



Audited Financial Statements

Cathedral High School, Inc.

June 30, 2021

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Independent Auditors' Report

Board of Trustees
Cathedral High School, Inc.

We have audited the accompanying financial statements of Cathedral High School, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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 Cathedral 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
February 14, 2022, except for Note 7,
as to which the date is May 27, 2022

Cathedral High School, Inc.

Statements of Financial Position

June 30

<u>Assets</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 820,738	\$ 1,185,898
Investments at fair value (Notes 4 & 7)	-	1,984,467
Accounts receivable, less allowance for doubtful accounts of \$88,256 in 2021 and \$123,879 in 2020	30,094	31,489
Promises to give within one year, net (Notes 5 & 7)	54,000	64,100
Due from affiliate (Note 11)	-	50,000
Prepaid expenses and other assets	50,060	42,232
TOTAL CURRENT ASSETS	<u>954,892</u>	<u>3,358,186</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET (Note 6)	<u>11,389,034</u>	<u>11,753,137</u>
OTHER ASSETS		
Restricted cash (Note 2)	134,426	299,201
Investments at fair value, restricted (Notes 4, 7 & 9)	285,079	12,526,392
Promises to give, net of current portion and discount (Notes 5 & 7)	31,725	-
Interest in the net assets of the Adopt-A-Student Foundation (Note 3)	20,944,743	41,257
	<u>21,395,973</u>	<u>12,866,850</u>
	<u>\$ 33,739,899</u>	<u>\$ 27,978,173</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 131,496	\$ 5,999
Accrued expenses	356,811	318,648
Due to affiliate (Note 11)	86,588	-
Deferred revenue	800	-
Bond payable, due within one year (Note 7)	39,664	37,344
Loan agreement with the Archdiocese, due within one year (Note 7)	334,693	255,713
TOTAL CURRENT LIABILITIES	<u>950,052</u>	<u>617,704</u>
LONG-TERM LIABILITIES		
SBA Paycheck Protection Program loan, forgivable (Note 8)	633,858	632,000
Bond payable, due after one year (Note 7)	1,335,140	1,377,386
Loan agreement with the Archdiocese, due after one year (Note 7)	2,453,479	2,729,511
TOTAL LONG-TERM LIABILITIES	<u>4,422,477</u>	<u>4,738,897</u>
TOTAL LIABILITIES	<u>5,372,529</u>	<u>5,356,601</u>
COMMITMENTS & CONTINGENCIES (Notes 11 & 15)		
NET ASSETS (Notes 9 & 10)		
Without donor restrictions:		
Undesignated	6,879,123	7,656,155
Board-designated quasi-endowments	2,169,529	1,984,467
	<u>9,048,652</u>	<u>9,640,622</u>
With donor restrictions	19,318,718	12,980,950
	<u>28,367,370</u>	<u>22,621,572</u>
	<u>\$ 33,739,899</u>	<u>\$ 27,978,173</u>

Cathedral High School, Inc.

