment	\$ 151,378	\$ 432,971
Capital campaign	307,680	1,823,116
Instructional and athletic expenses	796,518	1,077,361
	\$ 1,255,576	\$ 3,333,448

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the years ended June 30, 2012 and 2011 for the following purposes:

	2012	2011
Purpose of restriction:		
Property and equipment acquisitions	\$ 2,314,849	\$ 379,896
Instruction	62,675	136,164
Student activities	29,613	30,736
Capital campaign expenses	71,314	129,480
Operation and maintenance	4,930	4,037
General and administrative	33,021	13,500
Financial aid	97,021	145,925
	\$ 2,613,423	\$ 839,738

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the following:

	2012	2011
Financial aid	\$ 4,705,277	\$ 4,577,925
Faculty compensation	4,024,205	4,504,010
Plant operations	8,333	8,333
School activities	2,016,903	1,965,107
	\$ 10,754,718	\$ 11,055,375

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment

The School considers its endowment to include certain assets designated by the Board of Trustees. The Endowment by net asset category and purpose at June 30, 2012 and 2011 is presented as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Endowment gifts and designations:					
Board designated endowment	\$ 1,053,034	\$ -	\$ -	\$ 1,053,034	\$ 1,053,034
Acquisition of property and equipment		151,378	-	151,378	432,971
Capital campaign	-	307,680	-	307,680	1,823,116
Instructional and athletic expenses	-	796,518	-	796,518	1,077,361
Financial aid	-	-	4,705,277	4,705,277	4,577,925
Faculty compensation	-	-	4,024,205	4,024,205	4,504,010
Plant operations and capital projects	631,691	-	8,333	640,024	640,024
School activities	-	-	2,016,903	2,016,903	1,965,107
Total endowment gifts and designations	1,684,725	1,255,576	10,754,718	13,695,019	16,073,548
Non-endowment net assets	<u>5,129,680</u>	<u>-</u>	<u>-</u>	<u>5,129,680</u>	<u>6,541,647</u>
Total net assets	<u>\$ 6,814,405</u>	<u>\$ 1,255,576</u>	<u>\$ 10,754,718</u>	<u>\$ 18,824,699</u>	<u>\$ 22,615,195</u>

The School's endowment is established for the purposes expressed in the School's charter. The School's endowment consists of 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 are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

Effective July 1, 2012, the School will adopt the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) which supersedes the repealed statute the State of Florida Statute (1010.10) cited as the "Florida Uniform Management of Institutional Funds Act." FUMIFA requires the Board of Trustees to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUMIFA, the Board of Trustees may expend so much of an endowment fund as the Board of Trustees determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such funds with deficiencies as of June 30, 2012.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment, Continued

Return objectives and risk parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grant programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

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 allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The School's policy is to appropriate for distribution each year. Accordingly, over the long-term, the School expects the current spending policy to allow its endowment to grow at an average of 7% annually. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

Changes in endowment net assets for the year ended June 30, 2012 are presented as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of July 1, 2011	\$ 1,684,725	\$ 3,333,448	\$ 11,055,375	\$ 16,073,548
Investment return:				
Investment income	-	391	-	391
Net appreciation (realized and unrealized)	-	(11,216)	-	(11,216)
Total investment return	-	(10,825)	-	(10,825)
Contributions	-	659,984	(300,657)	359,327
Release of restrictions	-	(2,613,423)	-	(2,613,423)
Write-off of long term promises to give	-	(113,608)	-	(113,608)
Balance as of June 30, 2012	<u>\$ 1,684,725</u>	<u>\$ 1,255,576</u>	<u>\$ 10,754,718</u>	<u>\$ 13,695,019</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 11 – Retirement Plans

The School participates in the Teacher's Insurance and Annuity of America College Retirement Equities Fund (TIAA-CREF) (the Plan). The Plan includes all full-time employees who have completed one year of service with the School. Each participant may contribute to the Plan and the School matches their contributions based upon their compensation and completed years of service as specified by the Plan. School contributions to the Plan for the years ended June 30, 2012 and 2011 totaled \$771,757 and \$739,565, respectively.

Effective July 1, 2007, the School established a deferred compensation and retirement plan for its Headmaster. The School contributes the maximum allowable amount to the plan on an annual basis up to \$25,000. To the extent that \$25,000 exceeds the maximum allowable amount, the Headmaster is entitled to the excess as additional salary.

Note 12 – Supplemental Statement of Cash Flows Disclosure

Interest paid for the years ended June 30, 2012 and 2011 amounted to \$1,379,355 and \$1,419,019, respectively.

Note 13 – Legal Matters

From time to time, the School is subject to legal proceedings which arise in connection in the ordinary course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the School's financial position, cash flows, or results of operations.

Note 14 – Subsequent Events

The School evaluated its activities subsequent to June 30, 2012 through October 8, 2012 for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

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Report of Independent Auditors

Board of Trustees
Saint Andrew's School of Boca Raton, Inc.
and Saint Andrew's School Endowment Fund, Inc.

We have audited the accompanying consolidated statements of financial position of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. (non-profit organizations) as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saint Andrew's School of Boca Raton, Inc. and Saint Andrew's School Endowment Fund, Inc. as of June 30, 2011 and 2010 and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Templeton & Company, LLP

West Palm Beach, Florida
October 20, 2011



**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010**

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,349,163	\$ 13,175,578
Investments (Notes 2 and 3)	12,009,384	10,355,806
Accounts receivable, less allowance for doubtful accounts of \$150,000 in 2011 and \$200,000 in 2010	87,566	112,700
Current portion of unconditional promises to give (Note 4)	1,125,484	1,294,382
Inventories	538,955	569,829
Other current assets	753,413	174,346
Total current assets	29,863,965	25,682,641
Property, plant and equipment, net (Note 5)	45,208,858	46,297,753
Unconditional promises to give, net (Note 4)	1,363,534	2,201,034
Loan costs, net	143,516	151,836
Deposits and other assets	476,942	363,985
Total assets	\$ 77,056,815	\$ 74,697,249
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,117,814	\$ 639,569
Deferred revenue	16,736,300	16,410,489
Current portion of long-term debt (Note 6)	1,195,000	1,170,000
Total current liabilities	19,049,114	18,220,058
Fair value of cash flow hedge (Notes 3 and 6)	4,447,506	4,834,936
Long-term debt, net of current portion (Note 6)	30,945,000	32,140,000
Total liabilities	54,441,620	55,194,994
Net assets:		
Unrestricted	8,226,372	5,986,247
Temporarily restricted (Note 8)	3,333,448	2,770,432
Permanently restricted (Note 9)	11,055,375	10,745,576
Total net assets (Note 10)	22,615,195	19,502,255
Total liabilities and net assets	\$ 77,056,815	\$ 74,697,249

