



Audited Financial Statements

St. Mary's High School, Inc.  
Lynn, Massachusetts

June 30, 2021

# St. Mary's High School, Inc. - Lynn, Massachusetts

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## Audited Financial Statements

June 30, 2021

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## Independent Auditors' Report

Board of Trustees  
St. Mary's High School, Inc.  
Lynn, Massachusetts

We have audited the accompanying financial statements of St. Mary's High School, Inc., 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, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School'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 School'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 St. Mary's High School, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G.T. Reilly & Company

Milton, Massachusetts  
May 11, 2022



An independent firm associated  
with Moore Global Network Limited

# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statements of Financial Position

June 30

	<u>2021</u>	<u>2020</u>
<b><u>Assets</u></b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,081,181	\$ 565,582
Accounts receivable, less allowance for doubtful accounts of \$103,409 in 2021 and \$135,863 in 2020	19,274	10,670
Promises to give (Note 4)	345,237	-
Prepaid expenses and other assets	36,101	15,470
TOTAL CURRENT ASSETS	<u>1,481,793</u>	<u>591,722</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)	<u>25,245,777</u>	<u>17,060,652</u>
OTHER ASSETS		
Cash, restricted funds	7,014	6,979
Interest in net assets of the Catholic Community Fund (Note 3)	1,792,850	1,424,296
Interest in net assets of St. Mary's High School Foundation (Note 3)	3,027,416	5,662,336
	<u>4,827,280</u>	<u>7,093,611</u>
	<u>\$ 31,554,850</u>	<u>\$24,745,985</u>
<b><u>Liabilities and Net Assets</u></b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,374,732	\$ 477,464
Accrued construction costs (Note 5)	-	86,694
Security deposit payable	-	15,000
Due to St. Mary's High School Foundation, Inc. (Note 9)	231,844	202,143
Due to Sacred Heart Parish (Note 9)	10,475	28,500
Deferred revenues	459,710	356,675
Current maturities of long term note payable to Archdiocese (Note 9)	207,643	-
TOTAL CURRENT LIABILITIES	<u>2,284,404</u>	<u>1,166,476</u>
LONG-TERM LIABILITIES		
Revolving loan agreement with the Archdiocese (Note 9)	500,000	-
Long term note payable to Archdiocese, due after one year (Note 9)	3,642,572	-
SBA Paychex Protection Program loan, forgiven in 2021 (Note 10)	-	1,420,183
TOTAL LONG-TERM LIABILITIES	<u>4,142,572</u>	<u>1,420,183</u>
TOTAL LIABILITIES	<u>6,426,976</u>	<u>2,586,659</u>
NET ASSETS		
Without donor restrictions	20,233,677	14,247,283
With donor restrictions (Notes 7 & 8)	4,894,197	7,912,043
	<u>25,127,874</u>	<u>22,159,326</u>
	<u>\$ 31,554,850</u>	<u>\$24,745,985</u>

# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statements of Activities and Changes in Net Assets

### For the Years Ended June 30

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Tuition and fees, net	\$ 5,189,700	\$ -	\$ 5,189,700	\$ 4,823,331	\$ -	\$ 4,823,331
Other programs	42,036	-	42,036	194,845	-	194,845
Contributions:						
Contributed facilities (Note 9)	1,260,000	-	1,260,000	1,260,000	-	1,260,000
Other	2,066,977	1,576,586	3,643,563	1,527,078	1,698,689	3,225,767
Interest income	175	-	175	323	-	323
Interest in change in net assets of the Catholic Community Fund (Note 3)	-	431,583	431,583	-	16,483	16,483
Interest in change in net assets of St. Mary's High School Foundation, Inc. (Note 3)	337,995	2,886,782	3,224,777	9,466	5,414,794	5,424,260
Fundraising and special event	-	-	-	270,625	-	270,625
Less costs of direct benefits to donors	-	-	-	(44,556)	-	(44,556)
Rental income	4,877	-	4,877	29,260	-	29,260
Net assets released from restrictions (Note 7)	7,912,797	(7,912,797)	-	10,368,031	(10,368,031)	-
Total Revenues, Gains & Other Support	<b>16,814,557</b>	<b>(3,017,846)</b>	<b>13,796,711</b>	<b>18,438,403</b>	<b>(3,238,065)</b>	<b>15,200,338</b>
EXPENSES						
Program	9,461,896	-	9,461,896	8,346,864	-	8,346,864
General and administrative	2,192,248	-	2,192,248	2,065,208	-	2,065,208
Fundraising	594,202	-	594,202	520,754	-	520,754
Total Expenses	<b>12,248,346</b>	<b>-</b>	<b>12,248,346</b>	<b>10,932,826</b>	<b>-</b>	<b>10,932,826</b>
CHANGE IN NET ASSETS FROM OPERATIONS	<b>4,566,211</b>	<b>(3,017,846)</b>	<b>1,548,365</b>	<b>7,505,577</b>	<b>(3,238,065)</b>	<b>4,267,512</b>
NON-OPERATING SUPPORT						
Payroll Protection Program loan forgiveness (Note 10)	1,420,183	-	1,420,183	-	-	-
CHANGE IN NET ASSETS	<b>5,986,394</b>	<b>(3,017,846)</b>	<b>2,968,548</b>	<b>7,505,577</b>	<b>(3,238,065)</b>	<b>4,267,512</b>
NET ASSETS AT BEGINNING OF YEAR	<b>14,247,283</b>	<b>7,912,043</b>	<b>22,159,326</b>	<b>6,741,706</b>	<b>11,150,108</b>	<b>17,891,814</b>
NET ASSETS AT END OF YEAR	<b>\$ 20,233,677</b>	<b>\$ 4,894,197</b>	<b>\$ 25,127,874</b>	<b>\$ 14,247,283</b>	<b>\$ 7,912,043</b>	<b>\$ 22,159,326</b>