Statements of Activities

For the Years Ended June 30

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Tuition and fees	\$ 2,089,967	\$ -	\$ 2,089,967	\$ 1,898,418	\$ -	\$ 1,898,418
Less financial aid	(1,435,067)	-	(1,435,067)	(1,188,210)	-	(1,188,210)
Tuition and Fees, net	654,900	-	654,900	710,208	-	710,208
Gifts and donations	619,133	942,833	1,561,966	484,627	449,228	933,855
Contributed services (Note 11)	65,773	-	65,773	52,539	-	52,539
Contributed facilities (Note 11)	335,500	-	335,500	335,500	-	335,500
Support from Catholic Schools Foundation	-	447,375	447,375	-	449,807	449,807
Interest and dividend income	567	-	567	17,243	46,739	63,982
Realized and unrealized (losses) gains on investments (net of investment fees)	339,170	2,215,164	2,554,334	(50,822)	(7,785)	(58,607)
Auxiliary services	635	-	635	61,693	-	61,693
Rental income	3,600	-	3,600	55,500	-	55,500
Other program income	14,961	-	14,961	87,510	-	87,510
Change in interest in net assets of the Adopt-A-Student Foundation (Notes 3, 11 & 13)	203,355	3,851,344	4,054,699	-	1,068,225	1,068,225
Net assets released from restrictions (Note 9)	3,118,948	(3,118,948)	-	2,294,052	(2,294,052)	-
Total Revenues and Support	5,356,542	4,337,768	9,694,310	4,048,050	(287,838)	3,760,212
EXPENSES						
Program	5,201,321	-	5,201,321	4,995,072	-	4,995,072
General and administrative	1,023,361	-	1,023,361	996,206	-	996,206
Fundraising	355,830	-	355,830	184,937	-	184,937
Total Expenses	6,580,512	-	6,580,512	6,176,215	-	6,176,215
CHANGE IN NET ASSETS FROM OPERATIONS	(1,223,970)	4,337,768	3,113,798	(2,128,165)	(287,838)	(2,416,003)
NON-OPERATING SUPPORT						
Payroll Protection Program loan forgiveness (Note 8)	632,000	-	632,000	-	-	-
CHANGE IN NET ASSETS BEFORE TRANSFER	(591,970)	4,337,768	3,745,798	(2,128,165)	(287,838)	(2,416,003)
TRANSFER OF ASSETS FROM THE ADOPT-A-STUDENT FOUNDATION (Note 3)	-	2,000,000	2,000,000	-	2,000,000	2,000,000
CHANGE IN NET ASSETS	\$ (591,970)	\$ 6,337,768	\$ 5,745,798	\$ (2,128,165)	\$ 1,712,162	\$ (416,003)

Cathedral High School, Inc.

Statements of Changes in Net Assets

For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
NET ASSETS AT JUNE 30, 2019	\$ 8,148,884	\$3,619,903	\$11,768,787	\$11,268,788	\$ 23,037,575
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020	(492,729)	(1,635,436)	(2,128,165)	1,712,162	(416,003)
NET ASSETS AT JUNE 30, 2020	7,656,155	1,984,467	9,640,622	12,980,950	22,621,572
CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021	(777,032)	185,062	(591,970)	6,337,768	5,745,798
NET ASSETS AT JUNE 30, 2021	<u>\$ 6,879,123</u>	<u>\$2,169,529</u>	<u>\$ 9,048,652</u>	<u>\$19,318,718</u>	<u>\$ 28,367,370</u>

Cathedral High School, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services			General & Administrative	Fundraising	Total
	Instructional	Auxiliary & Other Programs	Total Program Services			
Compensation	\$ 2,206,088	\$ 191,048	\$ 2,397,136	\$ 587,318	\$ 213,056	\$ 3,197,510
Employee benefits	353,433	22,329	375,762	62,432	22,548	460,742
Payroll taxes	173,147	16,685	189,832	46,316	16,848	252,996
Retirement plan	49,863	4,805	54,668	13,338	4,852	72,858
Total Personnel Expenses	2,782,531	234,867	3,017,398	709,404	257,304	3,984,106
Professional fees	-	-	-	72,920	21,268	94,188
Academic programs	75,442	-	75,442	-	-	75,442
Admissions	37,032	-	37,032	-	-	37,032
Student activities	-	30,856	30,856	-	-	30,856
Athletics supplies and expenses	-	65,388	65,388	-	-	65,388
Rent	161,780	154,107	315,887	18,275	1,340	335,502
Insurance	22,692	21,616	44,308	2,563	188	47,059
Professional development	40,251	-	40,251	57	124	40,432
Office supplies	7,972	-	7,972	49,866	20,307	78,145
Public relations and advertising	-	-	-	16,396	-	16,396
Care of building and grounds	33,904	32,296	66,200	3,830	281	70,311
Utilities	81,634	77,763	159,397	9,222	676	169,295
Computers and technology	128,659	-	128,659	-	-	128,659
Cafeteria and other auxiliary activities	-	75,357	75,357	-	-	75,357
Printing and postage	173	-	173	6,485	29,002	35,660
Contracted cleaning	61,771	58,841	120,612	6,978	511	128,101
Bad debt expense	-	-	-	55,106	-	55,106
Miscellaneous	32,580	-	32,580	15,343	20,657	68,580
Interest expense	88,402	84,209	172,611	9,986	732	183,329
Depreciation and amortization	415,450	395,748	811,198	46,930	3,440	861,568
TOTAL EXPENSES	\$ 3,970,273	\$ 1,231,048	\$ 5,201,321	\$ 1,023,361	\$ 355,830	\$ 6,580,512

