



**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Contents
June 30, 2021 and 2020

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Independent Auditor's Report

To the Board of Trustees of
Saint John Paul II Catholic Academy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Saint John Paul II Catholic Academy, Inc. (a Massachusetts corporation, not for profit) (the Academy), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint John Paul II Catholic Academy, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Accounting Standard Adoption

As disclosed in Note 2 to the financial statements, during fiscal year 2021, the Academy changed its method of accounting for revenue recognition due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*. Our opinion is not modified with respect to that matter.

AAFCPA, Inc.

Westborough, Massachusetts
December 1, 2021

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.Statements of Financial Position
June 30, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash	\$ 2,389,896	\$ 2,115,146
Accounts and contract receivables	66,871	463,986
Prepaid expenses and other	7,540	1,408
Current portion of contribution receivable - right-to-use assets	88,268	88,268
Total current assets	2,552,575	2,668,808
Contribution Receivable - Right-to-Use Assets, net of current portion	2,559,766	2,648,034
Investments	169,919	138,985
Property and Equipment, net	24,741,886	25,363,238
Total assets	<u>\$ 30,024,146</u>	<u>\$ 30,819,065</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 276,155	\$ 74,788
Accrued expenses	535,346	550,455
Deferred revenue	38,220	145,683
Total current liabilities	849,721	770,926
Note Payable	-	1,297,900
Total liabilities	849,721	2,068,826
Net Assets:		
Without donor restrictions:		
Operating	26,210,060	25,722,714
Board designated	169,919	138,985
Total without donor restrictions	26,379,979	25,861,699
With donor restrictions	2,794,446	2,888,540
Total net assets	29,174,425	28,750,239
Total liabilities and net assets	<u>\$ 30,024,146</u>	<u>\$ 30,819,065</u>

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Grants, contracts and contributions	\$ 3,849,961	\$ 142,910	\$ 3,992,871	\$ 3,868,139	\$ 80,002	\$ 3,948,141
Tuition and fees, net of financial aid and discounts of approximately \$1,313,000 and \$1,138,000 for the years ended June 30, 2021 and 2020, respectively	3,887,478	-	3,887,478	5,079,216	-	5,079,216
In-kind rent and other	659,565	-	659,565	649,785	-	649,785
Special events	13,392	-	13,392	88,730	-	88,730
Other income	2,874	-	2,874	8,063	-	8,063
In-kind right-to-use assets	88,268	(88,268)	-	88,268	(88,268)	-
Net assets released from program restrictions	148,736	(148,736)	-	41,788	(41,788)	-
Total operating revenues	<u>8,650,274</u>	<u>(94,094)</u>	<u>8,556,180</u>	<u>9,823,989</u>	<u>(50,054)</u>	<u>9,773,935</u>
Operating Expenses:						
Programs:						
Instruction and related	7,022,792	-	7,022,792	6,739,601	-	6,739,601
Summer and extended day	-	-	-	1,069,094	-	1,069,094
Total programs	<u>7,022,792</u>	<u>-</u>	<u>7,022,792</u>	<u>7,808,695</u>	<u>-</u>	<u>7,808,695</u>
Supporting services:						
General and administrative	1,892,533	-	1,892,533	2,025,620	-	2,025,620
Fundraising	552,878	-	552,878	620,216	-	620,216
Total supporting services	<u>2,445,411</u>	<u>-</u>	<u>2,445,411</u>	<u>2,645,836</u>	<u>-</u>	<u>2,645,836</u>
Total operating expenses	<u>9,468,203</u>	<u>-</u>	<u>9,468,203</u>	<u>10,454,531</u>	<u>-</u>	<u>10,454,531</u>
Changes in net assets from operations	<u>(817,929)</u>	<u>(94,094)</u>	<u>(912,023)</u>	<u>(630,542)</u>	<u>(50,054)</u>	<u>(680,596)</u>
Non-Operating Revenues:						
Forgiveness of note payable	1,297,900	-	1,297,900	-	-	-
Unrealized gain on investments	38,309	-	38,309	2,512	-	2,512
Total non-operating revenues	<u>1,336,209</u>	<u>-</u>	<u>1,336,209</u>	<u>2,512</u>	<u>-</u>	<u>2,512</u>
Total changes in net assets	518,280	(94,094)	424,186	(628,030)	(50,054)	(678,084)
Net Assets:						
Beginning of year	<u>25,861,699</u>	<u>2,888,540</u>	<u>28,750,239</u>	<u>26,489,729</u>	<u>2,938,594</u>	<u>29,428,323</u>
End of year	<u>\$ 26,379,979</u>	<u>\$ 2,794,446</u>	<u>\$ 29,174,425</u>	<u>\$ 25,861,699</u>	<u>\$ 2,888,540</u>	<u>\$ 28,750,239</u>