## St. Mary's High School, Inc. - Lynn, Massachusetts

### Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services			Total Program Services	General & Administrative	Fundraising	Total
	Instructional	Athletics	Auxiliary & Other Activities				
Compensation	\$ 4,062,662	\$ 383,528	\$ 310,763	\$ 4,756,953	\$ 1,181,179	\$ 290,304	\$ 6,228,436
Employee benefits	425,164	9,159	45,702	480,025	171,380	9,241	660,646
Payroll taxes	293,462	24,581	23,513	341,556	77,261	21,946	440,763
Total Personnel Expenses	4,781,288	417,268	379,978	5,578,534	1,429,820	321,491	7,329,845
Professional development	20,187	-	-	20,187	1,800	-	21,987
Outside services	80,832	6,944	6,944	94,720	90,171	4,340	189,231
Lunch program	-	-	534,434	534,434	-	-	534,434
Travel and entertainment	2,755	98	-	2,853	2,442	-	5,295
Technology	181,736	21,981	18,876	222,593	59,591	17,747	299,931
Marketing	94,936	12,055	12,055	119,046	24,111	7,535	150,692
Office equipment	26,768	2,759	2,759	32,286	19,188	1,724	53,198
Academic and program supplies	334,996	22,973	22,973	380,942	103,335	14,436	498,713
Athletic supplies and expenses	-	253,830	-	253,830	-	-	253,830
Transportation	46	102,943	-	102,989	2,355	-	105,344
Contributed rent	793,800	100,800	100,800	995,400	201,600	63,000	1,260,000
Utilities	127,611	16,205	16,205	160,021	32,409	10,128	202,558
Insurance	63,205	8,026	8,026	79,257	16,052	5,016	100,325
Repair and maintenance	162,035	20,576	20,576	203,187	41,152	12,860	257,199
Other fundraising expenses	-	-	-	-	-	71,154	71,154
College scholarships	1,500	-	-	1,500	-	-	1,500
Other expenses	58,107	10,374	272	68,753	37,829	24,023	130,605
Provisions for bad debts	(32,455)	-	-	(32,455)	-	-	(32,455)
Interest	72,601	9,219	9,219	91,039	18,438	5,762	115,239
Depreciation	440,824	55,978	55,978	552,780	111,955	34,986	699,721
<b>TOTAL EXPENSES</b>	<b>\$ 7,210,772</b>	<b>\$ 1,062,029</b>	<b>\$ 1,189,095</b>	<b>\$ 9,461,896</b>	<b>\$ 2,192,248</b>	<b>\$ 594,202</b>	<b>\$ 12,248,346</b>

# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services			Total Program Services	General & Administrative	Fundraising	Total
	Instructional	Athletics	Auxiliary & Other Activities				
Compensation	\$ 3,740,170	\$ 341,447	\$ 311,222	\$ 4,392,839	\$ 1,185,788	\$ 290,004	\$ 5,868,631
Employee benefits	490,493	14,738	46,073	551,304	122,695	9,329	683,328
Payroll taxes	275,095	22,814	23,583	321,492	78,124	21,941	421,557
Total Personnel Expenses	<u>4,505,758</u>	<u>378,999</u>	<u>380,878</u>	<u>5,265,635</u>	<u>1,386,607</u>	<u>321,274</u>	<u>6,973,516</u>
Professional development	10,705	-	300	11,005	6,695	-	17,700
Outside services	78,826	7,145	7,145	93,116	173,295	4,466	270,877
Lunch program	-	-	281,139	281,139	-	-	281,139
Travel and entertainment	12,315	3,794	144	16,253	10,438	-	26,691
Technology	124,610	12,086	12,236	148,932	45,355	31,688	225,975
Marketing	102,573	13,025	13,025	128,623	26,050	8,141	162,814
Office equipment	31,204	3,183	3,183	37,570	13,492	1,989	53,051
Supplies	190,800	3,278	3,278	197,356	23,805	2,976	224,137
Athletic supplies and expenses	-	259,013	-	259,013	-	-	259,013
Transportation	(970)	93,281	-	92,311	610	-	92,921
Contributed rent	793,800	100,800	100,800	995,400	201,600	63,000	1,260,000
Utilities	111,501	14,159	14,159	139,819	28,318	8,849	176,986
Insurance	82,047	10,419	10,419	102,885	20,837	6,512	130,234
Repair and maintenance	137,993	17,523	17,523	173,039	35,046	10,952	219,037
Other fundraising expenses	-	-	-	-	-	28,285	28,285
College scholarships	21,000	-	-	21,000	-	-	21,000
Other expenses	126,890	9,215	3,406	139,511	72,864	26,311	238,686
Provisions for bad debts	144,539	-	-	144,539	-	-	144,539
Depreciation	79,522	10,098	10,098	99,718	20,196	6,311	126,225
<b>TOTAL EXPENSES</b>	<u>\$ 6,553,113</u>	<u>\$ 936,018</u>	<u>\$ 857,733</u>	<u>\$ 8,346,864</u>	<u>\$ 2,065,208</u>	<u>\$ 520,754</u>	<u>\$ 10,932,826</u>

# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statements of Cash Flows

### For the Years Ended June 30

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,968,548	\$ 4,267,512
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	699,721	126,226
SBA Paycheck Protection Program loan forgiveness	(1,420,183)	-
Interest in the change in net assets of the Catholic Community Fund	(431,583)	(16,483)
Interest in the change in net assets of St. Mary's High School Foundation, Inc.	(3,224,777)	(5,424,260)
Distributions of interest in net assets of the Catholic Community Fund	63,029	56,787
Distributions of interest in net assets of St. Mary's High School Foundation, Inc.	5,859,699	9,019,125
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,604)	(2,850)
Promises to give	(345,237)	200,000
Other assets	(20,631)	(3,002)
Accounts payable and accrued expenses	810,574	(530,189)
Security deposit	(15,000)	-
Due to/from related organizations	11,676	67,910
Deferred revenues	103,035	60,687
	<u>5,050,267</u>	<u>7,821,463</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to furniture, equipment and leasehold improvements	<u>(8,884,846)</u>	<u>(8,745,257)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revolving loan agreement with the Archdiocese	500,000	-
Net proceeds of long term loan from Archdiocese	3,994,563	-
Payments on loan term loan from Archdiocese	(144,350)	-
SBA Paycheck Protection Program Loan, forgivable	-	1,420,183
	<u>4,350,213</u>	<u>1,420,183</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND RESTRICTED CASH	515,634	496,389
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>572,561</u>	<u>76,172</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,088,195</u>	<u>\$ 572,561</u>
Reconciliation of total cash and restricted cash to amounts shown in the statements of financial position:		
Cash	\$ 1,081,181	\$ 565,582
Restricted cash	7,014	6,979
	<u>\$ 1,088,195</u>	<u>\$ 572,561</u>
<b><u>Supplemental Cash Flow Information</u></b>		
Cash paid for interest	<u>\$ 112,619</u>	<u>\$ -</u>
Noncash investing activities:		
Costs of construction in process in accounts payable	<u>\$ -</u>	<u>\$ 86,694</u>



# St. Mary's High School, Inc. – Lynn, Massachusetts

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## Notes to Financial Statements

June 30, 2021

### Note 1 – Nature of Organization

St. Mary's High School, Inc. of Lynn, Massachusetts (the School) is a private Catholic school that transcends early childhood through secondary education. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition. The School derives its revenue and support from student tuition, donations, auxiliary activities and other related operating activities. Revenues are also generated from other programs such as athletics, school lunches and the like.

In October of 2018, the School and the Roman Catholic Archdiocese of Boston (RCAB), acting on behalf of Sacred Heart Parish in Lynn, entered into a memorandum of understanding whereby the School took sponsorship of, and management responsibilities for, Sacred Heart Elementary School ("Sacred Heart") which was previously operated by Sacred Heart Parish. Under this agreement, effective with the academic year 2019-2020 (fiscal 2020), Sacred Heart is operated by and as a component of the School.