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010**

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Support and revenues:								
Academic programs, net	\$ 27,100,084	\$ -	\$ -	\$ 27,100,084	\$ 25,987,147	\$ -	\$ -	\$25,987,147
Contributions	1,124,758	1,455,515	309,799	2,890,072	1,034,384	2,133,262	604,976	3,772,622
Auxiliary services	3,298,491	-	-	3,298,491	2,963,559	-	-	2,963,559
Net investment return (loss)	1,992,481	8,441	-	2,000,922	1,462,486	(56,098)	-	1,406,388
Fund raising events, net of directly-related expenses of \$343,760 and \$303,731 in 2011 and 2010, respectively	125,466	-	-	125,466	299,940	-	-	299,940
Other income, net	118,631	-	-	118,631	127,882	-	-	127,882
Net assets released from restrictions	839,738	(839,738)	-	-	776,709	(776,709)	-	-
Total support and revenues	34,599,649	624,218	309,799	35,533,666	32,652,107	1,300,455	604,976	34,557,538
Expenses:								
Academic programs	20,360,465	-	-	20,360,465	20,035,083	-	-	20,035,083
Auxiliary services	4,675,474	-	-	4,675,474	4,410,877	-	-	4,410,877
Supporting services:								
General and administrative	5,211,718	61,202	-	5,272,920	5,387,195	503,572	-	5,890,767
Advancement	1,077,278	-	-	1,077,278	1,190,314	-	-	1,190,314
Interest	1,422,019	-	-	1,422,019	1,460,336	-	-	1,460,336
Total expenses	32,746,954	61,202	-	32,808,156	32,483,805	503,572	-	32,987,377
Increase in net assets from operating activities	1,852,695	563,016	309,799	2,725,510	168,302	796,883	604,976	1,570,161
Unrealized cash flow hedge gain (loss)	387,430	-	-	387,430	(1,458,738)	-	-	(1,458,738)
Increase (decrease) in net assets	2,240,125	563,016	309,799	3,112,940	(1,290,436)	796,883	604,976	111,423
Net assets - beginning of year	5,986,247	2,770,432	10,745,576	19,502,255	7,276,683	1,973,549	10,140,600	19,390,832
Net assets - end of year	\$ 8,226,372	\$ 3,333,448	\$ 11,055,375	\$ 22,615,195	\$ 5,986,247	\$ 2,770,432	\$10,745,576	\$19,502,255

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses (Excluding Interest)	
	Instruction	Student Activities	Subtotal	Food Services	Infirmary	School Store	Student Publications	Auxiliary Facilities Usage	Subtotal	Operation and Maintenance	General and Administrative		Advancement
Salaries and wages	\$ 8,591,038	\$ 702,754	\$ 9,293,792	\$ -	\$ 106,604	\$ 98,654	\$ -	\$ 1,034,611	\$ 1,239,869	\$ 1,996,960	\$ 2,953,182	\$ 490,201	\$ 15,974,004
Payroll taxes and benefits	2,189,819	145,619	2,335,438	-	27,067	29,895	-	150,488	207,450	494,450	704,055	122,342	3,863,735
Contract labor	88,600	31,486	120,086	-	-	-	-	-	-	-	-	-	120,086
Recruitment/placement	27,991	-	27,991	-	-	-	-	-	-	-	43,785	-	71,776
Other personnel	5,109	-	5,109	-	-	-	-	-	-	314	-	-	5,423
Total personnel expenses	10,902,557	879,859	11,782,416	-	133,671	128,549	-	1,185,099	1,447,319	2,491,724	3,701,022	612,543	20,035,024
Academic supplies expenses	171,129	39,062	210,191	-	-	-	-	2,508	2,508	-	-	-	212,699
Advertising	-	-	-	-	-	-	-	8,691	8,691	-	25,331	130,123	164,145
Athletic expenses	-	90,669	90,669	-	-	-	-	154,912	154,912	-	-	-	245,581
Bad debt	-	-	-	-	-	-	-	-	-	-	181,268	-	181,268
Bank fees	-	-	-	-	-	-	-	-	-	-	142,284	-	142,284
Commencement	-	-	-	-	-	-	-	-	-	-	27,770	-	27,770
Contracted food services	-	-	-	1,473,732	-	-	-	90,332	1,564,064	-	-	-	1,564,064
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	76,979	2,000	78,979
Insurance	-	-	-	-	35,639	-	-	-	35,639	826,775	-	-	862,414
Miscellaneous	48,890	-	48,890	-	-	-	-	53,124	53,124	14,044	104,699	36,960	257,717
Office supplies	-	-	-	-	-	-	-	-	-	-	44,353	8,104	52,457
Postage and shipping	-	-	-	-	8,840	-	-	-	8,840	-	41,992	-	50,832
Printing and publications	-	11,338	11,338	-	-	-	110,918	-	110,918	-	88,157	63,894	274,307
Professional development	180,832	-	180,832	-	-	-	-	-	-	-	28,459	2,097	211,388
Professional fees	-	-	-	-	-	-	-	-	-	-	95,427	129,480	224,907
Property taxes	-	-	-	-	-	-	-	-	-	-	64,655	-	64,655
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	55,983	-	-	55,983
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	301,147	-	-	301,147
Equipment	368,364	-	368,364	-	-	-	-	-	-	16,376	98,387	-	483,127
Fleet	-	-	-	-	-	-	-	-	-	105,945	-	-	105,945
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	97,703	-	-	97,703
Housekeeping	-	-	-	-	-	-	-	-	-	41,126	-	-	41,126
Plant	-	-	-	-	-	-	-	-	-	395,755	-	-	395,755
Student activities	-	97,103	97,103	-	-	-	-	-	-	-	-	-	97,103
Student store purchases	-	-	-	-	-	667,282	-	-	667,282	-	-	-	667,282
Summer camp supplies	-	-	-	-	-	-	-	136,165	136,165	-	-	-	136,165
Support services	145,750	-	145,750	-	-	-	-	-	-	-	-	-	145,750
Telephone	-	-	-	-	-	-	-	-	-	-	64,272	102	64,374
Travel and entertainment	-	66,826	66,826	-	-	-	-	-	-	-	66,809	30,006	163,641
Uniform	-	14,000	14,000	-	-	-	-	-	-	18,954	-	-	32,954
Utilities	-	-	-	-	-	-	-	-	-	779,514	-	-	779,514
Total expenses before depreciation and amortization	11,817,522	1,198,857	13,016,379	1,473,732	178,150	795,831	110,918	1,630,831	4,189,462	5,145,046	4,851,864	1,015,309	28,218,060
Allocation of operation and maintenance expenses	3,964,738	580,565	4,545,303	184,774	22,472	29,901	-	63,649	300,796	(5,145,046)	260,594	38,353	-
	15,782,260	1,779,422	17,561,682	1,658,506	200,622	825,732	110,918	1,694,480	4,490,258	-	5,112,458	1,053,662	28,218,060
Depreciation	2,195,851	321,543	2,517,394	102,336	12,447	16,560	-	35,251	166,594	-	144,329	21,242	2,849,559
Amortization	245,448	35,941	281,389	11,439	1,392	1,851	-	3,940	18,622	-	16,133	2,374	318,518
Total expenses before interest	\$ 18,223,559	\$ 2,136,906	\$ 20,360,465	\$ 1,772,281	\$ 214,461	\$ 844,143	\$ 110,918	\$ 1,733,671	\$ 4,675,474	\$ -	\$ 5,272,920	\$ 1,077,278	\$ 31,386,137