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 424,186	\$ (678,084)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	888,818	916,670
Bad debt	39,308	111,929
Unrealized gain on investments	(38,309)	(2,512)
Forgiveness of note payable	(1,297,900)	-
Contribution receivable - right-to-use assets	88,268	88,268
Changes in operating assets and liabilities:		
Tuition receivable	-	(49,260)
Accounts and contract receivables	357,807	(235,926)
Prepaid expenses and other	(6,132)	541
Accounts payable	201,367	(25,867)
Accrued expenses	(15,109)	45,212
Deferred revenue	(107,463)	(50,334)
Net cash provided by operating activities	<u>534,841</u>	<u>120,637</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	7,375	679
Purchase of property and equipment	<u>(267,466)</u>	<u>(14,494)</u>
Net cash used in investing activities	<u>(260,091)</u>	<u>(13,815)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	<u>-</u>	<u>1,297,900</u>
Net Change in Cash	274,750	1,404,722
Cash:		
Beginning of year	<u>2,115,146</u>	<u>710,424</u>
End of year	<u><u>\$ 2,389,896</u></u>	<u><u>\$ 2,115,146</u></u>

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021				2020	
	Program	Supporting Services			Total Expenses	Total Expenses
		Instruction and Related	General and Administrative	Fundraising		
Personnel and Related:						
Salaries	\$ 4,116,965	\$ 674,346	\$ 386,655	\$ 1,061,001	\$ 5,177,966	\$ 5,868,078
Payroll taxes and fringe benefits	719,682	98,077	59,942	158,019	877,701	1,045,379
Contractual services	12,874	1,515	757	2,272	15,146	16,380
Total personnel and related	<u>4,849,521</u>	<u>773,938</u>	<u>447,354</u>	<u>1,221,292</u>	<u>6,070,813</u>	<u>6,929,837</u>
Occupancy:						
Depreciation	799,936	88,882	-	88,882	888,818	916,670
Rent	380,768	380,769	-	380,769	761,537	816,106
Repairs and maintenance	269,586	215,668	53,917	269,585	539,171	428,812
Utilities	115,347	92,277	23,069	115,346	230,693	235,794
Insurance	29,880	23,904	5,976	29,880	59,760	53,422
Total occupancy	<u>1,595,517</u>	<u>801,500</u>	<u>82,962</u>	<u>884,462</u>	<u>2,479,979</u>	<u>2,450,804</u>
Other:						
Software and technology	159,444	172,731	-	172,731	332,175	275,001
Instructional supplies and equipment	296,144	-	-	-	296,144	379,072
Equipment rental	30,163	24,130	6,033	30,163	60,326	43,950
Office supplies	28,127	22,501	5,625	28,126	56,253	55,574
Miscellaneous	23,309	29,595	-	29,595	52,904	18,712
Bad debt	-	39,308	-	39,308	39,308	111,929
Professional fees	-	28,316	-	28,316	28,316	65,536
Dues and subscriptions	20,032	-	-	-	20,032	7,652
Field trips	9,948	-	-	-	9,948	37,943
Advertising and marketing	6,918	-	2,306	2,306	9,224	1,760
Special events	-	-	8,469	8,469	8,469	64,333
Training	2,666	-	-	-	2,666	6,843
Printing and postage	643	514	129	643	1,286	4,820
Vehicle	360	-	-	-	360	765
Total other	<u>577,754</u>	<u>317,095</u>	<u>22,562</u>	<u>339,657</u>	<u>917,411</u>	<u>1,073,890</u>
Total expenses	<u>\$ 7,022,792</u>	<u>\$ 1,892,533</u>	<u>\$ 552,878</u>	<u>\$ 2,445,411</u>	<u>\$ 9,468,203</u>	<u>\$ 10,454,531</u>

