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Form **990**

# Return of Organization Exempt From Income Tax

Department of the Treasury  
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

**2008**  
Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements

**A** For the 2008 calendar year, or tax year beginning **9/01/08** and ending **8/31/09**

- B Check if applicable
- Address change
- Name change
- Initial return
- Termination
- Amended return
- Application pending

Please use IRS label or print or type. See Specific Instructions.

**C** Name of organization  
**THE WINCHENDON SCHOOL, INC.**

**D** Employer identification number  
**05-0270487**

Doing Business As  
Number and street (or P O box if mail is not delivered to street address) Room/suite  
**172 ASH STREET**

**E** Telephone number  
**978-297-1223**

City or town, state or country, and ZIP + 4  
**WINCHENDON MA 01475**

**G** Gross receipts \$ **9,705,062**

**F** Name and address of principal officer  
**JOHN KERNEY**  
**SAME AS "C" ABOVE**

**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** Are all affiliates included?  Yes  No  
If "No," attach a list (see instructions)

**I** Tax-exempt status  501(c) ( **3** ) (insert no)  4947(a)(1) or  527

**J** Website: **www.winchendon.org**

**H(c)** Group exemption number

**K** Type of organization  Corporation  Trust  Association  Other **L** Year of formation **M** State of legal domicile

## Part I Summary

Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities <b>TO PROVIDE EDUCATIONAL SERVICES IN PREPARING YOUNG MEN AND WOMEN FOR HIGHER EDUCATION.</b>		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	<b>14</b>
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	<b>14</b>
	<b>5</b> Total number of employees (Part V, line 2a)	<b>5</b>	
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	<b>0</b>
	<b>7a</b> Total gross unrelated business revenue from Part VIII, line 12, column (C)	<b>7a</b>	<b>623,410</b>
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	<b>-692,482</b>	
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	<b>9</b> Program service revenue (Part VIII, line 2g)	<b>82,293</b>	<b>59,089</b>
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<b>9,819,956</b>	<b>10,391,156</b>
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	<b>175,691</b>	<b>-1,247,915</b>
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<b>10,595,089</b>	<b>9,700,786</b>
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)		
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	<b>3,569,869</b>	<b>4,432,033</b>
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)		
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <b>63,453</b>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	<b>6,684,392</b>	<b>6,772,175</b>
	<b>18</b> Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	<b>10,254,261</b>	<b>11,204,208</b>
<b>19</b> Revenue less expenses Subtract line 18 from line 12	<b>340,828</b>	<b>-1,503,422</b>	
Net Assets or Fund Balances	<b>20</b> Total assets (Part X, line 16)	Beginning of Year	End of Year
	<b>21</b> Total liabilities (Part X, line 26)	<b>40,590,113</b>	<b>38,515,284</b>
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	<b>9,065,728</b>	<b>8,494,321</b>
		<b>31,524,385</b>	<b>30,020,963</b>

SCANNED APR 09 2010

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## Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature of officer: *John A Kerney* Date: *March 8, 2010*  
Type or print name and title: *John A Kerney Headmaster*

**Paid Preparer's Use Only**  
Preparer's signature: *[Signature]* Date: **2/20/10** Check if self-employed:   
Preparer's identifying number (see instructions): **P00440606**  
Firm's name (or yours if self-employed), address, and ZIP + 4: **Jaffe, Yaffe & Feingold, P.C.**  
**76 Mill Street**  
**Worcester, MA 01603-2026**  
EIN: **04-2775374**  
Phone no: **508-798-3721**

May the IRS discuss this return with the preparer shown above? (see instructions)  Yes  No

616 52

**Part III Statement of Program Service Accomplishments (see instructions)**

1 Briefly describe the organization's mission

**TO PROVIDE EDUCATIONAL SERVICES IN PREPARING YOUNG MEN AND WOMEN FOR HIGHER EDUCATION.**

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code ) (Expenses \$ **8,354,349** including grants of \$ ) (Revenue \$ **10,391,156** )  
**TO PROVIDE EDUCATIONAL SERVICES IN PREPARING YOUNG MEN AND WOMEN FOR HIGHER EDUCATION**

4b (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d Other program services (Describe in Schedule O )

(Expenses \$ including grants of \$ ) (Revenue \$ )

4e Total program service expenses ► \$ **8,354,349** (Must equal Part IX, Line 25, column (B) )

**Part IV Checklist of Required Schedules**

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors?		X
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		X
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities? If "Yes," complete Schedule C, Part II		X
5 <b>Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.</b> Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If "Yes," complete Schedule C, Part III		
6 Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		X
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV		X
10 Did the organization hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V	X	
11 Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable	X	
12 Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? If "Yes," complete Schedule D, Parts XI, XII, and XIII	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	X	
14a Did the organization maintain an office, employees, or agents outside of the U S ?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the U S ? If "Yes," complete Schedule F, Part I		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Part II		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Part III		X
17 Did the organization report more than \$15,000 on Part IX, column (A), line 11e? If "Yes," complete Schedule G, Part I		X
18 Did the organization report more than \$15,000 total on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		X
19 Did the organization report more than \$15,000 on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		X
20 Did the organization operate one or more hospitals? If "Yes," complete Schedule H		X
21 Did the organization report more than \$5,000 on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? If "Yes," complete Schedule J	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer questions 24b-24d and complete Schedule K If "No," go to question 25.		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? If "Yes," complete Schedule L, Part I		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? If "Yes," complete Schedule L, Part III		X

**Part IV Checklist of Required Schedules (continued)**

		Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee		
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? If "Yes," complete Schedule L, Part IV		<b>X</b>
b	Have a family member who had a direct or indirect business relationship with the organization? If "Yes," complete Schedule L, Part IV		<b>X</b>
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? If "Yes," complete Schedule L, Part IV		<b>X</b>
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		<b>X</b>
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		<b>X</b>
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		<b>X</b>
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		<b>X</b>
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		<b>X</b>
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1		<b>X</b>
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		<b>X</b>
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		<b>X</b>
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		<b>X</b>