Cathedral High School, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services			General & Administrative	Fundraising	Total
	Instructional	Auxiliary & Other Programs	Total Program Services			
Compensation	\$ 2,181,103	\$ 195,117	\$ 2,376,220	\$ 511,474	\$ 101,058	\$ 2,988,752
Employee benefits	275,499	20,435	295,934	53,378	10,395	359,707
Payroll taxes	152,143	13,918	166,061	35,777	7,080	208,918
Retirement plan	41,861	3,830	45,691	9,844	1,949	57,484
Total Personnel Expenses	2,650,606	233,300	2,883,906	610,473	120,482	3,614,861
Professional fees	2,255	-	2,255	91,274	25,872	119,401
Academic programs	89,664	-	89,664	-	-	89,664
Admissions	14,394	-	14,394	-	-	14,394
Student activities	-	32,843	32,843	-	-	32,843
Athletics supplies and expenses	-	69,483	69,483	-	-	69,483
Rent	161,780	154,107	315,887	18,275	1,340	335,502
Insurance	20,724	19,741	40,465	2,341	172	42,978
Professional development	5,371	-	5,371	5,351	302	11,024
Office supplies	15,935	-	15,935	84,496	8,039	108,470
Public relations and advertising	-	-	-	30,573	-	30,573
Care of building and grounds	30,500	29,054	59,554	3,445	253	63,252
Utilities	80,936	77,097	158,033	9,143	670	167,846
Computers and technology	83,018	-	83,018	-	-	83,018
Cafeteria and other auxiliary activities	-	121,873	121,873	-	-	121,873
Printing and postage	9,050	-	9,050	14,809	15,080	38,939
Contracted cleaning	47,347	45,102	92,449	5,348	392	98,189
Bad debt expense	-	-	-	30,435	-	30,435
Miscellaneous	10,685	-	10,685	32,956	8,136	51,777
Interest expense	95,400	90,876	186,276	10,777	790	197,843
Depreciation and amortization	411,728	392,203	803,931	46,510	3,409	853,850
TOTAL EXPENSES	\$ 3,729,393	\$ 1,265,679	\$ 4,995,072	\$ 996,206	\$ 184,937	\$ 6,176,215

Cathedral High School, Inc.

Statements of Cash Flows

For the Years Ended June 30

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,745,798	\$ (416,003)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	861,568	853,850
Amortization of deferred financing costs	8,468	8,468
Realized and unrealized (gains) losses on investments	(2,554,334)	58,607
Distribution of grants from the Adopt-A-Student Foundation	2,039,000	1,520,000
Interest in change in net assets of the Adopt-A-Student Foundation	(4,054,699)	(1,068,225)
Paycheck Protection Program loan forgiveness	(632,000)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	1,395	(5,774)
Promises to give, net	(21,625)	86,400
Prepaid expenses	(7,828)	(8,167)
Due to/from affiliate	136,588	(50,000)
Accounts payable	125,497	(13,486)
Accrued expenses	38,163	(20,013)
Deferred revenue	800	(7,300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,686,791</u>	<u>938,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(497,464)	(78,229)
Investment purchases	(2,858,437)	(2,329,253)
Sales of investments	750,763	1,642,000
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,605,138)</u>	<u>(765,482)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments) borrowings under revolving loan agreement	(197,052)	1,824
SBA Paycheck Protection Program loan, forgivable	633,858	632,000
Payments on bond payable	(48,394)	(46,026)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>388,412</u>	<u>587,798</u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(529,935)	760,673
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,485,099</u>	<u>724,426</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 955,164</u>	<u>\$ 1,485,099</u>
Reconciliation of total cash and restricted cash to amounts shown in the statements of financial position:		
Cash	\$ 820,738	\$ 1,185,898
Restricted cash	134,426	299,201
	<u>\$ 955,164</u>	<u>\$ 1,485,099</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 174,861</u>	<u>\$ 189,375</u>
Noncash investing activities:		
Transfer of investments to the Adopt-A-Student Foundation	<u>\$ 18,887,788</u>	<u>\$ -</u>

Cathedral High School, Inc.