The accompanying notes are an integral part of these statements.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Programs			Supporting Services			Total Expenses
	Instruction and Related	Summer and Extended Day	Total Programs	General and Administrative	Fundraising	Total Supporting Services	
Personnel and Related:							
Salaries	\$ 3,921,209	\$ 798,333	\$ 4,719,542	\$ 747,619	\$ 400,917	\$ 1,148,536	\$ 5,868,078
Payroll taxes and fringe benefits	790,623	66,350	856,973	116,935	71,471	188,406	1,045,379
Contractual services	11,466	2,457	13,923	1,638	819	2,457	16,380
Total personnel and related	<u>4,723,298</u>	<u>867,140</u>	<u>5,590,438</u>	<u>866,192</u>	<u>473,207</u>	<u>1,339,399</u>	<u>6,929,837</u>
Occupancy:							
Depreciation	733,336	91,667	825,003	91,667	-	91,667	916,670
Rent	408,053	-	408,053	408,053	-	408,053	816,106
Repairs and maintenance	171,525	42,881	214,406	171,525	42,881	214,406	428,812
Utilities	94,318	23,579	117,897	94,318	23,579	117,897	235,794
Insurance	21,369	5,342	26,711	21,369	5,342	26,711	53,422
Total occupancy	<u>1,428,601</u>	<u>163,469</u>	<u>1,592,070</u>	<u>786,932</u>	<u>71,802</u>	<u>858,734</u>	<u>2,450,804</u>
Other:							
Software and technology	132,000	-	132,000	143,001	-	143,001	275,001
Instructional supplies and equipment	354,992	24,080	379,072	-	-	-	379,072
Equipment rental	17,580	4,395	21,975	17,580	4,395	21,975	43,950
Office supplies	22,230	5,557	27,787	22,230	5,557	27,787	55,574
Miscellaneous	7,484	936	8,420	10,292	-	10,292	18,712
Bad debt	-	-	-	111,929	-	111,929	111,929
Professional fees	-	-	-	65,536	-	65,536	65,536
Dues and subscriptions	7,652	-	7,652	-	-	-	7,652
Field trips	34,908	3,035	37,943	-	-	-	37,943
Advertising and marketing	1,320	-	1,320	-	440	440	1,760
Special events	-	-	-	-	64,333	64,333	64,333
Training	6,843	-	6,843	-	-	-	6,843
Printing and postage	1,928	482	2,410	1,928	482	2,410	4,820
Vehicle	765	-	765	-	-	-	765
Total other	<u>587,702</u>	<u>38,485</u>	<u>626,187</u>	<u>372,496</u>	<u>75,207</u>	<u>447,703</u>	<u>1,073,890</u>
Total expenses	<u>\$ 6,739,601</u>	<u>\$ 1,069,094</u>	<u>\$ 7,808,695</u>	<u>\$ 2,025,620</u>	<u>\$ 620,216</u>	<u>\$ 2,645,836</u>	<u>\$ 10,454,531</u>

The accompanying notes are an integral part of these statements.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

Saint John Paul II Catholic Academy, Inc. (the Academy) was incorporated on May 9, 2008, as a Massachusetts not-for-profit corporation. The Academy operates grades pre-kindergarten up to eighth grade at three campuses located in Dorchester, Massachusetts. The Academy was formed to establish and operate a Catholic school to enhance intellectual and spiritual development of students in accordance with the teachings of Jesus Christ and the Roman Catholic Church. In April 2014, the Academy changed its name from Pope John Paul II Catholic Academy.

The Academy is included in the United States Conference of Catholic Bishops Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not required to file informational or income tax returns. Accordingly, no provision for income taxes is included in these financial statements. The Academy's management has reviewed the tax positions as of June 30, 2021 and 2020, and determined that no provision for income tax is required in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Academy prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standard

During fiscal year 2021, the Academy adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method. Results for the reporting year beginning after July 1, 2020, are presented under Topic 606, while prior year amounts are not adjusted and continue to be reported in accordance with the Academy's historic reporting under Topic 605. The impact of the adoption of Topic 606 in fiscal year 2021 resulted in a decrease in deferred revenue of \$156,889 and an increase in tuition and fees of \$156,889.