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable		
	<b>1a</b>	<b>28</b>	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
	<b>1b</b>	<b>0</b>	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>X</b>	
	<b>1c</b>		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	<b>2a</b>	<b>145</b>	
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return. (see instructions)	<b>X</b>	
	<b>2b</b>		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	<b>X</b>	
	<b>3a</b>		
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	<b>X</b>	
	<b>3b</b>		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		<b>X</b>
	<b>4a</b>		
4b	If "Yes," enter the name of the foreign country: <b>▶</b> See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
	<b>4b</b>		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		<b>X</b>
	<b>5a</b>		
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		<b>X</b>
	<b>5b</b>		
5c	If "Yes," to question 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?		
	<b>5c</b>		
6a	Did the organization solicit any contributions that were not tax deductible?		<b>X</b>
	<b>6a</b>		
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	<b>6b</b>		
<b>7 Organizations that may receive deductible contributions under section 170(c).</b>			
7a	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than \$75?		<b>X</b>
	<b>7a</b>		
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
	<b>7b</b>		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		<b>X</b>
	<b>7c</b>		
7d	If "Yes," indicate the number of Forms 8282 filed during the year		
	<b>7d</b>		
7e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		<b>X</b>
	<b>7e</b>		
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		<b>X</b>
	<b>7f</b>		
7g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		<b>X</b>
	<b>7g</b>		
7h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		<b>X</b>
	<b>7h</b>		
8	<b>Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		<b>X</b>
	<b>8</b>		
9a	<b>Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.</b> Did the organization make any taxable distributions under section 4966?		<b>X</b>
	<b>9a</b>		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		<b>X</b>
	<b>9b</b>		
<b>10 Section 501(c)(7) organizations.</b> Enter:			
10a	Initiation fees and capital contributions included on Part VIII, line 12		
	<b>10a</b>		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
	<b>10b</b>		
<b>11 Section 501(c)(12) organizations.</b> Enter:			
11a	Gross income from members or shareholders		
	<b>11a</b>		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	<b>11b</b>		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
	<b>12a</b>		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
	<b>12b</b>		



**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

1a Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

- List all of the organization's current officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and current key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List the organization's five current highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's former officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's former directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if the organization did not compensate any officer, director, trustee, or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN KERNEY HEADMASTER	60			X			165,000	0	28,326	
CHARLES BLAIR DIR EXT AFRS	50						112,755	0	16,747	
ELLIOT HARVEY DEAN OF ST'D	60						105,986	0	23,607	
JACQUES DELORME DIR OF OP	50						94,500	0	16,914	
PAMELA BLAIR ACADMC DEAN	60						90,400	0	14,620	



**Part VIII Statement of Revenue**

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns	<b>1a</b>					
	<b>b</b> Membership dues	<b>1b</b>					
	<b>c</b> Fundraising events	<b>1c</b>					
	<b>d</b> Related organizations	<b>1d</b>					
	<b>e</b> Government grants (contributions)	<b>1e</b>					
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	<b>59,089</b>				
	<b>g</b> Noncash contributions included in lines 1a-1f \$						
	<b>h Total. Add lines 1a-1f</b>			<b>59,089</b>			
<b>Program Service Revenue</b>		<b>Busn. Code</b>					
	<b>2a</b> TUITION AND FEES		<b>10,266,202</b>	<b>10,266,202</b>			
	<b>b</b> GOLF COURSE MEMBERSHIP	<b>713910</b>	<b>124,954</b>		<b>124,954</b>		
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b> All other program service revenue						
<b>g Total. Add lines 2a-2f</b>			<b>10,391,156</b>				
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts)		<b>-1,243,639</b>	<b>-1,243,639</b>			
	<b>4</b> Income from investment of tax-exempt bond proceeds						
	<b>5</b> Royalties						
	<b>6a</b> Gross Rents	(i) Real	(ii) Personal				
		<b>b</b> Less rental exps					
		<b>c</b> Rental inc or (loss)					
	<b>d</b> Net rental income or (loss)						
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		<b>b</b> Less cost or other basis & sales exps		<b>4,276</b>			
		<b>c</b> Gain or (loss)		<b>-4,276</b>			
		<b>d</b> Net gain or (loss)		<b>-4,276</b>	<b>-4,276</b>		
	<b>8a</b> Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	<b>a</b>					
		<b>b</b> Less direct expenses	<b>b</b>				
		<b>c</b> Net income or (loss) from fundraising events					
	<b>9a</b> Gross income from gaming activities See Part IV, line 19	<b>a</b>					
<b>b</b> Less direct expenses		<b>b</b>					
<b>c</b> Net income or (loss) from gaming activities							
<b>10a</b> Gross sales of inventory, less returns and allowances	<b>a</b>						
	<b>b</b> Less cost of goods sold	<b>b</b>					
	<b>c</b> Net income or (loss) from sales of inventory						
<b>Miscellaneous Revenue</b>		<b>Busn. Code</b>					
<b>11a</b> GREENS FEES		<b>713910</b>	<b>231,068</b>		<b>231,068</b>		
<b>b</b> ICE RINK RENTAL		<b>713940</b>	<b>116,418</b>		<b>116,418</b>		
<b>c</b> SPECIAL FUNCTIONS		<b>713910</b>	<b>99,290</b>		<b>99,290</b>		
<b>d</b> All other revenue			<b>51,680</b>		<b>51,680</b>		
<b>e Total. Add lines 11a-11d</b>			<b>498,456</b>				
<b>12 Total Revenue. Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e</b>			<b>9,700,786</b>	<b>9,018,287</b>	<b>623,410</b>	<b>0</b>	