Notes to Financial Statements

June 30, 2021

Note 1 – Nature of Organization

Cathedral High School, Inc. (the "School") is a private high school located in Boston, Massachusetts. 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. A majority of the School's funding is from donations and funding from a related organization, The Adopt-A-Student Foundation (Notes 4 and 11), as well as student tuition.

Note 2 – Summary of 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 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 certain reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these 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 have been designated by the Board as amounts quasi-endowed to provide a permanent source of income as disclosed in Notes 9 and 10.

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.

Donor-restricted support is 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 9 regarding restrictions on net assets.

Note 2 – Summary of Significant Accounting Policies (Cont.)

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.

Conditional Grants and Contributions – Conditional grants and contributions are not recognized as support until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. The School has no conditional grants or contributions at June 30, 2021 or 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. Contributions 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 contributions 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 5).

Accounts Receivable – Accounts receivable relate principally to tuition billings and 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.

Investments – The School’s investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Investments established from donor restricted funds are classified as non-current assets (see Notes 4, 9 and 10).

Fair Value Measurements – The School follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures”, for assets and liabilities that are measured at fair value on a recurring basis. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Fair value measurement principles apply to the reporting of the School’s investments, as well as its interest in investments held by a related organization on its behalf (see Notes 3 and 4).

Note 2 – Summary of Significant Accounting Policies (Cont.)

Cash and Equivalents – The School considers highly-liquid investments with maturities of three months or less at purchase to be cash equivalents.

Statement of Cash Flows – For the 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 \$134,426 and \$299,201, respectively, represents amounts that have been earmarked for specific purposes by donors related to the School's capital campaign.

Accounting for Assets Held by Others – The School recognizes as an asset, its interest in the net assets of a related organization that holds funds which have been donated for the benefit of the School. The School adjusts the recorded interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. The distribution of grants to the School from the related organization is reported as a reduction to the School's recorded interest (see Note 4).

Leasehold Improvements and Equipment – Leasehold improvements and equipment are stated at cost less accumulated provisions for depreciation. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized. Depreciation is calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are between three and twenty years (see Note 6).

Deferred Finance Costs – Finance costs associated with the bond payable (see Note 7) were deferred and are being amortized over the life of the bond, 30 years. Amortization expense for both years ended June 30, 2021 and 2020 was \$8,468, and is included in interest expense. Unamortized deferred finance costs are reported as a direct reduction to the carrying amount of the related debt (see Note 7).

Revenue Recognition – The School recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers". The new 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. Scholarships given on the basis of financial need, and/or achievement, are presented in the statement of activities and changes in net assets, as a reduction to gross tuition and fees. A contract liability is recorded for deferred revenue consisting of tuition and seat deposits received in the current fiscal year that are applicable to future fiscal years.

Auxiliary services revenue and other program income includes, among other things, the School's cafeteria, bookstore activities and athletic income. Auxiliary services and other program revenue is recognized in the period to which it relates.

Contributed Services – Support arising from contributed services to the School has been recognized in the accompanying financial statements with an equal amount recognized as expense, if the services provided require special skills, and would need to be purchased by the School if not contributed. In 2021 and 2020, personnel services were contributed to, and recorded by, the School (see Note 11). The determination of the value of the contributed services for personnel represents the difference between stipends and other amounts paid to, or on behalf of, the religious personnel and the estimated comparable compensation that would be paid to lay persons if lay persons were to occupy those positions.

Note 2 – Summary of Significant Accounting Policies (Cont.)

Contributed Facilities – The School operates free of rent in facilities located in Boston, Massachusetts, which are owned by the Roman Catholic Archdiocese of Boston. The estimated 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 11).