The adoption of ASU 2014-09 had one primary impact on the financial statements. For enrollment and registration fees, the Academy now recognizes revenue at the time of registration. Prior to the adoption of Topic 606, revenue from enrollment and registration fees was recognized evenly over the tuition period.

Accounts and Contract Receivables

Accounts and contract receivables are recorded at the invoiced amounts and do not bear interest. Management records an allowance for uncollectible accounts receivable based on an analysis of specific accounts and management's best estimate of the amount of probable credit losses. There was no allowance for doubtful tuition receivable as of June 30, 2021 and 2020.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or constructed and at fair value when donated (see Note 4). The Academy capitalizes assets with an individual cost in excess of \$3,000 and similar group purchases in excess of \$5,000 and a useful life of at least one year. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	40 years or life of lease
Furniture and equipment	3 - 5 years

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Academy's net assets include the following:

Net assets without donor restrictions are as follows:

Operating net assets are those net resources that bear no external restrictions and are generally available for use by the Academy; as well as reflects the net book value of the Academy's property and equipment, net of any related debt.

Board designated net assets consist of net assets which are invested by the Board of Trustees to function as an endowment. The funds are held by the Catholic Community Fund (CCF). These funds may only be used with the approval of the Board of Trustees (see Note 9).

Net assets with donor restrictions represent amounts received or committed by donors with time or purpose restrictions that have not yet been met.

Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Time - right-to-use assets (see Note 5)	\$ 2,648,034	\$ 2,736,302
Program - scholarships	<u>146,412</u>	<u>152,238</u>
	<u>\$ 2,794,446</u>	<u>\$ 2,888,540</u>

Revenue Recognition

The Academy generally measures revenue for qualifying exchange transactions based on the amount of consideration the Academy expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Academy satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Academy evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Academy recognizes revenue from student tuition during the year in which the related services are provided to students. The performance obligation of delivering educational services is satisfied through academic instruction delivered continually throughout the academic year; therefore, the revenue is recognized ratably over the course of the academic year which coincides with the fiscal year. Payment for tuition is required before the start of the academic year. Summer program and tuition deposits received in advance of services provided are recorded as deferred revenue. Financial aid is granted on a financial need basis and is netted against gross tuition and fees. Tuition discounts are awarded to the children of employees who meet specified criteria. Fees are recognized at a point in time when students register for enrollment.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), the Academy must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. If the condition and restriction are met in the same period, they are reported as contributions without donor restrictions. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Academy should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions are recorded as revenue when received or unconditionally pledged. The Academy reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor's time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions as net assets released from restrictions. Donor restricted grants and contributions received and satisfied in the same period are included in net assets without donor restrictions.

Contract revenue is recorded as the services are provided. Special event revenue is recorded in the period in which the event takes place.

All other income and revenue are recognized when earned.

In-Kind Goods, Services, Rent and Capital

The Academy received in-kind goods, services and rent during fiscal years 2021 and 2020. These goods, services and rent are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating agencies or by management and are reflected as in-kind rent and other in the accompanying statements of activities and changes in net assets. The related in-kind expense is included in rent and instructional supplies and equipment in the accompanying statements of functional expenses based upon the estimated value assigned by management (see Note 5).

The following values are reflected as in-kind goods and rent in the accompanying financial statements for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Rent	\$ 649,200	\$ 649,200
Goods	<u>10,365</u>	<u>585</u>
Total	<u>\$ 659,565</u>	<u>\$ 649,785</u>

The Academy received additional volunteer services from individuals in various aspects of its programs for the years ended June 30, 2021 and 2020. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services by the donating volunteers does not meet the recognition criteria under U.S. GAAP.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated to programs or functions based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and payroll taxes and fringe benefits, which are allocated based on an estimate of time and level of effort spent on the Academy's program and supporting functions. Occupancy costs are allocated based on square footage for individual programs and functions.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue relates to unrealized investment gains and forgiveness of note payable.