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.  
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	3,501,587	2,588,956	911,837	794
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	165,417		165,417	
9 Other employee benefits	459,242		459,242	
10 Payroll taxes	305,787		305,787	
11 Fees for services (non-employees)				
a Management				
b Legal	30,000		30,000	
c Accounting	77,379		77,379	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	94,928		94,928	
g Other	16,515		16,515	
12 Advertising and promotion	10,066		10,066	
13 Office expenses	55,161		55,161	
14 Information technology	75,005		75,005	
15 Royalties				
16 Occupancy	38,400		38,400	
17 Travel	39,031		23,578	15,453
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	45,101		45,101	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	871,899	871,899		
23 Insurance	130,311	130,311		
24 Other expenses Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below)				
a <b>SEE ATTACHED SCHEDULE</b>	5,241,173	4,763,183	477,990	
b <b>COMMUNICATIONS</b>	39,277			39,277
c <b>MISCELLANEOUS</b>	6,753			6,753
d <b>FOOD &amp; ENTERTAINMENT</b>	1,176			1,176
e				
f All other expenses				
25 <b>Total functional expenses.</b> Add lines 1 through 24f	<b>11,204,208</b>	<b>8,354,349</b>	<b>2,786,406</b>	<b>63,453</b>
26 <b>Joint Costs.</b> Check here <input type="checkbox"/> if following SOP 98-2 Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		(A) Beginning of year		(B) End of year
<b>Assets</b>	1 Cash—non-interest bearing		1	
	2 Savings and temporary cash investments	3,418,440	2	2,551,085
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	89,152	4	81,412
	5 Receivables from current and former officers, directors, trustees, key employees, or other related parties Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	37,623	8	26,927
	9 Prepaid expenses and deferred charges	20,099	9	99,222
	10a Land, buildings, and equipment cost basis	10a 23,123,773		
	b Less accumulated depreciation Complete Part VI of Schedule D	10b 6,482,736		
		16,550,741	10c	16,641,037
	11 Investments—publicly traded securities	20,474,058	11	19,115,601
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	
15 Other assets See Part IV, line 11		15		
16 <b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	40,590,113	16	38,515,284	
<b>Liabilities</b>	17 Accounts payable and accrued expenses	592,084	17	485,204
	18 Grants payable		18	
	19 Deferred revenue	5,859,869	19	5,395,342
	20 Tax-exempt bond liabilities		20	
	21 Escrow account liability Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable		24	
	25 Other liabilities Complete Part X of Schedule D	2,613,775	25	2,613,775
	26 <b>Total liabilities.</b> Add lines 17 through 25	9,065,728	26	8,494,321
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	27 Unrestricted net assets	31,272,216	27	29,767,794
	28 Temporarily restricted net assets	2,179	28	3,179
	29 Permanently restricted net assets	249,990	29	249,990
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 <b>Total net assets or fund balances</b>	31,524,385	33	30,020,963	
34 <b>Total liabilities and net assets/fund balances</b>	40,590,113	34	38,515,284	

**Part XI Financial Statements and Reporting**

	Yes	No
1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other		
2a Were the organization's financial statements compiled or reviewed by an independent accountant?		X
b Were the organization's financial statements audited by an independent accountant?	X	
c If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	X	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
b If "Yes," did the organization undergo the required audit or audits?		

**SCHEDULE A**  
(Form 990 or 990-EZ)

**Public Charity Status and Public Support**

OMB No 1545-0047

**2008**

Open to Public  
inspection

To be completed by all section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury  
Internal Revenue Service

Name of the organization

**THE WINCHENDON SCHOOL, INC.**

Employer identification number  
**05-0270487**

**Part I Reason for Public Charity Status (All organizations must complete this part.) (see instructions)**

The organization is not a private foundation because it is (Please check only one organization )

- 1  A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
- 2  A school described in section 170(b)(1)(A)(ii). (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii). (Attach Schedule H )
- 4  A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II )
- 8  A community trust described in section 170(b)(1)(A)(vi). (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3 % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See section 509(a)(4). (see instructions)
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h
  - a  Type I
  - b  Type II
  - c  Type III—Functionally Integrated
  - d  Type III—Other
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

- (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
- (ii) A family member of a person described in (i) above?
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

h Provide the following information about the organizations the organization supports

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U.S.?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
<b>Total</b>									

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**  
(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1-3						
<b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
<b>6 Public support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc (see instructions)					12	
<b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f))	14	%
<b>15</b> Public support percentage from 2007 Schedule A, Part IV-A, line 26f	15	%
<b>16a 33 1/3 % support test—2008.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3 % or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3 % support test—2007.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3 % or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2008.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2007.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>		

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**  
 (Complete only if you checked the box on line 9 of Part I.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 <b>Total.</b> Add lines 1-5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the total of lines 9, 10c, 11, and 12 for the year or \$5,000						
c Add lines 7a and 7b						
8 <b>Public support</b> (Subtract line 7c from line 6)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 <b>Total support.</b> (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here

**Section C. Computation of Public Support Percentage**

15 Public support percentage for 2008 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2007 Schedule A, Part IV-A, line 27g	16	%

**Section D. Computation of Investment Income Percentage**

17 Investment income percentage for 2008 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2007 Schedule A, Part IV-A, line 27h	18	%

19a **33 1/3 % support tests—2008.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3 %, and line 17 is not more than 33 1/3 %, check this box and stop here. The organization qualifies as a publicly supported organization

b **33 1/3 % support tests—2007.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3 %, and line 18 is not more than 33 1/3 %, check this box and stop here. The organization qualifies as a publicly supported organization

20 **Private foundation.** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

**Part IV** **Supplemental Information:** Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Provide any other additional information. (see instructions)

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization

THE WINCHENDON SCHOOL, INC.

Employer identification number

05-0270487

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate contributions to (during year), 3 Aggregate grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors... Yes/No, 6 Did the organization inform all grantees... Yes/No.

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

Table with 2 columns: Description, Held at the End of the Year. Rows include: 1 Purpose(s) of conservation easements, 2 Complete lines 2a-2d if the organization held a qualified conservation contribution, 3 Number of conservation easements modified, 4 Number of states where property subject to conservation easement is located, 5 Does the organization have a written policy..., 6 Staff or volunteer hours..., 7 Amount of expenses..., 8 Does each conservation easement..., 9 In Part XIV, describe how the organization reports...

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

Table with 2 columns: Description, Amount. Rows include: 1a If the organization elected, as permitted under SFAS 116, not to report..., 1b If the organization elected, as permitted under SFAS 116, to report..., 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain...