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010**

	Academic Programs			Auxiliary Services					Supporting Services			Total Expenses	
	Instruction	Student Activities	Subtotal	Food Services	Infirmary	School Store	Student Publications	Auxiliary Facilities Usage	Subtotal	Operation and Maintenance	General and Administrative	Advancement	(Excluding Interest)
Salaries and wages	\$ 8,407,590	\$ 667,128	\$ 9,074,718	\$ -	\$ 104,465	\$ 98,770	\$ -	\$ 931,326	\$ 1,134,561	\$ 1,926,078	\$ 2,858,479	\$ 494,741	\$ 15,488,577
Payroll taxes and benefits	2,114,055	180,058	2,294,113	-	21,028	30,485	-	89,388	140,901	509,946	703,454	131,401	3,779,815
Contract labor	94,775	36,377	131,152	-	-	-	-	-	-	-	-	-	131,152
Recruitment/placement	20,166	-	20,166	-	-	-	-	-	-	-	24,306	-	44,472
Other personnel	8,049	-	8,049	-	-	-	-	-	-	402	-	-	8,451
Total personnel expenses	10,644,635	883,563	11,528,198	-	125,493	129,255	-	1,020,714	1,275,462	2,436,426	3,586,239	626,142	19,452,467
Academic supplies expenses	156,962	21,687	178,649	-	-	-	-	4,507	4,507	-	-	-	183,156
Advertising	-	-	-	-	-	-	-	8,926	8,926	-	22,002	137,073	168,001
Athletic expenses	-	68,100	68,100	-	-	-	-	170,181	170,181	-	-	-	238,281
Bad debt	-	-	-	-	-	-	-	-	-	-	1,048,356	-	1,048,356
Bank fees	-	-	-	-	-	-	-	-	-	-	111,762	-	111,762
Commencement	-	-	-	-	-	-	-	-	-	-	33,428	-	33,428
Contracted food services	-	-	-	1,412,721	-	-	-	81,669	1,494,390	-	-	-	1,494,390
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	47,617	2,288	49,905
Insurance	-	-	-	-	23,168	-	-	-	23,168	989,948	-	-	1,013,116
Miscellaneous	26,318	-	26,318	-	-	-	-	58,405	58,405	18,281	103,005	24,936	230,945
Office supplies	-	-	-	-	-	-	-	-	-	-	40,338	3,619	43,957
Postage and shipping	-	-	-	-	7,955	-	-	-	7,955	-	55,295	-	63,250
Printing and publications	-	9,031	9,031	-	-	-	125,833	-	125,833	-	61,468	72,805	269,137
Professional development	136,481	-	136,481	-	-	-	-	-	-	-	22,563	2,904	161,948
Professional fees	-	-	-	-	-	-	-	-	-	-	84,633	179,953	264,586
Property taxes	-	-	-	-	-	-	-	-	-	-	65,362	-	65,362
Repairs and maintenance:													
Athletic facilities	-	-	-	-	-	-	-	-	-	72,901	-	-	72,901
A/C, electric, plumbing	-	-	-	-	-	-	-	-	-	239,801	-	-	239,801
Equipment	305,496	-	305,496	-	-	-	-	-	-	34,584	88,067	615	428,762
Fleet	-	-	-	-	-	-	-	-	-	87,243	-	-	87,243
Grounds/roads/parking	-	-	-	-	-	-	-	-	-	110,231	-	-	110,231
Housekeeping	-	-	-	-	-	-	-	-	-	42,876	-	-	42,876
Plant	-	-	-	-	-	-	-	-	-	274,990	-	-	274,990
Student activities	-	132,829	132,829	-	-	-	-	-	-	-	-	-	132,829
Student store purchases	-	-	-	-	-	650,905	-	-	650,905	-	-	-	650,905
Summer camp supplies	-	-	-	-	-	-	-	97,859	97,859	-	-	-	97,859
Support services	137,775	-	137,775	-	-	-	-	-	-	-	-	-	137,775
Telephone	7,335	-	7,335	-	-	-	-	-	-	-	58,640	1,773	67,748
Travel and entertainment	-	42,816	42,816	-	-	-	-	-	-	-	34,636	75,309	152,761
Uniform	-	8,061	8,061	-	-	-	-	-	-	25,008	-	-	33,069
Utilities	-	-	-	-	-	-	-	-	-	855,276	-	-	855,276
Total expenses before depreciation and amortization	11,415,002	1,166,087	12,581,089	1,412,721	156,616	780,160	125,833	1,442,261	3,917,591	5,187,565	5,463,411	1,127,417	28,277,073
Allocation of operation and maintenance expenses	3,997,503	585,363	4,582,866	186,301	22,658	30,148	-	64,175	303,282	(5,187,565)	262,747	38,670	-
Depreciation	15,412,505	1,751,450	17,163,955	1,599,022	179,274	810,308	125,833	1,506,436	4,220,873	-	5,726,158	1,166,087	28,277,073
Amortization	2,297,885	336,484	2,634,369	107,091	13,025	17,330	-	36,889	174,335	-	151,035	22,229	2,981,968
	206,518	30,241	236,759	9,625	1,171	1,558	-	3,315	15,669	-	13,574	1,998	268,000
Total expenses before interest	\$ 17,916,908	\$ 2,118,175	\$ 20,035,083	\$ 1,715,738	\$ 193,470	\$ 829,196	\$ 125,833	\$ 1,546,640	\$ 4,410,877	\$ -	\$ 5,890,767	\$ 1,190,314	\$ 31,527,041

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC.
AND SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010**

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 3,112,940	\$ 111,423
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,168,077	3,249,968
Realized gain on investments, net	(932,546)	(98,032)
Unrealized gain on investments, net	(687,182)	(1,170,250)
Unrealized cash flow hedge (gain) loss	(387,430)	1,458,738
Contributions received restricted for long-term investment	(309,799)	(604,976)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	25,134	122,643
(Increase) decrease in unconditional promises to give	1,006,398	(199,290)
(Increase) decrease in inventories	30,874	(75,094)
(Increase) decrease in other current assets	(579,067)	20,022
Increase (decrease) in accounts payable	478,245	(6,084)
Increase in deferred revenue	325,811	104,139
Net cash provided by operating activities	5,251,455	2,913,207
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,760,664)	(1,098,438)
Purchases of investments, net	(33,850)	(372,338)
(Increase) decrease in other assets, net	(112,957)	3,000
Net cash used in investing activities	(1,907,471)	(1,467,776)
Cash flows from financing activities:		
Repayment of long-term debt	(1,170,000)	(1,170,000)
Loan costs paid	(310,198)	(160,267)
Contributions received restricted for long-term investment	309,799	604,976
Net cash used in financing activities	(1,170,399)	(725,291)
Net increase in cash and cash equivalents	2,173,585	720,140
Cash and cash equivalents, beginning of year	13,175,578	12,455,438
Cash and cash equivalents, end of year	\$ 15,349,163	\$ 13,175,578

See accompanying notes to consolidated financial statements.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities and organization

Saint Andrew's School of Boca Raton, Inc. (Saint Andrew's) operates a coeducational school serving approximately 1,300 junior kindergarten through twelfth grade students located in Boca Raton, Florida. The main source of revenue (approximately 78% and 80% for the years ended June 30, 2011 and 2010, respectively) is from tuition and other fees charged to students.

Saint Andrew's School Endowment Fund, Inc. (the Fund) is a separate corporate entity established to hold and invest certain contributions which are restricted by donors. All income earned is available for transfer annually to Saint Andrew's School of Boca Raton, Inc. for use in accordance with specific restrictions and the School's exempt function.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Saint Andrew's and the Fund (collectively, the School). All significant account balances and transactions are eliminated in the consolidation.

Basis of presentation

The School's financial statements are prepared on the accrual basis of accounting in accordance with the provisions of FASC 958-605, *Accounting for Contributions Received and Contributions Made*, FASC 958-205, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. The School distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

The School classifies net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the School's operations. The unrestricted net assets may be used at the discretion of the School's management and the Board of Trustees.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the earnings on related investments for the general or specific purposes.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual 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 by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

Revenue recognition

The School recognizes revenue from academic programs in the period that the academic services are provided. Such revenue is recorded net of financial aid and tuition allowances, and amounts received in advance are recorded as deferred revenue. For the years ended June 30, 2011 and 2010, financial aid and tuition allowances totaled \$3,582,445 and \$3,583,136, respectively.