Advertising and Marketing Costs

The Academy expenses advertising and marketing costs as incurred.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Academy follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Academy would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Academy uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Academy. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period (see Note 9). Investments consist exclusively of a Board designated endowment. Accordingly, investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are held by the CCF. Investments are not insured and are subject to ongoing market fluctuations.

Subsequent Events

Subsequent events have been evaluated through December 1, 2021, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. RELATED PARTY TRANSACTIONS

Under the Academy's by-laws, the members of the Board of Trustees will be constituted as follows: one member is appointed by the Roman Catholic Archbishop of Boston (RCAB), a Corporation Sole; one member is appointed by the Fund for Catholic Schools (FCS); one of the members shall be the Superintendent of Schools of the RCAB (ex officio); one of the members shall be the Executive Director of FCS (ex officio); and one member shall be elected by the affirmative vote of at least three of the other four members. All members must receive the prior approval of the RCAB.

FCS and RCAB also provide a significant portion of the Academy's grant and funding support (see Notes 5, 6, 7, 8 and 9).

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 32,593,706	\$ 32,498,771
Furniture and equipment	<u>2,620,485</u>	<u>2,447,954</u>
	35,214,191	34,946,725
Less - accumulated depreciation	<u>10,472,305</u>	<u>9,583,487</u>
	<u>\$ 24,741,886</u>	<u>\$ 25,363,238</u>

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

4. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was \$888,818 and \$916,670 for the years ended June 30, 2021 and 2020, respectively.

5. LEASE COMMITMENTS

In May 2021, the Academy entered into a two-year lease agreement through April 2023 for regional office space. The lease requires monthly payments of \$3,000 in year one and \$3,400 in year two. The Academy has the option to extend this lease for one additional year. The Academy leased their regional office space from a parish as a tenant-at-will, which ended in fiscal year 2020. Rent was due in equal monthly installments of \$2,000. The Academy was also responsible for any real estate taxes assessed on the property, as well as for its use of utilities. Rent expense for these offices was \$6,000 and \$24,000 for the years ended June 30, 2021 and 2020, respectively, and is included in rent in the accompanying statements of functional expenses. Future minimum lease payments under the new regional lease are as follows:

2022	\$ 36,800
2023	\$ 34,000

In June 2011, the Academy entered into two fifty-year lease agreements with two other parishes to operate two campuses, both of which were to expire in May 2061. Rent of \$1 is due annually through May 2061 (lease maturity). The lease has been reflected in the accompanying financial statements at the fair value of the building based upon the assessed value. The value of the building is reflected as contribution receivable - right-to-use assets of \$2,648,034 and \$2,736,302 as of June 30, 2021 and 2020, respectively, and within net assets with donor restrictions, and is being recognized over the life of the leased building (see Note 2). Amortization of the right-to-use assets for the next five years is \$88,268 per year.

Additionally, the Academy occupies space as a tenant-at-will at two additional parishes at no charge (see Note 3). The fair value of this rent totaling \$649,200 is included in in-kind rent and other in the accompanying statements of activities and changes in net assets for the years ended June 30, 2021 and 2020, and in rent in the accompanying statements of functional expenses for the years then ended.

The Academy also leases office equipment under an operating lease which expires in June 2022. Under this agreement, the Academy is required to make monthly payments of approximately \$4,492. Lease payments for the years ended June 30, 2021 and 2020, totaled \$56,204 and \$56,257, respectively, and are reflected as equipment rental in the accompanying statements of functional expenses. Future minimum equipment lease payments under this agreement for the next fiscal year will be \$53,906.

6. NOTES PAYABLE

During fiscal year 2010, the Academy and FCS jointly and severally with the Revolving Loan Fund of the Corporation Sole, consolidated four construction notes into a new demand note. During fiscal year 2010, FCS also assumed jointly and severally, responsibility with the Academy of an operating demand note with the Revolving Loan Fund of the Corporation Sole. These notes were used to provide funding to the Academy and will be paid upon the receipt of certain contribution receivables received by FCS. These notes were consolidated into one note. The Academy has not recorded this note in the accompanying financial statements as FCS has assumed responsibility to pay the full amount.