Under the memorandum, the School was not responsible for any existing or contingent liabilities of Sacred Heart, and all existing financial assets of Sacred Heart, including those held by Sacred Heart Parish, were remitted to the School to the extent that they were derived from or dedicated for the operation of Sacred Heart, including scholarship and endowment funds.

As a result of this memorandum of understanding with the RCAB, the accompanying financial statements of the School for the years ended June 30, 2021 and 2020 include the activities of Sacred Heart.

### Note 2 – Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation – The School prepares its financial statements under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). As a not-for-profit corporation, the School presents in its statement of financial position and statement of activities and changes in net assets, two classes of net assets based on the existence or absence of donor-imposed restrictions as stated below.

Accounting 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. Actual results may differ from those estimates.

Net Assets Without Donor Restrictions – These are net assets available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Trustees may designate net assets without restrictions for specific purposes.

Net Assets With Donor Restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of events or the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity, such as endowments.

## Note 2 – Significant Accounting Policies (Cont.)

Donor-restricted revenues, support and gains are recorded as "net assets with donor restrictions" when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of "net assets with donor restrictions" are reclassified to "net assets without donor restrictions" and reported in the statement of activities as "net assets released from restrictions".

Contributions made with donor-imposed restrictions to maintain the principal in perpetuity, while allowing the use of income generated therefrom, are also classified as "net assets with donor restrictions". Income derived from the investment of these perpetual net assets is reported as an increase in "net assets without donor restrictions" or "net assets with donor restrictions", depending on the terms of the donor instrument. Unrealized gains or losses on perpetual net assets are reported as increases or decreases in "net assets with donor restrictions" unless the donor explicitly states otherwise.

See Note 7 regarding restrictions on net assets.

Contributions – The School follows guidance under Accounting Standards Update (ASU) 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The ASU assists entities in evaluating whether transactions should be accounted for and reported as contributions, or as exchange transactions, and in determining whether a contribution is conditional or unconditional. The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public, or segments thereof, and the resource provider (such as a foundation, government agency, corporation or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is treated as a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. Transactions determined to be contributions are reported as support with or without donor restrictions as described above, Basis of Accounting and Financial Statement Presentation.

Conditional Grants and Contributions – Conditional grants and contributions are not recognized as revenue or support until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. As of June 30, 2021, the School has a conditional grant in the amount of \$377,000 which was awarded under the Emergency Assistance to Non-Public Schools (EANS) program. The School has determined that the conditions for this grant were not met until fiscal year 2022, when the reimbursement for the funds were approved and subsequently received by the School. The School had no conditional grants or contributions at June 30, 2020.

Promises to Give – Contributions, including unconditional promises to give to the School, are recognized as support in the period made. Promises to give that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contributed support in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible promises to give may be provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. As of June 30, 2021, and 2020, there was no such allowance as one was not considered necessary by management (see Note 4).

Cash and Cash Equivalents – For the purpose of classification in the statement of financial position, cash and cash equivalents include amounts on-hand and in bank accounts, including time-deposits with original maturities of 90 days or less.

## Note 2 – Significant Accounting Policies (Cont.)

Statement of Cash Flows – For purposes of presenting the statement of cash flows, the School considers cash to be cash in banks, including restricted cash. Restricted cash at June 30, 2021 and 2020 of \$7,014 and \$6,979, respectively, represents amounts that have been earmarked for scholarships and financial aid by donors.

Accounts Receivable – Accounts receivable for tuition and other charges are stated net of an allowance for doubtful accounts, when considered necessary by management, which would be reported on the face of the School's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible based on evaluations of the collectability of individual accounts, the School's history of prior loss experience, and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely.

Accounting for Assets Held by Others – Generally accepted accounting principles require the School to recognize as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the School. Additionally, the statement requires the School to adjust the interest for its share of the change in the related organization's net assets. Distributions to the School from these organizations are recorded as a reduction in the School's recorded interest. The School is a beneficiary of two separate foundations, the Catholic Community Fund and St. Mary's High School Foundation, Inc. Both of these foundations are considered related parties (see Notes 3 and 9).

Furniture, Equipment and Leasehold Improvements – Furniture, equipment and leasehold improvements are stated at cost less accumulated provisions for depreciation (see Note 5). Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives in Years</u>
Furniture and equipment	5 years
Leasehold improvements	39 years
Gateway building	39 years

Revenue Recognition – The School recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers". The standard is based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers, in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services.

The School recognizes revenue from student tuition and fees during the fiscal year in which the related services are provided to students. Contracts with the students coincide with the School's fiscal year. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Gross tuition and fees reflect the School's normal tuition rates for all students. Tuition revenues are presented in the statement of activities and changes in net assets, net of discounts and scholarships given on the basis of financial need and/or achievement. A contract liability is recorded as deferred revenue representing tuition and seat deposits received in the current fiscal year that are applicable to future fiscal years.