Contributions

Contributions, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not reported until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The School reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other highly liquid investments with an original maturity of three months or less when purchased.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Investments

Investments include marketable equity securities, corporate debt securities, government debt securities, international debt securities, mortgage-backed securities, and private funds. Investments, other than private funds, are carried at fair values based on quoted market prices. Private funds are redeemable based on their net asset values. Such funds may invest a portion of their net assets in securities for which market quotations are not readily available. In such cases, the private fund manager prices such securities using other fair value estimation techniques. The resulting fair value is intended to represent a good faith approximation of the amount that the fund could reasonably expect to receive from the investment if the interest were sold at the time of valuation, based on information reasonably available to the manager at the time the valuation is made.

Investment income and realized gains and losses on investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term.

Accounts receivable

The School grants credit without collateral to a number of its student families. These accounts receivable are evaluated for collectability and allowances for amounts deemed uncollectible are determined based on historical trends and aging of these balances.

Inventories

Inventories, which consist of clothing, books, and bookstore supplies held for resale, are stated at the lower of cost or market.

Property, plant and equipment

Property, plant and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution, less accumulated depreciation. The School provides for depreciation on operating property and equipment over the estimated useful lives of the related assets using the straight-line method. Useful lives are summarized in the following table:

Land improvements	30 years
Buildings and building improvements	30 years
Equipment	3-12 years
Furniture and fixtures	7 years

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Amortization

Costs associated with the issuance of debt are capitalized and amortized using the straight-line method over the term of the related debt. At June 30, 2011, the cost and accumulated amortization of debt issuance costs are \$197,075 and \$53,559, respectively.

Income taxes

Saint Andrew's and the Fund have been recognized by the Internal Revenue Service as organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the consolidated financial statements. Saint Andrew's and the Fund are required to operate in conformity with the provisions of the IRC to maintain their exempt status.

The School analyses tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, the School did not identify any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease. For the years ended June 30, 2011 and 2010, there were no related interest or penalties recorded or included in the School's financial statements.

Advertising

Advertising is expensed as incurred and amounted to \$164,145 and \$168,001 for the years ended June 30, 2011 and 2010, respectively.

Fair value disclosures

The financial statements provide for fair value disclosures for financial instruments for which it is practicable to estimate fair value. The fair value of the School's cash and cash equivalents, portfolio investments, receivables, and liabilities approximate their carrying values.

Derivative financial instruments

Cash flow hedges, including interest rate swap agreements (see Note 6), are used to manage exposure to market risk associated with changes in interest rates. Interest rate changes are accounted for on the accrual basis and payments made or received are recognized as an adjustment to interest expense.

Donated services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Several businesses have donated materials, facilities and services and many individuals volunteer significant time to the School. No amounts are reflected in the accompanying consolidated financial statements for volunteers, as no objective measure is available to measure the value of such contributed services.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities of the School have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on systematic methods and estimates made by management.

Fund raising activities

The School's financial statements are presented in accordance with FASB ASC 958-720-05, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund Raising* that prescribe the accounting and reporting for entities that solicit contributions.

Concentration of credit risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

Note 2 – Investments

A summary of investments, by investment type, at June 30, 2011 and 2010 is presented as follows:

	<u>2011</u>	<u>2010</u>
Marketable equity securities	\$ 8,332,933	\$ 6,522,041
Corporate debt securities	1,372,039	1,477,765
Government debt securities	534,106	634,323
International debt securities	126,454	127,426
Mortgage-backed securities	159,000	221,539
Private funds	<u>1,484,852</u>	<u>1,372,712</u>
	<u>\$12,009,384</u>	<u>\$10,355,806</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Investments, Continued

The following schedule summarizes the net investment return (loss) on investments for the years ended June 30, 2011 and 2010:

	Year Ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 380,606	\$ 588	\$ 381,194
Realized gain (loss), net	937,426	(4,880)	932,546
Unrealized gain, net	731,671	14,039	745,710
	2,049,703	9,747	2,059,450
Less: investment expenses	(57,222)	(1,306)	(58,528)
Total net investment return, net	\$ 1,992,481	\$ 8,441	\$ 2,000,922
	Year Ended June 30, 2010		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 333,542	\$ 628	\$ 334,170
Realized gain (loss), net	(98,131)	99	(98,032)
Unrealized gain (loss), net	1,279,405	(55,906)	1,223,499
	1,514,816	(55,179)	1,459,637
Less investment expenses	(52,330)	(919)	(53,249)
Total net investment return (loss), net	\$ 1,462,486	\$ (56,098)	\$ 1,406,388

Note 3 – Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include venture capital investments in equity or equity-oriented securities of privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2011:

	<u>Level 1:</u> Quoted prices in markets for identical assets	<u>Level 2:</u> Significant other observable inputs	<u>Level 3:</u> Significant unobservable inputs	<u>Total:</u> June 30, 2011
Investments:				
Marketable equity securities	\$ 8,332,933	\$ -	\$ -	\$ 8,332,933
Corporate debt securities	1,372,039	-	-	1,372,039
Government debt securities	534,106	-	-	534,106
International debt securities	126,454	-	-	126,454
Mortgage backed securities	-	159,000	-	159,000
Private funds	-	-	<u>1,484,852</u>	<u>1,484,852</u>
Total investments	10,365,532	159,000	1,484,852	12,009,384
Liabilities:				
Fair value of cash flow hedge	-	<u>(4,447,506)</u>	-	<u>(4,447,506)</u>
	<u>\$10,365,532</u>	<u>\$(4,288,506)</u>	<u>\$ 1,484,852</u>	<u>\$ 7,561,878</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

The following table summarizes the School's assets and liabilities reported at fair value based on the valuation methodology applied by the School as of June 30, 2010:

	<u>Level 1:</u> Quoted prices in markets for identical assets	<u>Level 2:</u> Significant other observable inputs	<u>Level 3:</u> Significant unobservable inputs	<u>Total:</u> June 30, 2011
Investments:				
Marketable equity securities	\$ 6,522,041	\$ -	\$ -	\$ 6,522,041
Corporate debt securities	1,477,765	-	-	1,477,765
Government debt securities	634,323	-	-	634,323
International debt securities	127,426	-	-	127,426
Mortgage-backed securities	-	221,539	-	221,539
Private funds	-	-	<u>1,372,712</u>	<u>1,372,712</u>
Total investments	8,761,555	221,539	1,372,712	10,355,806
Liabilities:				
Fair value of cash flow hedge	-	<u>(4,834,936)</u>	-	<u>(4,834,936)</u>
	<u>\$ 8,761,555</u>	<u>\$(4,613,397)</u>	<u>\$ 1,372,712</u>	<u>\$ 5,520,870</u>

The following is a schedule of Level 3 investment activity for the year ended June 30, 2011 measured on a recurring basis using significant unobservable inputs:

	<u>Private Funds</u>
Balance as of July 1, 2010	\$ 1,372,712
Net unrealized gains included in the consolidated statement of activities	<u>112,140</u>
Balance as of June 30, 2011	<u>\$ 1,484,852</u>

The School invests in certain private funds that may be redeemed quarterly after applicable lock-up periods. The private fund managers require prior notice ranging from 45 to 100 days before redemption of all or a portion of the investment balances. There were no unfunded commitments for the School's private fund investments as of June 30, 2011.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of June 30, 2011 and 2010 are presented as follows:

	2011	2010
Annual fund pledges	\$ 299,000	\$ 238,780
Program pledges	523,000	449,000
Capital campaign pledges	675,000	1,967,988
Property, plant and equipment pledges	375,818	59,114
Endowment pledges	<u>1,531,500</u>	<u>1,772,000</u>
	3,404,318	4,486,882
Less: unamortized discount	<u>(112,300)</u>	<u>(220,466)</u>
Subtotal	3,292,018	4,266,416
Less: allowance for uncollectible pledges	<u>(803,000)</u>	<u>(771,000)</u>
Net unconditional promises to give	<u>\$ 2,489,018</u>	<u>\$ 3,495,416</u>
Amounts due in:		
Less than one year	\$ 1,928,484	\$ 2,065,382
One to five years	1,427,834	2,341,500
More than five years	<u>48,000</u>	<u>80,000</u>
Total	<u>\$ 3,404,318</u>	<u>\$ 4,486,882</u>