Income Tax Status – The School is recognized as an organization exempt from federal income tax 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.

Expenses by Nature and Function – 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 to which they relate or to supporting functions. Other expenses require allocation to programs or supporting functions, which is made on a reasonable basis that is consistently applied. 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.

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 February 14, 2022, the date these financial statements were available to be issued.

Note 3 – Interest in the Net Assets of the Adopt-A-Student Foundation

The School is the beneficiary of donations collected on its behalf by the Adopt-A-Student Foundation, a related organization.

In March of 2021, the School transferred \$18,887,788 of its investments to the Foundation to hold and manage on its behalf. The investments that were transferred were originally intended to be held by the Foundation; however, they had been held and managed under the name of the School, and did not reflect the proper tax identification number for the Foundation until this "transfer" was made. The transfer of these investments had no effect on the amount of the School's net assets, since the decrease in the School's direct investments was recorded via a corresponding increase in the School's interest in the net assets of the Foundation on the accompanying statement of financial position.

As a result of this transfer as well as gains in the investments' fair values during the year, the School's statement of financial position reflects an asset representing its interest in the Foundation's net assets of \$20,944,743 at June 30, 2021. At June 30, 2020, the School's recorded interest in the Foundation's net assets was \$41,257.

The increase in the value of the School's interest in the Foundation is reflected in the 2021 statement of activities as an increase to its net assets of \$4,054,699 (\$1,068,114 in 2020). Distributions of funds from the Adopt-A-Student Foundation totaled \$4,039,000 and \$3,520,000 for the years ended June 30, 2021 and 2020, of which \$2,039,000 and \$1,520,000, respectively, represented grants distributed from the Foundation for support of the School, scholarships and financial aid to students, and \$2,000,000 each year represent transfers of permanently restricted assets contributed to the Foundation.

Note 3 – Interest in the Net Assets of the Adopt-A-Student Foundation (Cont.)

The assets, liabilities, and net assets of the Foundation as of June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 181,600	\$ 101,757
Promises to give, net	513,325	-
Investments	20,222,686	-
Due to/from Cathedral High School, Inc.	86,588	(50,000)
Accounts payable and accrued expenses	<u>(59,456)</u>	<u>(10,500)</u>
	<u><u>\$20,944,743</u></u>	<u><u>\$ 41,257</u></u>

The Foundation's investments consist of the following at June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>
Multi-Strategy Bond Fund, Commonfund	\$ 13,973,506	\$ 15,634,565
Multi-Strategy Equity Fund, Commonfund	4,521,008	4,588,121
	<u><u>\$ 18,494,514</u></u>	<u><u>\$ 20,222,686</u></u>

Investments - designated by the Board	\$ 2,169,529
Investments - donor restricted	
Restriction temporary in nature	5,753,157
Restriction permanent in nature	<u>12,300,000</u>
	<u><u>\$20,222,686</u></u>

Note 4 – Investments

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions which are significant to the fair value measurement.

The School's investments are valued based on Level 2 inputs within the fair value hierarchy and consist of the following:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Multi-Strategy Bond Fund, Commonfund	\$ 175,949	\$ 221,727	\$ 3,589,251	\$ 3,816,452
Multi-Strategy Equity Fund, Commonfund	60,936	63,352	8,688,347	10,694,407
	<u><u>\$ 236,885</u></u>	<u><u>\$ 285,079</u></u>	<u><u>\$ 12,277,598</u></u>	<u><u>\$ 14,510,859</u></u>

Note 4 – Investments (Cont.)

The investments represent the School's holdings in the Commonfund, which provides common investment pools in which the School and other similar organizations may participate. Participants own units based upon a per-unit value at the time of purchase. The funds incur service fees for administrative and clerical services performed on their behalf.