## Note 2 – Significant Accounting Policies (Cont.)

A summary of net tuition revenue and fees is as follows:

	<u>2021</u>	<u>2020</u>
Gross tuition and fees	\$ 10,101,732	\$ 8,513,123
Less:		
Discounts	408,032	242,006
Funded financial aid	135,265	224,096
Financial aid provided through operations	2,702,741	1,506,672
Funded academic scholarships awarded	823,394	881,588
Other scholarships awarded through operations	842,600	835,430
Net tuition revenue and fees	<u>\$ 5,189,700</u>	<u>\$ 4,823,331</u>

Other program revenues are generated from other activities related to the School's operations, such as the School cafeteria and athletics, as well as certain student activities including boosters, student council and national honor society. Revenues from most of these activities are recognized at the time of sale, when an event takes place, or at the time that other performance obligations are satisfied.

Contributed Facilities – The School pays annual rent of \$1.00 to the RCAB for each of two facilities located in Lynn, Massachusetts. The estimated current rental value of the facilities is reported as rent expense, and a corresponding amount is reported as support in the statement of activities (see Note 9).

Functional Allocation of Expenses – The statements of activities and changes in net assets reports a summary of the School's expenses by function, either program or supporting functions. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses are charged directly to the programs or supporting functions to which they relate. Other expenses require allocation to programs and/or supporting functions, which is made on a reasonable basis that is consistently applied in the accompanying financial statements. The expenses that are generally allocated include salaries and wages, payroll taxes and benefits, which are allocated on the basis of estimated efforts, and occupancy related costs, which are allocated on a square footage basis.

Accrued Compensation – Faculty members of the School have annual contracts covering the period September 1 – August 31, whereby compensation for each academic year is earned as of the School's fiscal year, June 30. As a result, the School records a significant amount of accrued compensation for faculty members at the end of the year for payments that will be made in July and August of the following fiscal year.

Tax-Exempt Status – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income taxation.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the School for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2021 through May 11, 2022, the date the accompanying financial statements were available to be issued.

### Note 3 – Interest in Foundations

The School is the beneficiary of donations collected on its behalf by two related organizations, the Catholic Community Fund and the St. Mary's High School Foundation, Inc. As discussed in Note 2, "Accounting for Assets Held by Others", the School has recorded as assets its interests in the foundations' net assets as follows at June 30:

	<u>2021</u>	<u>2020</u>
Catholic Community Fund	\$ 1,792,850	\$ 1,424,296
St. Mary's High School Foundation, Inc.	<u>3,027,416</u>	<u>5,662,336</u>
	<u>\$ 4,820,266</u>	<u>\$ 7,086,632</u>

During the reporting years, the School's interests in the net assets of the foundations increased as follows:

	<u>2021</u>	<u>2020</u>
Catholic Community Fund	\$ 431,583	\$ 16,483
St. Mary's High School Foundation, Inc.	<u>3,224,777</u>	<u>5,424,260</u>
	<u>\$ 3,656,360</u>	<u>\$ 5,440,743</u>

Distributions received from the foundations were as follows:

	<u>2021</u>	<u>2020</u>
Catholic Community Fund	\$ 63,029	\$ 56,787
St. Mary's High School Foundation, Inc.	<u>5,859,699</u>	<u>9,019,125</u>
	<u>\$ 5,922,728</u>	<u>\$ 9,075,912</u>

The School is one of several beneficiaries of Catholic Community Fund. The Articles of Organization of the St. Mary's High School Foundation, Inc. state that its sole purpose is to assist in and facilitate the renovation and improvement of the School's buildings, and generally support the overall mission of the School. The net assets of St. Mary's High School Foundation, Inc. as of June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 28,352	\$ 2,639,634
Cash, restricted	5,646	5,618
Investments, at fair value	2,329,088	1,940,318
Due from St. Mary's High School	231,844	202,143
Promises to give, net	441,112	884,848
Accounts payable and accrued expenses	<u>(8,626)</u>	<u>(10,225)</u>
	<u>\$ 3,027,416</u>	<u>\$ 5,662,336</u>

### Note 4 – Promises to Give

At June 30, 2021, promises to give to the School in the amount of \$345,237 represent amounts due from donors within one year. There were no promises to give to the School as of June 30, 2020.

For the year ended June 30, 2021, 69% of the promises to give represents a pledge made by one donor.