The School applies a discount rate of 6% to its pledges with terms in excess of one year.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment

The following is a summary of property and equipment as of June 30, 2011 and 2010:

	2011	2010
Land	\$ 4,958,242	\$ 4,958,242
Land improvements	4,537,931	4,753,898
Buildings and building improvements	55,196,553	54,864,893
Equipment	6,723,395	6,178,388
Furniture and fixtures	5,448,084	5,311,795
	76,864,205	76,067,216
Less: accumulated depreciation	(32,684,788)	(29,886,515)
	44,179,417	46,180,701
Construction in progress	1,029,441	117,052
Property and equipment, net	\$ 45,208,858	\$ 46,297,753

Depreciation totaled \$2,849,559 and \$2,981,968 for the years ended June 30, 2011 and 2010, respectively.

Construction in progress represents renovation and construction not yet in service as of June 30, 2011 at the School's Boca Raton, Florida campus.

Note 6 – Long-term Debt

Variable rate bonds

The School is obligated under Variable Rate Demand Revenue Refunding Bonds Series 2007 (the Bonds) issued by Palm Beach County, Florida in the original amount of \$36,000,000. The net proceeds from the Bonds were used to finance the acquisition of land, construction and equipping of an additional lower school building and improvements on the related tract of land and to retire the School's outstanding Variable Rate Demand Revenue Refunding Bonds Series 2003. The remaining principal outstanding on the Bonds as of June 30, 2011 totals \$32,140,000.

The Bonds bear interest at the weekly rate determined by the Remarketing Agent on and as of each Wednesday (0.30% at June 30, 2011). Interest on the Bonds is payable monthly and principal payments are due in specified annual installments through 2028. Debt service payments are collateralized by an irrevocable bank letter of credit pursuant to certain loan agreements with a bank (the Agreements). Under the Agreements, the School pledged substantially all of its real property and business assets, is required to meet certain financial covenants, and may not encumber its properties or incur additional debt beyond certain limits. The Bonds are collateralized by a Trust Indenture, dated June 1, 2007 (the Indenture), between Palm Beach County, Florida and Wells Fargo Bank, N.A., as Trustee.

In the event the School cannot make scheduled principal payments, repayment would be made by a draw on the School's irrevocable letter of credit. Any such draws on the letter of credit are immediately payable by the School to the issuer of the letter of credit.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 6 – Long-term Debt, Continued

Financial covenants

The School is required to maintain a letter of credit as collateral for the Bonds and meet certain minimum financial ratios. As of June 30, 2011, all financial covenants have been met.

Required future minimum payments

Principal due on long-term debt in years subsequent to June 30, 2011 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 1,195,000
2013	1,195,000
2014	1,315,000
2015	1,315,000
2016	1,340,000
Thereafter	<u>25,780,000</u>
	<u>\$ 32,140,000</u>

Interest rate swap agreement

The School is party to an interest rate swap agreement that effectively converts the Bonds from a variable rate obligation to a long-term fixed rate of 4.34%. The interest rate swap agreement at June 30, 2011 was for a notional amount aggregating \$32,140,000 which expires through 2028. The interest rate swap is accounted for as a cash flow hedge. The aggregate fair value of the cash flow hedge of \$(4,447,506) and \$(4,834,936), respectively, at June 30, 2011 and 2010, represents the estimated amount at which the swap agreement could be settled and is included in the accompanying consolidated statements of financial position as a cash flow hedge. The change in fair value of the cash flow hedge during the years ended June 30, 2011 and 2010 of \$387,430 and \$(1,458,738), respectively, is included in the accompanying consolidated statements of activities as an unrealized gain (loss) on cash flow hedge.

Note 7 – Description of Leasing Arrangements

The School leases, on a part-time basis, the use of the School's chapel facility located on the School's campus to The Chapel of Saint Andrew, Inc. (the Chapel) under a noncancelable operating lease expiring in 2041 with extensions through 2091.

Effective July 1, 2006, the School's lease with the Chapel was amended to allow use of one of the Chapel's facilities by the School. Under this amendment, no rental income will be received by the School for the Chapel's existing use of the School's facilities nor paid by the School for use of the Chapel's facility while the amendment remains in effect. The School has agreed to use the Chapel's facility for a minimum of five years.

No rental income in connection with this lease was collected during the years ended June 30, 2011 and 2010. The School has not paid the Chapel for the use of its facilities located on the School's campus for either year ended June 30, 2011 and 2010.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 7 – Description of Leasing Arrangements, Continued

The costs and related accumulated depreciation of the School's Chapel and improvements made thereto amounted to \$1,167,806, and \$298,705, respectively, as of June 30, 2011 and \$1,153,997, and \$248,270, respectively, as of June 30, 2010.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 are available to support the following purposes:

	2011	2010
Acquisition of property and equipment	\$ 432,971	\$ 50,114
Capital campaign	1,823,116	1,873,994
Instructional and athletic expenses	1,077,361	846,324
	\$ 3,333,448	\$ 2,770,432

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the years ended June 30, 2011 and 2010 for the following purposes:

	2011	2010
Purpose of restriction:		
Property and equipment acquisitions	\$ 379,896	\$ 65,810
Instruction	136,164	224,846
Student activities	30,736	17,245
Capital campaign expenses	129,480	231,161
Operation and maintenance	4,037	11,114
General and administrative	13,500	37,525
Financial aid	145,925	189,008
	\$ 839,738	\$ 776,709

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the following:

	2011	2010
Financial aid	\$ 4,577,925	\$ 4,271,434
Faculty compensation	4,504,010	4,523,569
Plant operations	8,333	8,333
School activities	1,965,107	1,942,240
	\$ 11,055,375	\$ 10,745,576

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment

The School considers its endowment to include certain assets designated by the Board of Trustees. The Endowment by net asset category and purpose at June 30, 2011 and 2010 is presented as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Endowment gifts and designations:					
Board designated endowment	\$ 1,053,034	\$ -	\$ -	\$ 1,053,034	\$ 1,053,034
Acquisition of property and equipment		432,971	-	432,971	50,114
Capital campaign	-	1,823,116	-	1,823,116	1,873,994
Instructional and athletic expenses	-	1,077,361	-	1,077,361	846,324
Financial aid	-	-	4,577,925	4,577,925	4,271,434
Faculty compensation	-	-	4,504,010	4,504,010	4,523,569
Plant operations and capital projects	631,691	-	8,333	640,024	758,333
School activities	-	-	1,965,107	1,965,107	1,942,240
Total endowment gifts and designations	1,684,725	3,333,448	11,055,375	16,073,548	15,319,042
Non-endowment net assets	6,541,647	-	-	6,541,647	4,183,213
Total net assets	<u>\$ 8,226,372</u>	<u>\$ 3,333,448</u>	<u>\$ 11,055,375</u>	<u>\$ 22,615,195</u>	<u>\$ 19,502,255</u>

The School's endowment is established for the purposes expressed in the School's charter. The School's endowment consists of 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 are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Trustees has interpreted the State of Florida Statute (1010.10) cited as the "Florida Uniform Management of Institutional Funds Act" (FUMIFA) as requiring the Board of Trustees to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUMIFA, the Board of Trustees may expend so much of an endowment fund as the Board of Trustees determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such funds with deficiencies as of June 30, 2011.