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)**

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a  Public exhibition
- b  Scholarly research
- c  Preservation for future generations
- d  Loan or exchange programs
- e  Other \_\_\_\_\_

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  Yes  No

**Part IV Trust, Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.**

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  Yes  No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21?  Yes  No

b If "Yes," explain the arrangement in Part XIV

**Part V Endowment Funds. Complete if organization answered "Yes" to Form 990, Part IV, line 10.**

	(a) Current year	(b) Pnor year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	249,990				
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	249,990				

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ \_\_\_\_\_ %
- b Permanent endowment ▶ 100.00 %
- c Term endowment ▶ \_\_\_\_\_ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		X
3a(ii)		X
3b		

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIV the intended uses of the organization's endowment funds

**Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.**

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land		1,207,512		1,207,512
b Buildings		20,851,481	6,023,486	14,827,995
c Leasehold improvements				
d Equipment		694,880	191,364	503,516
e Other		369,900	267,886	102,014
<b>Total. Add lines 1a–1e (Column (d) should equal Form 990, Part X, column (B), line 10(c))</b>				<b>16,641,037</b>



**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	9,700,786
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	11,204,208
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-1,503,422
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4-8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-1,503,422

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

1	Total revenue, gains, and other support per audited financial statements	1	7,017,271
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-2,683,515
e	Add lines 2a through 2d	2e	-2,683,515
3	Subtract line 2e from line 1	3	9,700,786
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c. (This should equal Form 990, Part 1, line 12)	5	9,700,786

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

1	Total expenses and losses per audited financial statements	1	8,520,693
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Losses reported on Form 990, Part IX, line 25	2c	
d	Other (Describe in Part XIV)	2d	-2,683,515
e	Add lines 2a through 2d	2e	-2,683,515
3	Subtract line 2e from line 1	3	11,204,208
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	11,204,208

**Part XIV Supplemental Information**

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b

Part XI, Line 8 - Reconciliation of Changes - Other

STUDENT AID REPORTED AS EXPENSE NOT AGAINST GROSS INCOME \$ -2,683,515

STUDENT AID REPORTED AS EXPENSES NOT AGAINST GROSS INCOME \$ 2,683,515

Part XII, Line 2d - Revenue Amounts Included in Financials - Other

STUDENT AID REPORTED AS EXPENSE NOT AGAINST GROSS INCOME \$ -2,683,515

Part XIV Supplemental Information (continued)

Part XIII, Line 2d - Expense Amounts Included in Financials - Other

STUDENT AID REPORTED AS EXPENSES NOT AGAINST GROSS INCOME \$ -2,683,515

Area with horizontal dashed lines for supplemental information.

**SCHEDULE E**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Schools**

▶ To be completed by organizations that answer "Yes" to Form 990, Part IV, line 13, or Form 990-EZ, Part VI, line 48.  
▶ Attach to Form 990 or Form 990-EZ.

OMB No 1545-0047

**2008**

**Open to Public Inspection**

Name of the organization

**THE WINCHENDON SCHOOL, INC.**

Employer identification number

**05-0270487**

	YES	NO
1 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	X	
2 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	X	
3 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe. If "No," please explain. <b>ALL ADVERTISING MATERIALS</b>	X	
4 Does the organization maintain the following?		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	X	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	X	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	X	
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	X	
5 Does the organization discriminate by race in any way with respect to		
a Students' rights or privileges?		X
b Admissions policies?		X
c Employment of faculty or administrative staff?		X
d Scholarships or other financial assistance?		X
e Educational policies?		X
f Use of facilities?		X
g Athletic programs?		X
h Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		X
6a Does the organization receive any financial aid or assistance from a governmental agency?		X
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either line 6a or line 6b, please explain using an attached statement		X
7 Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	X	

**SCHEDULE J**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

Name of the organization

**THE WINCHENDON SCHOOL, INC.**

**Compensation Information**

For certain Officers, Directors, Trustees, Key Employees, and Highest  
Compensated Employees

▶ Attach to Form 990. To be completed by organizations  
that answered "Yes" to Form 990, Part IV, line 23.

OMB No 1545-0047

**2008**

Open To Public  
Inspection

Employer identification number  
**05-0270487**

**Part I Questions Regarding Compensation**

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items

- |  |   |
|--|---|
| <input type="checkbox"/> First-class or charter travel             | <input checked="" type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence            |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees              |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)            |

**b** If line 1a is checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply

- |  |   |
|--|---|
| <input type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a

- a** Receive a severance payment or change of control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations must complete lines 5–8.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

- a** The organization?
- b** Any related organization?
- If "Yes" to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

- a** The organization?
- b** Any related organization?
- If "Yes" to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

	Yes	No
<b>1b</b>	<b>X</b>	
<b>2</b>	<b>X</b>	
<b>4a</b>		<b>X</b>
<b>4b</b>		<b>X</b>
<b>4c</b>		<b>X</b>
<b>5a</b>		<b>X</b>
<b>5b</b>		<b>X</b>
<b>6a</b>		<b>X</b>
<b>6b</b>		<b>X</b>
<b>7</b>		<b>X</b>
<b>8</b>		<b>X</b>



**Part III Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

**SCHEDULE O**  
(Form 990)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990**▶ Attach to Form 990. To be completed by organizations to provide  
additional information for responses to specific questions for the  
Form 990 or to provide any additional information.

OMB No 1545-0047

**2008**Open to Public  
Inspection

Name of the organization

**THE WINCHENDON SCHOOL, INC.**

Employer identification number

**05-0270487**

Form 990, Part VI, Line 10 - Organization's Process Used to Review Form 990  
AUDITED FINANCIAL STATEMENTS ARE PRESENTED TO THE BOARD AT A SCHEDULED  
BOARD MEETING. UPON A VOTE OF APPROVAL FROM THE BOARD THE STATEMENTS ARE  
USED AS A BASIS FOR THE RETURN PREPARATION.

THE COMPLETED RETURN IS SUBMITTED TO THE CHAIRMAN OF THE BOARD FOR REVIEW  
WHO IN TURN EITHER SIGNS THE RETURN OR DELEGATES ANOTHER MEMBER OF THE  
BOARD TO DO SO.

Form 990, Part VI, Line 15a - Compensation Process for Top Official  
THE BOARD OF DIRECTORS HIRED AND ARE RETAINING THE HEADMASTER USING  
COMPARATIVE COMPENSATION AND BENEFIT INFORMATION.