## Note 5 – Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Gateway building	\$ 22,449,961	\$ -
Leasehold improvements	2,508,736	2,340,519
Furniture and equipment	2,746,668	1,640,272
Construction-in-process	299,590	15,139,319
	<u>28,004,955</u>	<u>19,120,110</u>
Less accumulated provisions for depreciation	<u>(2,759,178)</u>	<u>(2,059,458)</u>
	<u>\$ 25,245,777</u>	<u>\$ 17,060,652</u>

Depreciation expense totaled \$699,721 and \$126,226 for the years ended June 30, 2021 and 2020, respectively.

Construction in Process – At June 30, 2021, construction-in-process represents costs incurred to date on the gardens and new outdoor space on campus. At June 30, 2020, construction in process represented costs incurred to date on the construction of the Gateway Building, which was completed in the fall of 2020 at a total cost of approximately \$22 million. Construction costs for the Gateway building were funded by distributions from the net assets of St. Mary's Foundation as well as by financing from the RCAB as discussed in Note 9.

## Note 6 – Financial Instruments and Concentrations of Credit Risk

The School's financial instruments that potentially subject it to concentrations of credit risk consist of cash, accounts receivable, donor promises to give to the School, interests in the net assets of two foundations, and a note payable to the RCAB.

The School maintains its cash accounts and equivalents in high-quality financial institutions. At times, the amounts on deposit at any institution may exceed insured limits. At June 30, 2021, there were deposits of \$628,000 in excess of FDIC insured limits based on bank balances.

The School also has approximately \$7,000 on deposit with the RCAB at June 30, 2021. These funds are uninsured and pooled together with other related organizations' funds in the RCAB's revolving loan fund.

The School's accounts receivable reflect amounts due from its students for tuition and special activity fees with no specific concentrations.

The School has significant interests in the net assets of two foundations approximating \$1,793,000 and \$3,027,000, respectively, at June 30, 2021. The net assets of the foundations primarily consist of investments and cash (see Note 3).

At June 30, 2021, the School is indebted to the RCAB under a long-term promissory note with a current balance of approximately \$3.8 million, as well as under a \$1 million line of credit with outstanding borrowings of \$500,000, as discussed in Note 9. Together, the outstanding borrowings of \$4.3 million represent 73% of the School's total liabilities at June 30, 2021.

## Note 7 – Net Assets with Donor Restrictions

The following is a summary of net assets with donor restrictions at June 30:

	<u>2021</u>	<u>2020</u>
Temporary in nature	\$ 3,337,729	\$ 6,355,575
Perpetual in nature	<u>1,556,468</u>	<u>1,556,468</u>
	<u>\$ 4,894,197</u>	<u>\$ 7,912,043</u>

Net assets with donor restrictions which are temporary in nature include amounts that are restricted for the following purposes and programs at June 30:

	<u>2021</u>	<u>2020</u>
Interest in restricted net assets of the Catholic Community Fund	\$ 792,850	\$ 424,296
Scholarships and financial aid	526,629	920,115
Rugby	-	20,000
Interest in restricted net assets of St. Mary's High School Foundation, Inc.:		
Scholarships and financial aid to students of the High School	614,299	717,298
Accumulated income from endowments	118,671	24,292
Capital campaign for the High School (Note 5)	975,207	3,982,102
College scholarships for students of the High School	<u>310,073</u>	<u>267,472</u>
	<u>\$ 3,337,729</u>	<u>\$ 6,355,575</u>

Net assets with donor restrictions that are perpetual in nature consist of the following endowment funds, which are required to be maintained in perpetuity, at June 30:

	<u>2021</u>	<u>2020</u>
Interest in restricted net assets of the Catholic Community Fund	\$ 1,000,000	\$ 1,000,000
Interest in restricted net assets of St. Mary's High School Foundation, Inc.	<u>556,468</u>	<u>556,468</u>
	<u>\$ 1,556,468</u>	<u>\$ 1,556,468</u>

Net assets were released from donor restrictions by incurring qualified costs and expenses, or by the occurrence of other events satisfying the restricted purposes as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Student scholarships and financial assistance	\$ 1,889,672	\$ 1,259,971
Sacred Heart	5,835	63,935
Athletics and arts programs	35,415	25,000
Recruiting	37,500	-
Other	84,677	-
Building Futures Campaign:		
Scholarships and financial assistance	262,700	419,475
Gateway building	<u>5,596,998</u>	<u>8,599,650</u>
	<u>\$ 7,912,797</u>	<u>\$ 10,368,031</u>

## **Note 8 – Endowments**

The School's net assets that are perpetual in nature consist of endowment funds established to support scholarships to students of the School, which were raised and are held by the Catholic Community Fund and St. Mary's High School Foundation, Inc. (see Note 3). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The School has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, amounts classified as net assets with donor restrictions consist of the original value of gifts donated to permanent endowment, and accumulations to donor restricted endowments in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of an endowment fund. Also included in net assets with donor restrictions is the accumulated appreciation on the donor restricted endowment funds which are available for expenditure in a manner consistent with donor intentions, and the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value". Deficiencies of this nature are reported by a charge to net assets with donor restrictions. Deficiencies may result from unfavorable market fluctuations that occurred. There were no such deficiencies as of June 30, 2021 and 2020.