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment, Continued

Return objectives and risk parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grant programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

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 allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The School's policy is to appropriate for distribution each year. Accordingly, over the long-term, the School expects the current spending policy to allow its endowment to grow at an average of 7% annually. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

Changes in endowment net assets for the year ended June 30, 2011 are presented as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of July 1, 2010	\$ 1,803,034	\$ 2,770,432	\$ 10,745,576	\$ 15,319,042
Investment return:				
Investment income	-	588	-	588
Net appreciation (realized and unrealized)	-	7,853	-	7,853
Total investment return	-	8,441	-	8,441
Contributions	-	1,455,515	309,799	1,765,314
Release of restrictions	(118,309)	(839,738)	-	(958,047)
Write-off of long term promises to give	-	(61,202)	-	(61,202)
Balance as of June 30, 2011	<u>\$ 1,684,725</u>	<u>\$ 3,333,448</u>	<u>\$ 11,055,375</u>	<u>\$ 16,073,548</u>

**SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. AND
SAINT ANDREW'S SCHOOL ENDOWMENT FUND, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 11 – Retirement Plans

The School participates in the Teacher's Insurance and Annuity of America College Retirement Equities Fund (TIAA-CREF) (the Plan). The Plan includes all full-time employees who have completed one year of service with the School. Each participant may contribute to the Plan and the School matches their contributions based upon their compensation and completed years of service as specified by the Plan. School contributions to the Plan for the years ended June 30, 2011 and 2010 totaled \$739,565 and \$684,698, respectively.

Effective July 1, 2007, the School established a deferred compensation and retirement plan for its Headmaster. The School contributes the maximum allowable amount to the plan on an annual basis up to \$25,000. To the extent that \$25,000 exceeds the maximum allowable amount, the Headmaster is entitled to the excess as additional salary.

Note 12 – Supplemental Statement of Cash Flows Disclosure

Interest paid for the years ended June 30, 2011 and 2010 amounted to \$1,419,019 and \$1,463,269, respectively.

Note 13 – Subsequent Events

The School evaluated its activities subsequent to June 30, 2011 through October 20, 2011 for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

**Saint Andrew's School
Five Year Budget Projections
2013-2018**

	Year 1 2013-14	Year 2 2014-15	Year 3 2015-16	Year 4 2016-17	Year 5 2017-18
Enrollment	1,287	1,275	1,275	1,275	1,275
Tuition Income	33,081,125	34,114,240	35,581,152	37,111,142	38,706,921
Additional Revenue - Fees (Matriculation etc)	514,000	514,000	514,000	514,000	514,000
Additional Revenue - Technology + Book Fees	129,150	340,850	355,507	370,793	386,737
Tuition and Fees Income	33,724,275	34,969,090	36,450,659	37,995,935	39,607,658
Financial Aid	(2,553,000)	(2,742,503)	(2,860,431)	(2,983,429)	(3,111,717)
Tuition Remission	(1,391,453)	(1,679,000)	(1,751,197)	(1,826,498)	(1,905,038)
Tuition net of FA and TR	29,779,822	30,547,587	31,839,031	33,186,008	34,590,904
Operating Investment Income	50,000	51,500	53,045	54,636	56,275
Endowment Income	437,331	450,428	463,941	477,859	492,194
Annual Giving Income	1,355,000	1,155,000	1,155,000	1,105,000	1,105,000
Summer & Break Activities, net	416,560	458,216	481,127	505,183	530,442
All Other Income, net	119,602	125,582	131,861	138,454	145,377
Total Income	32,158,315	32,788,313	34,124,005	35,467,140	36,920,193
Salaries	15,769,651	15,786,170	16,202,215	16,704,773	17,312,864
Benefits	4,015,163	4,216,326	4,427,142	4,648,499	4,880,924
Instructional and Student Support	1,246,800	1,309,140	1,374,597	1,443,327	1,515,493
Food Service	1,668,278	1,718,326	1,769,876	1,822,972	1,877,662
Energy Costs	714,000	735,420	757,483	795,357	835,125
Facility expenses (Non-Capital)	1,374,631	1,415,870	1,458,346	1,531,263	1,607,826
Technology expenses (Non-Capital)	235,300	410,000	430,500	452,025	474,626
Debt Service (Principal + Interest)	2,968,371	2,893,180	2,818,895	3,030,087	2,937,742
Property & General Liability Insurance	995,425	951,635	1,046,799	1,151,478	1,266,626
Capital Expense - Operations/Facilities	735,000	830,550	913,605	1,004,966	1,105,462
Capital Expense - Technology	638,824	860,000	1,176,400	1,081,200	1,158,800
Reserve Allocation	-	-	-	-	-
All Other Expenses	1,457,877	1,501,613	1,546,662	1,593,062	1,640,853
Total Expenses	31,819,320	32,628,230	33,922,520	35,259,008	36,614,004
Net Income (Deficit)	338,995	160,083	201,485	208,132	306,189



**PALM BEACH COUNTY, FLORIDA
REVENUE REFUNDING BONDS
(SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. PROJECT
SERIES 2014**

DISTRIBUTION LIST

BORROWER

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<u>Geog/Yr</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
PBC	503,539	506,791	520,129	546,506	562,371	559,798	495,731	495,731	487,755	494,032	505,758	513,116
Florida	7,161,572	7,239,252	7,467,090	7,744,343	7,951,907	7,941,993	7,661,162	7,176,801	7,110,171	7,195,953	7,536,611	7,340,442
USA	130,340,000	129,996,000	131,419,000	133,740,000	136,130,000	137,640,000	136,850,000	130,860,000	129,910,000	131,500,000	133,740,000	136,030,000

* 3rd Quarter 2013

Non-Farm Employment statistics for Palm Beach County, State of Florida and the Nation as a whole (2002-2012 average annual) and 3rd quarter statistics for 2013 (year end unavailable at this time)



INTEROFFICE MEMORANDUM

TO: Paul King
Assistant County Attorney

FROM: Sherry Howard *SH*
Deputy Director, Department of Economic Sustainability

DATE: June 17, 2014

RE: Industrial Development Bond Application
St. Andrews School of Boca Raton, Inc.

Department of Economic
Sustainability

Business & Housing
Investments

100 Australian Avenue - Suite
#500

West Palm Beach, FL 33406

(561) 233-3660

FAX: (561) 656-7553

www.pbcgov.com/pubinf/hcd

**Palm Beach County
Board of County
Commissioners**

Priscilla A. Taylor, Mayor

Paulette Burdick, Vice Mayor

Hal R. Valeche

Shelley Vana

Steven L. Abrams

Mary Lou Berger

Jess F. Santamaria

County Administrator

Robert Weisman

Equal Housing
Opportunity

"An Equal Opportunity
Affirmative Action Employer"

The Palm Beach County Department of Economic Sustainability (DES) has reviewed the Industrial Development Bond Application (specifically for a 501(c) (3) bond) submitted by St. Andrews School of Boca Raton, Inc, ("The Borrower"). The bond proceeds are to be used for re-financing the County's Variable Rate Demand Revenue Refunding Bonds (Saint Andrew's School of Boca Raton, Inc. Project), Series 2007 (the "2007 Bonds").

The Application requests that Palm Beach County issue \$36,000,000 in Industrial Development Bonds (IDB). The proceeds from the bond sales will be used to pay and potentially the termination of the ISDA Master Agreement, dated June 27, 2007, between the Borrower and Bank of America, N.A. Costs of issuance may also be included. The outstanding amount of the 2007 Bonds is \$28,435,000.