**Schedules of Educational and Facilities and Food Service Expenses  
Years Ended August 31, 2009 and 2008  
See Independent Auditor's Report on Supplementary Information**

	2009	2008
<b>Educational</b>		
Teachers' salaries	\$ 1,589,118	\$ 1,273,535
Homestay expense	318,222	270,375
Physical education	104,932	125,658
Student services	77,358	113,475
Technology Salaries	34,690	-
General supplies	34,882	29,491
Faculty Development	30,111	53,746
Miscellaneous	27,914	108,669
Library salaries	18,877	21,982
Laboratory supplies	7,899	1,290
Art supplies	3,966	345
Total educational	<u>\$ 2,247,969</u>	<u>\$ 1,998,566</u>
<b>Facilities and Food Service</b>		
Salaries and wages:		
Maintenance	\$ 357,580	\$ 255,212
Housekeeping and kitchen	315,227	296,542
Golf course and store	273,464	267,406
Total salaries and wages	<u>946,271</u>	<u>819,160</u>
Depreciation	871,899	664,515
Food	454,403	421,100
Light and electric heat	229,959	228,257
Heat	228,509	261,023
Repairs and maintenance	182,655	220,140
Insurance	130,311	222,827
Supplies	107,660	132,744
Real estate taxes	61,394	18,068
Security guards	57,768	60,249
Water	54,047	33,543
Car and truck	49,616	45,223
Rubbish removal	25,658	23,268
Laundry	22,715	23,913
Total facilities and food services	<u>\$ 3,422,865</u>	<u>\$ 3,174,030</u>

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
The Winchendon School, Inc

We have audited the accompanying statements of financial position of The Winchendon School, Inc (the "School") at August 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the statements of financial position present fairly, in all material respects, the financial position of The Winchendon School, Inc as of August 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Boston, Massachusetts  
February 3, 2010

The Winchendon School, Inc.

Statements of Financial Position  
August 31, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 2,551,085	\$ 3,418,440
Investments	18,865,611	20,224,068
Accounts receivable	81,412	89,152
Inventory	26,927	37,623
Prepaid expenses	99,222	20,099
Endowment assets, permanently restricted	249,990	249,990
Property and equipment, net of accumulated depreciation	16,641,037	16,550,741
Total assets	<u>\$ 38,515,284</u>	<u>\$ 40,590,113</u>
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 2,613,775	\$ 2,613,775
Accounts payable	449,486	568,163
Accrued liabilities	35,718	23,921
Advance tuition	5,395,342	5,859,869
Total liabilities	<u>8,494,321</u>	<u>9,065,728</u>
Net assets:		
Unrestricted:		
For current operations	14,364,610	15,869,032
For board designated funds	15,403,184	15,403,184
Temporarily restricted:		
For scholarships and earnings on endowment	3,179	2,179
Permanently restricted:		
Donor-designated endowment	249,990	249,990
Total net assets	<u>30,020,963</u>	<u>31,524,385</u>
Total liabilities and net assets	<u>\$ 38,515,284</u>	<u>\$ 40,590,113</u>

The Winchendon School, Inc.

Statements of Activities

Years Ended August 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>Operating Activities</b>						
Revenues and other support						
Student tuition	\$ 10,076,972	\$ -	\$ -	\$ 9,545,176	\$ -	\$ -
Student aid	(2,683,515)	-	-	(2,038,658)	-	-
Other revenues	1,434,564	-	-	1,443,804	-	-
Gifts	58,089	1,000	-	82,293	-	-
Loss on disposal of property and equipment	(4,276)	-	-	(1,888)	-	-
Total revenues and other support	<u>8,881,834</u>	<u>1,000</u>	<u>-</u>	<u>9,030,727</u>	<u>-</u>	<u>-</u>
Expenses						
Facilities and food service	3,422,865	-	-	3,174,030	-	-
Management and general	2,786,406	-	-	2,975,221	-	-
Educational	2,247,969	-	-	1,998,566	-	-
Fundraising	63,453	-	-	38,089	-	-
Total expenses	<u>8,520,693</u>	<u>-</u>	<u>-</u>	<u>8,185,906</u>	<u>-</u>	<u>-</u>
Increase in Net Assets from Operating Activities	<u>361,141</u>	<u>1,000</u>	<u>-</u>	<u>844,821</u>	<u>-</u>	<u>-</u>
Nonoperating Activities						
Realized loss on investments	(1,030,391)	-	-	(166,588)	-	-
Unrealized loss on investments	(835,172)	-	-	(337,405)	-	-
Decrease in Net Assets from Nonoperating Activities	<u>(1,865,563)</u>	<u>-</u>	<u>-</u>	<u>(503,993)</u>	<u>-</u>	<u>-</u>
Change in Net Assets Before Reclassification	<u>(1,504,422)</u>	<u>1,000</u>	<u>-</u>	<u>340,828</u>	<u>-</u>	<u>-</u>
Reclassification of Net Assets	-	-	-	560,131	(44,817)	(515,314)
Change in Net Assets	<u>(1,504,422)</u>	<u>1,000</u>	<u>-</u>	<u>900,959</u>	<u>(44,817)</u>	<u>(515,314)</u>
Net Assets, Beginning of Year	<u>31,272,216</u>	<u>2,179</u>	<u>249,990</u>	<u>30,371,257</u>	<u>46,996</u>	<u>765,304</u>
Net Assets, End of Year	<u>\$ 29,767,794</u>	<u>\$ 3,179</u>	<u>\$ 249,990</u>	<u>\$ 31,272,216</u>	<u>\$ 2,179</u>	<u>\$ 249,990</u>

See Notes to Financial Statements

**The Winchendon School, Inc.**

**Statements of Cash Flows**  
**Years Ended August 31, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Student tuition	\$ 6,922,710	\$ 8,122,678
Gifts	59,089	80,708
Special functions	85,834	117,152
Golf course and store	402,297	363,568
Interest and dividend income	429,401	170,896
Other income	52,242	156,209
Summer school	143,406	153,526
Cash paid to employees and suppliers	<u>(7,687,814)</u>	<u>(7,920,169)</u>
Net cash provided by operating activities	<u>407,165</u>	<u>1,244,568</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(706,718)	(1,014,465)
Construction in progress	(259,753)	(630,562)
Purchases of investments	(11,739,109)	(9,216,301)
Proceeds from investment sales	11,431,060	9,311,222
Net cash used in investing activities	<u>(1,274,520)</u>	<u>(1,550,106)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments on line of credit, net	-	(557,109)
Net cash used in financing activities	<u>-</u>	<u>(557,109)</u>
Net Decrease in Cash and Cash Equivalents	(867,355)	(862,647)
Cash and Cash Equivalents, Beginning of Year	<u>3,418,440</u>	<u>4,281,087</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,551,085</u>	<u>\$ 3,418,440</u>

The Winchendon School, Inc.