Endowment Investment Policy – The School has adopted an investment philosophy that is followed by St. Mary's High School Foundation, Inc. which, combined with the spending rate, attempts to provide a predictable stream of returns, thereby making funds available to programs that are supported by its endowments, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School or the Foundation must hold in perpetuity or for donor-specified periods.

Under this Investment Policy and the School's spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives – To satisfy long-term, rate-of-return objectives, the School and the Foundation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). The School is the beneficiary of St. Mary's High School Foundation and one beneficiary of the Catholic Community Fund, both of which have invested their endowment asset portfolios in the Common Investment Fund, a mutual fund established by the Roman Catholic Archbishop of Boston, a Corporation Sole, which, in turn, invests in the Collective Investment Partnership. The Investment Committee of Corporation Sole is responsible for selecting the investment managers of the Collective Investment Partnership.

The Investment Committee's investment rationale is to include an array of different strategy and investment managers for the Collective Investment Partnership's portfolio to reduce overall volatility while providing investment returns above industry benchmarks.



## Note 8 – Endowments (Cont.)

Endowment Net Assets – Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	Donor-Restricted		
	Temporary in Nature	Perpetual in Nature	Total
<b>For the year ended June 30, 2021:</b>			
Endowment net assets at beginning of year	\$ 448,588	\$ 1,556,468	\$ 2,005,056
Contributions	-	-	-
Interest in net assets of the Catholic Community Fund	431,583	-	431,583
Interest in net assets of St. Mary's High School Foundation	181,804	-	181,804
Appropriation of endowment assets for expenditure	(150,454)	-	(150,454)
Endowment net assets at end of year	<u>\$ 911,521</u>	<u>\$ 1,556,468</u>	<u>\$ 2,467,989</u>
<b>For the year ended June 30, 2020:</b>			
Endowment net assets at beginning of year	\$ 477,399	\$ 1,556,468	\$ 2,033,867
Interest in net assets of the Catholic Community Fund	16,483	-	16,483
Interest in net assets of St. Mary's High School Foundation	11,493	-	11,493
Appropriation of endowment assets for expenditure	(56,787)	-	(56,787)
Endowment net assets at end of year	<u>\$ 448,588</u>	<u>\$ 1,556,468</u>	<u>\$ 2,005,056</u>

## Note 9 – Related Party Debt and Other Transactions

Financing Arrangements – During 2019, the School entered into two new line of credit agreements with the Roman Catholic Archdiocese of Boston ("RCAB") (an entity related by common board members). The School obtained a \$1,000,000 revolving line of credit agreement for working capital purposes. Borrowings bear interest at 3.75%. The School may borrow under this line of credit through July 15, 2022, and the agreement matures on July 31, 2022. Outstanding borrowings under this agreement total \$500,000 as of June 30, 2021, and are included in long-term liabilities in the accompanying statement of financial position. There were no outstanding borrowings under this agreement at June 30, 2020.

The School also obtained a \$2,000,000 revolving line of credit agreement with the RCAB to be used exclusively for the construction of the Gateway building. Borrowings bore interest at 3.75% and it had a maturity date of June 30, 2021. There were no outstanding borrowings at June 30, 2020 under this line of credit agreement; however, during fiscal year 2021, the School borrowed under this line to assist in funding additional construction costs on the Gateway Building (see Note 5). In fiscal year 2021, the outstanding borrowings under this agreement were repaid using proceeds of a new long-term loan from the RCAB discussed below.

In October of 2020, the School obtained a \$4 million loan from the RCAB for the purpose of repaying its borrowings under the \$2 million construction line of credit, and to provide \$2 million of funding for the completion of the Gateway Building. Under the agreement, beginning in November of 2020, monthly principal and interest payments of \$29,089 are due through October of 2035. The note bears an interest rate of 3.75% and prepayments may be made without penalty. There are also certain financial covenants that must be met each year by the School.

## Note 9 – Related Party Debt and Other Transactions (Cont.)

Future repayments under the long-term debt agreement with the RCAB are as follows:

<u>Year Ending June 30</u>	<u>Principal Maturities</u>
2022	\$ 207,643
2023	215,565
2024	223,789
2025	232,327
2026	241,190
Thereafter	<u>2,729,701</u>
	<u>\$ 3,850,215</u>

Insurance – During the years ended June 30, 2021 and 2020, the School was charged \$868,447 and \$933,060, respectively, for health, life, disability, workers' compensation and property insurance administered by the RCAB.