Economic Analysis

The Application states that when the project is completed, The Borrower will employ a minimum of 265 employees. DES conducted a Regional Economic Models Inc. (REMI) analysis showing the following economic impact for the project, which reflects direct and indirect jobs as well as GDP, representing both compensation and capital investment.

REMI results indicate there is a positive economic impact of \$54.5 M over five years and will result in the employment of 317 full-time equivalents (combined direct and indirect employees). There is no impact on taxes as the Applicant qualifies as a non-profit organization.

Financial Overview

- The Borrower was founded in 1961 and had its first operating year in 1962. The school operates on an 81 acre campus with co-educational enrollment exceeding 1,200 students in grades pre-K thru 12th grade.

ATTACHMENT 2

Summary of Financial Statement for the Period Ended June 30, 2013

- The consolidated financial statements are prepared on the accrual basis of accounting and are deemed sufficient by the audit firm, Templeton & Company, who state that audit evidence obtained is sufficient and appropriate to provide a basis for their audit opinion. Per the audit opinion offered, the financial statements fairly present the financial position of St. Andrews School of Boca Raton, Inc.
- For the period ending June 30, 2013, the Academy had a decrease in net assets of approximately \$2M. The change is primarily attributable to a decrease in, "Unconditional Promises to Give" and increases in "Accumulated Depreciation" and a reduction in "Construction in Progress" under "Property & Equipment. Notwithstanding, the Total Assets for the Borrower exceed \$74M.
- The Academy has \$28.9M in unrestricted revenues to meet operating expenses and other creditor obligations as needed.
- St. Andrews School Endowment Fund, Inc. is a separate corporate entity established to hold and invest contributions which are restricted by donors. All income earned is available for transfer annually to St. Andrew's School of Boca Raton, Inc. for use in accordance with specified restrictions.

Contributions of Project to Palm Beach County

St Andrews School of Boca Raton, Inc. is a co-educational college preparatory high school in the Episcopal tradition with the mission of providing excellence in education and to nurture the mind, body and spirit of each student. Of the schools' nearly 1275 students approximately 100 are boarding students, representing 25 different countries and several states. The school actively engages in community services and formalized its community engagement programs in 1982.

Recommendation

Based on the review of the initial Application, financial statements, the financial strength and retained/created jobs, and the County's limited obligation, the Department of Economic Sustainability supports St. Andrews School of Boca Raton, Inc.'s application.

cc: Shannon LaRocque-Baas, P.E.
Assistant County Administrator

**PUBLIC NOTICE
BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA**

Public notice is hereby given that the Board of County Commissioners of Palm Beach County, Florida (the "County"), will hold a public hearing in the Jane Thompson Memorial Chambers, 6th Floor of the Palm Beach County Governmental Center, 301 North Olive Avenue, West Palm Beach, Florida 33401, during a meeting commencing at 9:30 a.m. on July 22, 2014, or as soon thereafter as possible, on the proposed issuance by the County of its revenue bonds (the "Bonds"), in a principal amount not to exceed \$36,000,000, for the purpose of providing a loan to Saint Andrew's School of Boca Raton, Inc. (the "Company"). Bond proceeds will be used to (i) refund the County's Variable Rate Demand Revenue Refunding Bonds (Saint Andrew's School of Boca Raton, Inc. Project) Series 2007 (the "Series 2007 Bonds"), (ii) potentially pay a portion of the cost of terminating an interest rate swap associated with the Series 2007 Bonds and (iii) pay the costs of issuance of the Bonds. The facilities to be financed and refinanced with Bond proceeds are located at 3900 Jog Road, Boca Raton, Florida and consist of private school facilities. All facilities financed and refinanced with the Bonds will be owned and operated by the Company. The Bonds will be payable solely from revenues derived from the Company. Neither the taxing power nor the faith and credit of the County, nor any County funds, shall be pledged to pay the principal, premium, if any, or interest on the Bonds. All interested persons are invited to attend the public hearing, which will be the only public hearing held concerning the issuance of the Bonds. Any such interested parties may at their option submit written comments to the County Administrator, 11th Floor, 301 North Olive Avenue, West Palm Beach, Florida 33401, prior to the hearing. Written comments should be received by the County on or before 5:00 p.m. July 21, 2014. Any person desiring to present oral comments should appear at the hearing. If a person decides to appeal any decision made by the Commission with respect to any matter considered at this meeting or hearing, he or she will need to have a record of the proceedings and for such purpose, he or she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

ATTACHMENT 3

RESOLUTION NO. R2014- _____

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, AUTHORIZING THE ISSUANCE OF THE COUNTY'S INDUSTRIAL DEVELOPMENT REVENUE BONDS (SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. PROJECT), SERIES 2014 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$36,000,000 FOR THE PURPOSE OF PROVIDING FUNDS TO MAKE A LOAN TO SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. (THE "BORROWER") TO PROVIDE FUNDS TO REFINANCE THE COUNTY'S VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (SAINT ANDREW'S SCHOOL OF BOCA RATON, INC. PROJECT) SERIES 2007, POTENTIALLY PAY THE COST OF TERMINATION OF AN INTEREST RATE SWAP RELATED TO THE SERIES 2007 BONDS AND PAY THE COSTS OF ISSUING THE BONDS; AUTHORIZING THE EXECUTION OF A FINANCING AGREEMENT; AWARDED THE SALE OF THE BONDS BY A NEGOTIATED SALE; AUTHORIZING OFFICIALS OF THE COUNTY TO TAKE CERTAIN ACTION IN CONNECTION WITH THE ISSUANCE OF THE BONDS; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF THE BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Saint Andrew's School of Boca Raton, Inc. (the "Borrower") has requested Palm Beach County, Florida (the "County") to assist the Borrower by the issuance by the County of its Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project) in a principal amount of not exceeding \$36,000,000 (the "Bonds") and the loan (the "Loan") of the proceeds of the Bonds to the Borrower to provide funds to refinance the County's Variable Rate Demand Industrial Development Revenue Bonds (Saint Andrew's School Of Boca Raton, Inc. Project) Series 2007, potentially pay the cost of termination of an interest rate swap related to the Series 2007 Bonds and pay the costs of issuing the Bonds (collectively, the "Project"); and

WHEREAS, the facilities of the Borrower to be financed and re-financed with proceeds of the Bonds are located at 3900 Jog Road, Boca Raton, Florida; and

WHEREAS, BankUnited, N.A. or its affiliate Bridge Capital Leasing, Inc. (jointly and severally, together with their respective successors and assigns as registered owners of the Bonds, the "Lender") is expected to purchase the Bonds; and

WHEREAS, it is necessary and desirable to authorize the execution of a Financing Agreement (the "Agreement"), among the County, the Borrower and the Lender, and to specify the terms of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA THAT:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This resolution, hereinafter called the "Resolution," is adopted pursuant to Part II, Chapter 159, Florida Statutes and other applicable provisions of law.

SECTION 2. FINDINGS. Upon consideration of the documents described herein and the information presented to the County at or prior to the date hereof, it is hereby ascertained, determined and declared as follows:

- A.** The Project will serve a public purpose by advancing the economic prosperity and the general welfare of Palm Beach County, Florida (the "County"), the State, and the people thereof. As of the date hereof, the Borrower has represented and shown that it is financially responsible and fully capable of and willing to fulfill any obligations which it may incur in connection with the Bonds as contemplated by this Resolution. Local government will be able to cope satisfactorily with the impact of the facilities included in the Project and will be able to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that will be necessary for the construction, operation, repair and maintenance of such facilities and on account of any increases in population or other circumstances resulting therefrom.
- B.** The Agreement will make provision for the operation, repair and maintenance of the financed facilities at the expense of the Borrower and for the payment of the principal and interest on the Bonds and all other costs incurred by the County in connection with the Bonds and such facilities.
- C.** The County has been advised that due to the desire to coordinate the sale of the Bonds and due to the limited market for tax-exempt obligations such as the Bonds, it is in the best interest of the Borrower to sell the Bonds by negotiated sale, and the County, wishing to obtain the best interest rate on the Bonds for the benefit of the Borrower, has determined to sell the Bonds by negotiated sale to the Lender, permitting the County to enter such market at the most advantageous time, rather than at a specified advertised date, and accordingly it is in the best interest of the County that a negotiated sale of the Bonds be authorized.