Statements of Cash Flows  
Years Ended August 31, 2009 and 2008

	2009	2008
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (1,503,422)	\$ 340,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss on investments	1,865,563	503,993
Dividends reinvested	(192,493)	(508,788)
Loss on equipment	4,276	1,888
Depreciation	871,899	664,515
Restricted contributions	1,000	-
Noncash contributions of assets	(7,564)	(1,585)
(Increase) decrease in certain assets:		
Accounts receivable	7,740	(28,326)
Inventory and prepaid expenses	(68,427)	(13,956)
Increase (decrease) in certain liabilities:		
Accounts payable	(118,677)	(359,999)
Accrued liabilities	11,797	1,512
Advance tuition	(464,527)	644,486
Net cash provided by operating activities	<u>\$ 407,165</u>	<u>\$ 1,244,568</u>
Additional disclosures of noncash investing activities:		
Construction in progress placed into service during year	<u>\$ -</u>	<u>\$ 4,987,180</u>
Construction in progress funded by line of credit	<u>\$ -</u>	<u>\$ 516,241</u>
Cash paid for interest	<u>\$ 45,101</u>	<u>\$ 152,828</u>

The Winchendon School, Inc.

Notes to Financial Statements

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**Note 1. Nature of Operations**

The Winchendon School, Inc (the "School") was founded by Lloyd Harvey Hatch and originally chartered in 1926 in Dexter, Maine for the purpose of preparing young men for college and higher education, and to do any and all things incidental or related thereto. In August 1961, the School was chartered in Winchendon, Massachusetts. Currently, the School is a coeducational college preparatory boarding and day school for Grades 9 through 12 and postgraduate years.

**Note 2. Summary of Significant Accounting Policies**

**Operations:** The statements of activities report the change in unrestricted net assets from operating and nonoperating activities. Operating activities consist of those revenues and expenses related to educational and general programs of the School, including annual fund contributions to support these programs. Nonoperating activities consist of investment results (other than those used to support operations), as well as other items not directly related to the School's educational and general programs.

**Classification and reporting of net assets:** The financial statements have been prepared on the accrual basis of accounting. The School follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Made*, and SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the School to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that information regarding its financial position and activities be classified into three net asset categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net asset categories are described as follows:

*Unrestricted net assets* include resources which represent the portion of expendable funds that are available for support of school operations and funds that represent resources restricted for use by the Board of Trustees for a specific purpose.

*Temporarily restricted net assets* include contributions with donor imposed restrictions which have not been met. Temporarily restricted contributions received and spent in the same year are reported as unrestricted net assets.

*Permanently restricted net assets* include contributions which require, by donor restrictions, that the principal be invested in perpetuity and only the income be made available for school operations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as "net assets released from restrictions." Expirations of temporary restrictions in the same year that the contribution is made are reported as unrestricted net assets.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

The School has adopted FASB Staff Position (FSP) No 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

***A description of Board of Trustees' interpretation of the Chapter 180A, as amended, that underlies the School's net asset classification of donor restricted funds***

The Board of Trustees has interpreted Massachusetts General Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board and expended. Massachusetts General Law allows the Board of Trustees to appropriate as much of net appreciation of permanently restricted net assets as prudent considering the School's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

***A description of the Board of Trustees' policy for the appropriation of endowment assets for expenditure***

The School has a specific spending rule in place and has refrained from spending other than short term "borrowings" to fund seasonal working capital. Because the School has not historically appropriated endowment assets for expenditure, the only expenditures from the endowment have been temporary in nature and have subsequently been fully reinvested in the account. Draw-downs are approved by the Board or Executive Committee for lack of Board Meetings. During the year ended August 31, 2009, the School "borrowed" \$1,500,000 from the endowment starting in March 2009 and peaking in May 2009, such amounts which were fully reinvested in the endowment assets by August 31, 2009. In 2008, the Board did not appropriate funds. The administration and Board of the School anticipate that the School will require approximately \$1.5M - \$2.0M in similar temporary borrowings in the next fiscal year.

***Strategies Employed for Achieving Objectives***

The School's investment philosophy is characterized as conservative. The School works with an independent investment manager and has maintained a practice of asset preservation over appreciation. The School has traditionally limited its investment exposure to corporate equities and fixed income/debt obligations, all of which are strongly rated. The School has not pursued an investment strategy that incorporates alternative or high-yield investments and has restricted its investment assets to readily-tradable assets.

The School's basic investment philosophy is regularly revisited by the Board and overseen by the Investment Committee. The Headmaster provides updates to the Board on a regular basis. Holdings are very conservative and are reviewed every 4 - 8 weeks for allocation. The current guideline for investment allocation is 50% equities, and 50% fixed income, with a tolerance for variance of +/-5 percentage points. Any changes in investment policy or withdrawals from investment accounts are approved by the Investment Committee if not by the full Board.

The Winchendon School, Inc.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The School currently does not have a spending policy as most similar institutions do as it has not been the School's practice to appropriate funds. Any such decision to appropriate any portion of the investment funds (including original or appreciated value) would require approval of the Board.

**Investment valuation and income recognition:** Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market at the measurement date. See Note 5 for discussion of fair value measurements.

**Accounts receivable:** The School records accounts receivable net of an allowance for doubtful accounts. Finance charges are not assessed on past due amounts. The balance of accounts receivable represents amounts management deems to be fully collectible. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**Revenue recognition:** The School recognizes revenue in the academic year the services are rendered. Deposits for the following year's tuition are recorded as advanced tuition and recognized over the periods to which they relate.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**Risks and uncertainties:** Throughout 2009, the credit and liquidity crisis in the United States and throughout the global financial system resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. Due to continued uncertainty surrounding economic conditions and recovery, the School's investments could continue to decline in fair value in 2010. Management believes the School has mitigated some of these effects by investing in money market funds during this time.