Lease Agreement and Contributed Facilities – The School leases land and a building from the RCAB. Effective August 1, 2006, the School entered into a lease agreement for a four-year period ending July 1, 2010, requiring annual lease payments of \$1.00. The School has yet to sign a new lease agreement and is currently a tenant-at-will. Additionally, beginning in 2020, the RCAB also leases the Sacred Heart school building to the School on a triple-net basis for \$1.00 per year for an initial term of 25 years, with three, five-year options to extend on the same terms.

For both of these lease agreements, all maintenance, capital improvements and expenditures are the responsibility of the School. The estimated current rental value of both facilities approximated \$1,260,000 for both of the years ended June 30, 2021 and 2020. The estimated value of the rentals is recorded as both support and expense in the accompanying statements of activities.

Other Related Party Transactions – During the course of the year, the School provides services to St. Mary's High School Foundation, Inc. at no charge to the Foundation. Management estimates the value of these services at approximately \$72,000 and \$73,000 for the years ended June 30, 2021 and 2020, respectively.

Amounts due to St. Mary's High School Foundation, Inc. were \$231,844 and \$202,143 at June 30, 2021 and 2020, respectively.

Amounts due to Sacred Heart Parish were \$10,475 and \$28,500 at June 30, 2021 and 2020, respectively. Under the agreement made with Sacred Heart Parish, monthly payments of \$1,500 are due to the Parish through January of 2022.

As discussed in Note 3, "Interest in Foundations", the School is one beneficiary of the Catholic Community Fund, and the sole beneficiary of St. Mary's High School Foundation, Inc. The School is related through common Board membership to St. Mary's High School Foundation, Inc.

## Note 10 – SBA Paycheck Protection Program Loan Forgiveness

In April of 2020, the School applied for, and received, a \$1,420,183 Paycheck Protection Program (PPP) loan from its primary lender, through the Small Business Administration, as authorized by the U.S. Government's stimulus package in response to the economic fallout of the COVID-19 pandemic, the CARES Act. The School was eligible for a partial or complete loan forgiveness if it met certain criteria related to maintaining employment and salary levels, and if it used the loan funds for payroll costs, mortgage interest, and utilities over a specified period from the time the loan was obtained. The School applied for the loan's forgiveness under the terms of the agreement, and in fiscal year 2021, it was notified by the SBA that the loan and accrued interest has been forgiven in full, and the School was released from obligation under the debt instrument. The amount of loan forgiveness is reflected as non-operating support in the accompanying statement of activities and changes in net assets for 2021.

## Note 11 – Employee Pension Plan

The School participates in a 401(k) plan maintained by the RCAB. The School contributes a matching contribution subject to formulas defined in the plan document. Each eligible employee may defer up to 100% of compensation subject to limits on the maximum amount allowed by law. Matching contributions related to the 401(k) defined contribution plan approximated \$125,000 and \$120,000 for the years ended June 30, 2021 and 2020, respectively.

## Note 12 – Liquidity and Availability of Resources

The School's financial assets available within one year of June 30 for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,081,181	\$ 565,582
Accounts receivable, net	19,274	10,670
Promises to give, restricted (Note 4)	345,237	-
Cash, restricted	7,014	6,979
Interest in the net assets of Catholic Community Fund	1,792,850	1,424,296
Interest in the net assets of St. Mary's High School Foundation, Inc.	<u>3,027,416</u>	<u>5,662,336</u>
Total financial assets	6,272,972	7,669,863
Less: Net assets with donor restrictions (Note 7)	<u>(4,894,197)</u>	<u>(7,912,043)</u>
Availability of (deficiency in) financial assets	1,378,775	(242,180)
Plus: Other liquidity resources		
RCAB line of credit available for working capital	<u>500,000</u>	<u>1,000,000</u>
Financial assets and liquidity resources available for general expenditure within one year	<u>\$ 1,878,775</u>	<u>\$ 757,820</u>

The School has a policy to structure its financial assets and other liquidity resources to be available and liquid as obligations come due. Management anticipates receiving sufficient revenue and support through tuition, grants, and contributions over the next twelve months to cover general expenditures over that same period. Management also anticipates receiving distributions from the Foundation to fund financial aid and scholarships consistent with previous years.

In addition, the School has a \$1,000,000 revolving line of credit from the RCAB (noted above) that can be used for working capital purposes and, therefore, can be available for future general expenditures.

## Note 13 – Legal Matters

Various legal claims may arise from time-to-time in the normal course of the School's operations. In the opinion of management, the resolution of any such claims will have no material impact on the School's financial statements.