D. The County conducted a public hearing concerning the issuance of the Bonds at the Board of County Commissioners meeting held on July 22, 2014. The issuance of the Bonds is hereby approved for purposes of Section 147(f) of the Internal Revenue Code.

SECTION 3. AUTHORIZATION OF BONDS. For the purpose of making the Loan to the Borrower, there are hereby authorized to be issued under this Resolution the Bonds in the aggregate principal amount of not to exceed \$36,000,000 and to be designated "Palm Beach County, Florida Industrial Development Revenue Bonds (Saint Andrew's School of Boca Raton, Inc. Project) (the "Bonds"). The Bonds shall be issued as fully registered Bonds, shall be dated as of the date of issuance, shall mature, shall bear interest at a rate not in excess of the maximum lawful rate, shall mature not later than thirty-one years after issuance and shall have such other terms and conditions, and shall be in such form of as may be approved by the Mayor, Vice-Mayor or any other member of the Board of County Commissioners of the County (the "Authorized Signatory"), such approval to be conclusively presumed by the execution thereof by the Authorized Signatory. The Bonds shall be issued on such date as shall be mutually agreed upon by the Lender, the Borrower and the Authorized Signatory. The County hereby authorizes and directs the Authorized Signatory to execute the Bonds and to deliver the same to the Lender, upon payment of the purchase price thereof, all as further provided in the Agreement.

SECTION 4. LIMITED OBLIGATION. The Bonds will not be a general obligation of the County but will be limited obligations payable solely from the loan payments received from or on behalf of the Borrower. The Bonds shall not be an obligation of the State of Florida or of any political subdivision thereof, other than the County (limited as aforesaid), and any and all payments of any nature thereunder shall be payable only from amounts provided for such purpose under the bond documents and not from other funds of the County.

SECTION 5. LIMITED LIABILITY OF ISSUER. Anything in this Resolution or the Agreement or Bonds to the contrary notwithstanding, the performance by the County of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the County for all warranties and other covenants hereunder, shall be limited solely to the loan payments made by the Borrower and other revenues and receipts derived from the Borrower under the Agreement, and the County shall not be required to effectuate any of its duties, obligations, powers or covenants hereunder except to the extent of such loan payments and other revenues and receipts.

SECTION 6. NO PERSONAL LIABILITY. No recourse under or upon any obligation, covenant or agreement contained in this Resolution, the Agreement, the Bonds, any other bond document or under any judgment, or by the enforcement of any assessment or by legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Resolution, shall be had against any member, agent, employee or officer, as such, past, present or future, of the County, either directly or through the County, or otherwise, for the payment for or to the County or any receiver thereof, or for or to the holder of the Bonds or otherwise of any sum that may be due and unpaid by the County upon the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any member or officer, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the County or any receiver thereof, or for or to the holder of the Bonds or otherwise, of any sum that may remain due and unpaid upon the Bonds is hereby expressly waived and released as a condition of and in consideration for the execution of this Resolution and the issuance of the Bonds.

SECTION 7. BONDS NOT A DEBT OF STATE OR ISSUER. None of the State of Florida, the County or any political subdivision thereof shall in any event be liable for the payment of the principal of or interest on the Bonds, except that the County has provided for payment from the special and limited sources as provided herein. The Bonds issued hereunder shall never constitute an indebtedness of the State of Florida or of any political subdivision of the State of Florida or of the County within the meaning of any state constitutional provisions or statutory limitation and shall never constitute or give rise to the pecuniary liability of the State of Florida or any political subdivision thereof, or of the County or a charge against their general credit. The holder of the Bonds shall not have the right to compel any exercise of the ad valorem taxing power of the State of Florida or of any political subdivision of said State to pay the Bonds or the interest thereon.

SECTION 8. LAWS GOVERNING. This Resolution shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Florida.

SECTION 9. THE BOND DOCUMENTS. As used herein, the term "Bond Documents" means any and all documents necessary or desirable to complete the transaction described herein, including but not limited to (i) the Agreement and (ii) the Bonds, all in such form and content as may be approved by the Authorized Signatory, such approval to be conclusively presumed by the

execution of such documents by the Authorized Signatory. The County hereby authorizes and directs the Authorized Signatory to execute the Bond Documents. It is not necessary for the seal of the County to be impressed upon any Bond Document. Notwithstanding any other provision hereof, no Bond Document shall be issued unless and until the same shall have been approved as to form and legal sufficiency on behalf of the County by the Office of the County Attorney.

SECTION 10. NEGOTIATED SALE OF BONDS. A negotiated sale of the Bonds to the Lender is hereby authorized. Prior to the execution of the Agreement the Lender shall file with the County the disclosure and truth-in-bonding statements required by Section 218.385, Florida Statutes, and competitive bidding for the Bonds is hereby waived.

SECTION 11. NO THIRD PARTY BENEFICIARIES. Except as herein or in the documents herein mentioned otherwise expressly provided, nothing in this Resolution or in such documents, express or implied, is intended or shall be construed to confer upon any person other than the County, the Lender and the Borrower any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof or of such documents; this Resolution and such documents being intended to be and being for the sole and exclusive benefit of such parties.

SECTION 12. GENERAL AUTHORIZATION. The Authorized Signatory and the other officers and employees of the County are hereby authorized to do all acts and things required of them by this Resolution and the other Bond Documents or desirable or consistent with the requirements hereof or thereof, for the full punctual and complete performance of all terms, covenants and agreements contained in the Bonds, this Resolution and the Agreement.

SECTION 13. EFFECTIVE DATE. This Resolution shall take effect immediately upon its passage and adoption.

SECTION 16. LIMITED APPROVAL. The approval given herein shall not be construed as (i) an endorsement of the creditworthiness of the Borrower or the financial viability of the Project, (ii) a recommendation to any prospective purchaser of the Bonds, (iii) an evaluation of the likelihood of the repayment of the debt service on the Bonds, or (iv) any necessary governmental approval relating to the Project, and the County shall not be construed by reason of its adoption of this resolution to have made any such endorsement, finding or recommendation or to have waived any of the County's rights or estopping the County from asserting any rights or responsibilities it may have in that regard.

The foregoing Resolution was offered by Commissioner _____, who moved its adoption. The motion was seconded by Commissioner _____, and being put to a vote, the vote was as follows:

Commissioner Priscilla A. Taylor, Mayor	- _____
Commissioner Paulette Burdick, Vice Mayor	- _____
Commissioner Hal R. Valeche	- _____
Commissioner Shelley Vana	- _____
Commissioner Steven L. Abrams	- _____
Commissioner Mary Lou Berger	- _____
Commissioner Jess R. Santamaria	- _____

The Mayor thereupon declared the Resolution duly passed and adopted this _____ day of _____, 20____.

**PALM BEACH COUNTY, FLORIDA, BY ITS
BOARD OF COUNTY COMMISSIONERS**

**APPROVED AS TO FORM AND
LEGAL SUFFICIENCY**

**ATTEST: SHARON R. BOCK
CLERK & COMPTROLLER**

By: _____
Paul F. King,
Senior Assistant County Attorney

By: _____
Deputy Clerk