**Donor designated endowment:** During the year ended August 31, 1991, the Board of Trustees elected to establish an endowment fund. The intention of the Board is to build the endowment for the future benefit of the School.

**Board designated funds:** The Board makes additions to managed investment accounts based on the availability of funds. These funds are to be used at the discretion of the Board as it deems necessary for the future benefit and growth of the School. There were no additions to Board designated funds during 2009.

**Property and equipment:** Items capitalized as property and equipment are recorded at cost. Maintenance and routine repairs are charged to operations when incurred while improvements and renewals are capitalized. Depreciation is computed over the estimated useful lives of the assets on a straight line basis.

The School reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. 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.

The Winchendon School, Inc.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Inventory:** Inventory consists of pro shop and student store supplies, which are recorded at the lower of cost or market on a first-in, first-out basis.

**Cash and cash equivalents:** The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Concentration of credit risk:** The School maintains temporary cash investments and demand deposit accounts with a highly rated financial institution. Prior to October 10, 2008, these deposits were insured in full up to a maximum of \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 10, 2008, these deposits are insured in full up to \$250,000 by the FDIC. Substantially all of the deposits exceeding \$250,000 are insured by the Massachusetts Deposit Insurance Fund.

**Advertising:** The School expenses the costs of advertising when the initial advertising services are rendered. Advertising expenses were \$11,048 and \$2,436 for the years ended August 31, 2009 and 2008, respectively.

**Tax status:** The School is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not subject to federal income taxes. Under Section 512 of the IRC, the School is subject to tax on its unrelated business taxable income (UBTI), which is comprised of income generated through operation of a public golf course on the School's campus.

**Recently Issued Accounting Pronouncements:** In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises' financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The School has elected this deferral and accordingly will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the School will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the School to accrue for losses it believes are probable and can be reasonably estimated. The School is in the process of evaluating the impact the adoption of FIN 48 might have on its financial statements.

The Winchendon School, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

Major classes of property and equipment consisted of the following at August 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 20,591,728	\$ 19,677,243
Land and land improvements	1,207,512	1,407,795
Furnishings and equipment	694,880	1,507,457
Motor vehicles	369,900	297,082
Construction in progress	<u>259,753</u>	<u>-</u>
	23,123,773	22,889,577
Less accumulated depreciation	<u>6,482,736</u>	<u>6,338,836</u>
	<u>\$ 16,641,037</u>	<u>\$ 16,550,741</u>

Depreciation expense for the years ended August 31, 2009 and 2008 was \$871,899 and \$664,515, respectively.

Note 4. Investments and Endowment Assets

Investments and endowment assets stated at fair value at August 31, 2009 and 2008 are comprised of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Daily Money Market	\$ 856,502	\$ 856,502	\$ 650,952	\$ 650,952
U. S. Government and Agency issues	6,708,858	6,951,997	6,078,107	6,219,268
Common and convertible stock	7,489,364	9,164,325	9,095,859	11,897,705
Corporate debt securities	1,362,882	1,450,503	1,355,128	1,314,358
Asset backed securities	288,280	297,913	394,401	391,775
State and municipal obligations	<u>376,041</u>	<u>394,361</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,081,927</u>	<u>\$ 19,115,601</u>	<u>\$ 17,574,447</u>	<u>\$ 20,474,058</u>

The following schedule summarizes the investment return which is reported in the statements of activities:

	<u>2009</u>	<u>2008</u>
Interest and dividends reported within other revenues	\$ 602,035	\$ 661,835
Realized losses	(1,030,391)	(166,588)
Unrealized losses	<u>(835,172)</u>	<u>(337,405)</u>
Total investment return	<u>\$ (1,263,528)</u>	<u>\$ 157,842</u>

Investment fees total \$94,428 and \$108,328 for the years ended August 31, 2009 and 2008, respectively.

The Winchendon School, Inc.

Notes to Financial Statements

Note 4. Investments and Endowment Assets (Continued)

At August 31, 2009, investments in debt securities mature as follows:

	Maturity			
	Within 1 Year	1 - 5 Years	5 - 10 Years	10+ Years
Obligations of U. S. Government and Agencies	\$ 414,500	\$ 5,510,307	\$ 669,619	\$ 357,571
Corporate debt securities	<u>152,271</u>	<u>-</u>	<u>1,298,232</u>	<u>-</u>
Totals	<u>\$ 566,771</u>	<u>\$ 5,510,307</u>	<u>\$ 1,967,851</u>	<u>\$ 357,571</u>

Endowment Net Assets

The following is summary of endowment net asset composition by type of fund as of August 31, 2009:

	Board Designated	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds	\$ -	\$ -	\$ 249,990	\$ 249,990
Funds functioning as endowment funds	<u>15,403,184</u>	<u>-</u>	<u>-</u>	<u>15,403,184</u>
Total	<u>\$ 15,403,184</u>	<u>\$ -</u>	<u>\$ 249,990</u>	<u>\$ 15,653,174</u>

Changes in Endowment Net Assets

	Board Designated	Temporarily Restricted	Permanently Restricted	Totals
Endowment net assets, August 31, 2008	<u>\$ 15,403,184</u>	<u>\$ -</u>	<u>\$ 249,990</u>	<u>\$ 15,653,174</u>
Investment return:				
Investment income, net of fees	507,127	-	-	507,127
Net depreciation (realized and unrealized) on investments	<u>(1,865,563)</u>	<u>-</u>	<u>-</u>	<u>(1,865,563)</u>
Total investment return	<u>(1,358,436)</u>	<u>-</u>	<u>-</u>	<u>(1,358,436)</u>
Other changes	<u>1,358,436</u>	<u>-</u>	<u>-</u>	<u>1,358,436</u>
Endowment net assets, August 31, 2009	<u>\$ 15,403,184</u>	<u>\$ -</u>	<u>\$ 249,990</u>	<u>\$ 15,653,174</u>

**The Winchendon School, Inc.**

**Notes to Financial Statements**

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**Note 5. Fair Value Measurements**

Effective September 1, 2008, the School adopted SFAS No. 157, *Fair Value Measurement*, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The School adopted SFAS No. 157 for the fiscal year beginning September 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning September 1, 2009. The School is currently assessing the potential effect of the adoption of the remaining provisions of SFAS no. 157 on its financial position, results of operations and cash flows, if any.