This note is non-interest bearing and is payable over a ten-year term through October 2027.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
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6. NOTES PAYABLE (Continued)

During fiscal years 2021 and 2020, FCS paid down \$378,900 per year of principal on the note. Annual future minimum payments on the outstanding note balance are as follows for the remainder of the term:

2022	\$ 378,900
2023	\$ 378,900
2024	\$ 378,900
2025	\$ 378,900
2026	\$ 378,900
Thereafter	\$ 414,089

The balance on the notes payable was \$2,308,589 and \$2,687,489 at June 30, 2021 and 2020, respectively.

During fiscal year 2020, the Academy applied for and was awarded a forgivable loan of \$1,297,900 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits as well as rent and utilities during the covered period, as defined in the CARES Act. The loan was forgiven in full during fiscal year 2021 and is reflected as forgiveness of note payable in the accompanying 2021 statement of activities and changes in net assets.

7. PENSION PLAN

The Academy participated with other organizations affiliated with the Archdiocese in Boston in a noncontributory, defined-benefit multi-employer pension plan (the Pension Plan) covering substantially all lay employees. In July 2014, the Board of Trustees voted to withdraw from the Pension Plan and transferred the funds to a life insurance company. The Academy has no liability relating to the plan and is no longer considered a participating employer.

The Academy participates with other organizations affiliated with the Archdiocese in Boston in a 401(k) defined contribution plan. Under the plan, the Academy contributes a maximum of 4% of eligible employee wages. Pension expense was \$124,158 and \$136,067 for the years ended June 30, 2021 and 2020, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

8. CONCENTRATIONS

Credit Risk

The Academy maintains its cash balances in Massachusetts banks, which are insured within the limits of the Federal Deposit Insurance Corporation. At certain times during the year, cash balances exceeded the insured amounts. The Academy has not experienced any losses in such accounts. The Academy believes it is not exposed to any significant credit risk on its operating cash.

The Academy also deposits funds with the Revolving Loan Fund (see Note 6). Funds deposited within the Revolving Loan Fund are uninsured. The Academy had deposits totaling \$1,230,857 and \$450,072 with the Revolving Loan Fund at June 30, 2021 and 2020, respectively.

Economic Dependency

At June 30, 2021, 96% of accounts and contract receivables were due from one government agency. At June 30, 2020, 99% of accounts and contract receivables were due from one government agency. For the years ended June 30, 2021 and 2020, 27% and 22%, respectively, of operating revenue was derived from FCS and another funder.

SAINT JOHN PAUL II CATHOLIC ACADEMY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

9. ENDOWMENT FUNDS

The Academy is the beneficiary of an endowment fund established by FCS. The Academy receives distributions from this fund for operating purposes and awards scholarships and financial aid to eligible students at the discretion of FCS. FCS retains variance power over these funds and, accordingly, the assets have not been recorded in the accompanying statements of financial position. Endowment contributions of \$1,057,726 were made during the fiscal year ended June 30, 2020. There were no contributions made in fiscal year 2021. The balance of these funds was \$3,304,806 and \$3,649,754 at June 30, 2021 and 2020, respectively.

The Academy has received bequests which the Board of Trustees designated for a scholarship endowment to be held at CCF (see Note 2). The balance of these funds was \$169,919 and \$138,985 at June 30, 2021 and 2020, respectively. The Academy receives distributions from these funds for scholarships. No distributions were made from this account during fiscal years 2021 and 2020.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Academy's financial assets available within one year from the statements of financial position date at June 30, 2021 and 2020, for general operating expenses are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,389,896	\$ 2,115,146
Accounts and contract receivables	<u>66,871</u>	<u>463,986</u>
	2,456,767	2,579,132
Less - net assets with donor restrictions, excluding right-to-use-assets	<u>(146,412)</u>	<u>(152,238)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,310,355</u>	<u>\$ 2,426,894</u>

The Academy has \$2,310,355 of financial assets available within one year of June 30, 2021, to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date. The Academy is supported by tuition and fees paid in advance in addition to support from FCS and RCAB (see Note 3).

11. CONTINGENCY

During fiscal year 2020 and continuing through fiscal year 2021, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Academy's operations and financial position. As a result, the adverse impact COVID-19 will have on the Academy's businesses, operating results, cash flows and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.