The School has invested in the Multi-Strategy Equity Fund and Multi-Strategy Bond Fund of the Commonfund, the underlying investments of which are primarily equity and fixed-income securities owned either directly, or indirectly, through mutual funds or private entities. The fair values of the Commonfund investments in actively-traded domestic securities are determined by State Street Corporation, which obtains bid quotations from independent pricing services on most securities. The fair values of investments in traded foreign securities are derived by State Street Corporation from principal makers in those securities, or as determined in good faith by management. Investment holdings in private investment entities that are not actively traded, are valued by the managers of those entities.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term, and that such changes could materially affect the amounts reported in the School's statements of financial position.

Investment fees for the years ended June 30, 2021 and 2020 were \$34,819 and \$47,134, respectively, and have been netted against realized and unrealized gains and losses in the accompanying statements of activities.

Investments are presented in the accompanying statements of financial position as follows at June 30:

	<u>2021</u>	<u>2020</u>
Investments - designated by the Board (Note 10)	\$ -	\$ 1,984,467
Investments - donor restricted (Note 9):		
Restriction temporary in nature	285,079	2,426,392
Restriction permanent in nature	-	10,100,000
	<u>\$ 285,079</u>	<u>\$ 14,510,859</u>

As discussed above in Note 3, a significant amount of the School's investments were transferred to the Adopt-A-Student Foundation during the year ending June 30, 2021, resulting in a significant decline in the School's direct investment portfolio.

Note 5 – Promises to Give

Promises to give to the School are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
2022	\$ 54,000	\$ 64,100
2023	12,500	-
2024	12,500	-
2025	2,500	-
2026	2,500	-
Thereafter	5,000	-
	<u>89,000</u>	64,100
Less discount to net present value	<u>(3,275)</u>	-
Net present value of promises to give	<u>\$ 85,725</u>	<u>\$ 64,100</u>

Promises to give are recorded at the present value of estimated cash flows. The present value of estimated future cash flows has been measured utilizing a risk adjusted rate of 3% at June 30, 2021.

Note 6 – Leasehold Improvements and Equipment

The School's leasehold improvements and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>	Estimated Useful Lives in Years
Computer hardware and software	\$ 355,987	\$ 362,731	3-5 years
Furniture and equipment	288,485	432,733	3-10 years
Applied Learning Center	7,845,214	7,845,214	20 years
Leasehold improvements	<u>8,371,687</u>	<u>8,146,240</u>	10-20 years
	<u>16,861,373</u>	16,786,918	
Accumulated depreciation	<u>(5,472,339)</u>	<u>(5,033,781)</u>	
	<u>\$11,389,034</u>	<u>\$11,753,137</u>	

Depreciation expense was \$861,568 and \$853,850 for the years ended June 30, 2021 and 2020, respectively.

Note 7 – Long-Term Debt

Bond Payable – In February of 2010, the School obtained a \$12 million, draw-down bond facility through Massachusetts Development Finance Agency and Century Bank, in order to fund ongoing and future planned renovation projects at the School.

Under the terms of the agreement, the School drew on the principal of the bond as it incurred capital expenditures in connection with the projects. Any principal draws were subject to interest-only payments at a prime rate through March 2013, at which time the School's ability to draw on the principal of the bond expired. Under the terms of the agreement, equal installments of principal and interest are payable using a 30-year amortization. Interest is calculated using a fixed rate equal to the sum of the Federal Home Loan Bank rate in effect plus 2.50%, and then divided by 1.51. The rate is subject to a floor of 4.75% and is re-priced in five-year increments. The interest rate in effect at June 30, 2021 and 2020 was 4.25 and 4.95%, respectively. Any outstanding principal can be prepaid in part, or in full, at any time without penalty before the maturity date of February 1, 2040. The bond is collateralized by the investments held by both the School and The Adopt-A-Student Foundation (see Notes 3 and 4), and by promises to give to the School in connection with its capital campaign. In addition, the Roman Catholic Archdiocese of Boston (RCAB), a related party to the School, has guaranteed the bond and pledged as collateral under a mortgage agreement, the real estate that it provides for use by the School (Note 11). At June 30, 2021 and 2020, \$1,532,180 and \$1,580,574, respectively, was outstanding on the bond.