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.   |
| Level 2 | Inputs to the valuation method include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets</li><li>• Inputs other than quoted prices that are observable for the asset or liability</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means</li></ul> <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

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

The Winchendon School, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2009

*Daily money market:* Valued at the active market prices.

*U.S. Government and Agency issues:* Valued at the active market prices where some are valued at the net asset value ("NAV") of shares held by the School at year end.

*Common and convertible stock:* Valued at the active market prices.

*Corporate debt securities:* Valued at the net asset value ("NAV") of shares held by the School at year end

*Asset backed securities:* Valued at the net asset value ("NAV") of shares held by the School at year end.

*State and municipal obligations:* Valued at the net asset value ("NAV") of shares held by the School at year end

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments in the statements of financial position are reported at fair value. The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value as of August 31, 2009.

	<u>Assets at Fair Value at August 31, 2009</u>			
	<u>Total Carrying Value at August 31, 2009</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Money market funds	\$ 856,502	\$ 856,502	\$ -	\$ -
U.S. Government and Agency Issues	6,951,997	5,631,321	1,320,676	-
Common and convertible stocks	9,164,325	9,164,325	-	-
Corporate debt securities	1,450,503	-	1,450,503	-
Asset backed securities	297,913	-	297,913	-
State and municipal obligations	394,361	-	394,361	-
Total	<u>19,115,601</u>	<u>\$ 15,652,148</u>	<u>\$ 3,463,453</u>	<u>\$ -</u>

Note 6. Line of Credit

On February 14, 2007, the School entered into a \$5,000,000 line of credit agreement with a bank through February 2012 to construct an ice rink (Note 12). The aggregate principal balance outstanding accrues interest at a per annum rate of 0.45% above LIBOR for any monthly interest period (0.69% at August 31, 2009). The line of credit is secured by investment securities to a maximum of \$7,400,000 which are held by an independent investment company. The amount due under the agreement at August 31, 2009 and 2008 was \$2,613,775,

Interest expense for the years ended August 31, 2009 and 2008 was \$45,101 and \$152,828, of which \$25,823 was capitalized in 2008.

**The Winchendon School, Inc.**

**Notes to Financial Statements**

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**Note 7. Pension Plan**

The School maintains a defined contribution pension plan which covers participants who have satisfied certain requirements. The Plan is funded by the participants and the School contributes a percentage of each participant's annual salary based on their length of service. The School's contributions were \$165,417 and \$134,662 for the years ended August 31, 2009 and 2008, respectively.

**Note 8. Gifts in Kind**

Donated materials are recorded as contributions at their estimated fair market value on the date of the donation and as an expense in the accompanying statements of activities or as an asset in the accompanying statements of financial position. The School received donated materials in the amount of \$7,564 and \$1,585 for the years ended August 31, 2009 and 2008, respectively.

**Note 9. Temporarily Restricted Net Assets**

The School has temporarily restricted net assets which are restricted for the purpose of a specific scholarship totaling \$3,179 and \$2,179 at August 31, 2009 and 2008, respectively. The reclassifications during 2008 represent the release of earnings on permanently restricted net assets.

**Note 10. Permanently Restricted Net Assets**

The School has permanently restricted net assets of \$249,990 for the years ended August 31, 2009 and 2008, in which the income generated is restricted for scholarships.

**Note 11. Construction in Progress**

During 2009 the School began projects to improve the School. Total amount included in construction in progress at August 31, 2009 was \$259,753. Construction in progress primarily relates to improvements to the art building and Ford Hall. Subsequent to year-end, the School entered into a contract to improve the tennis courts. Total amount of the contract is \$180,775. Total amounts committed to at August 31, 2009 including the tennis courts are approximately \$860,000. All construction in progress has been completed as of December 2009.

**Note 12. Subsequent Event**

The School evaluated subsequent events through February 3, 2010, when the financial statements were available to be issued.

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report on Supplementary Information

To the Board of Trustees  
The Winchendon School, Inc.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Boston, Massachusetts  
February 3, 2010

The Winchendon School, Inc.

Schedules of Other Revenues

Years Ended August 31, 2009 and 2008

See Independent Auditor's Report on Supplementary Information

	2009	2008
Interest and dividend income	\$ 621,924	\$ 679,684
Golf course and pro shop	400,823	358,862
Other income	169,121	147,682
Summer school, net of expenses	143,406	153,526
Special functions, net of expenses	99,290	104,050
Total other revenues	<u>\$ 1,434,564</u>	<u>\$ 1,443,804</u>

The Winchendon School, Inc

Schedules of Management and General Expenses

Years Ended August 31, 2009 and 2008

See Independent Auditor's Report on Supplementary Information

	2009	2008
Management and General		
Hospitalization insurance	\$ 459,242	\$ 462,243
Administrative salaries	566,991	571,322
Payroll taxes	305,787	236,850
Business office salaries	248,297	216,142
Admissions-placement fees	180,295	194,096
TIAA Retirement Fund	165,417	134,662
Professional services	109,337	213,653
Medical salaries	96,549	70,823
Investment fees	94,928	108,328
Admissions expense	82,031	30,183
Office supplies and expenses	55,161	59,176
Student tuition refunds	78,976	227,294
Internet and technology	75,005	115,069
Interest	45,101	127,005
Postage	44,321	62,869
Rent expense	38,400	16,300
Telephone	36,358	30,805
Miscellaneous supplies	32,298	24,370
Travel and entertainment	23,578	38,926
Payroll service	14,557	15,108
Dues and subscriptions	14,000	14,258
Advertising	10,066	2,436
Accreditation expense	5,400	-
Sales tax expense	2,436	-
Donations	1,875	3,303
Total management and general expenses	<u>\$ 2,786,406</u>	<u>\$ 2,975,221</u>