Annual principal maturities on the bond are as follows:

Year Ending June 30	Principal Maturities	Unamortized Finance Costs	Carrying Value, Net
2022	\$ 48,132	\$ (8,468)	\$ 39,664
2023	50,569	(8,468)	42,101
2024	53,130	(8,468)	44,662
2025	55,820	(8,468)	47,352
2026	58,647	(8,468)	50,179
Thereafter	<u>1,265,882</u>	<u>(115,036)</u>	<u>1,150,846</u>
	<u>\$ 1,532,180</u>	<u>\$ (157,376)</u>	<u>\$ 1,374,804</u>

The bond agreement includes covenants regarding maintenance of certain financial ratios, which were not met at June 30, 2021, rendering the agreement in default and the loan callable by the bank at its discretion.

Note 7 – Long-Term Debt (Cont.)

Subsequent Event – In a letter to management dated May 27, 2022, the bank agreed to waive the covenant requirements for 2021. Therefore, the bond obligation has been classified in the accompanying statement of financial position at June 30, 2021 in accordance with its originally stated maturity schedule presented above.

Loan Agreement with Archdiocese – In 2017, the School entered into a \$3 million revolving loan agreement with the RCAB, in part to refinance existing borrowings with the RCAB. The School then borrowed additional funds under the loan agreement through 2020, which were restricted for use in the construction renovation of the Applied Learning Center. Interest-only payments were required through the loan's original maturity in December of 2019, and in July of 2020, the School negotiated a new loan agreement for the outstanding balance of \$2,974,387. Under the terms of the agreement, monthly principal and interest payments of \$35,568 are required through September of 2028. The note bears interest at 3.5%, and the School has the option to prepay all, or part of, the principal balance at any time.

The outstanding balance under this agreement, is \$2,788,172 and \$2,985,224 at June 30, 2021 and 2020, respectively.

Annual principal maturities on the loan with the Archdiocese are as follows:

Year Ending June 30	Principal Maturities
2022	\$ 334,693
2023	346,597
2024	358,924
2025	371,690
2026	384,910
Thereafter	991,358
	<u>\$ 2,788,172</u>

Note 8 – SBA Paycheck Protection Program Loans

In April of 2020, the School applied for, and received, a \$632,000 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. Under the note agreement, the loan's repayment was guaranteed by the Small Business Administration ("SBA"), it accrued interest at 1%, and it was forgivable and payable by the SBA if the School incurred and paid eligible expenses, such as payroll and other specified costs as defined in the CARES Act. The School applied for the loan's forgiveness under the terms of the agreement, and in fiscal 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 the loan forgiveness is reflected as non-operating support in the accompanying statement of activities and changes in net assets for 2021.

Additionally, in April of 2021, The School applied for, and received, a second PPP loan in the amount of \$633,858 under terms similar to the first loan. Management anticipates that the School will meet the criteria and receive a full forgiveness of the loan in the next fiscal year. The amount of the second loan has been deferred from recognition as support, and presented as debt in the accompanying statement of financial position at June 30, 2021, and it will be removed as a liability via a credit to non-operating support during the next fiscal year ended June 30, 2022.

Note 9 – Net Assets

As discussed in Notes 3 and 4 during the 2021 fiscal year, a significant amount of the School's investments, valued in excess of \$18 million, were transferred from the School to the Adopt-A-Student Foundation (the "Foundation") to hold on the School's behalf while maintaining the original donors' restrictions, which were both temporary in nature and perpetual in nature. The transfer of the investments, therefore, had no effect on the amount of the School's restricted net assets.

Note 9 – Net Assets (Cont.)

The following is a summary of the School's net assets at June 30 with donor restrictions, which are primarily represented by the School's interest in the net assets of the Foundation at June 30, 2021 and by the School's investments at June 30, 2020:

	<u>2021</u>	<u>2020</u>
Temporary in nature	\$ 6,718,718	\$ 2,880,950
Permanent in nature	<u>12,600,000</u>	<u>10,100,000</u>
	<u>\$ 19,318,718</u>	<u>\$ 12,980,950</u>

Net assets with donor restrictions that are permanent in nature consist of endowment funds to be maintained in perpetuity for the support of the School. At June 30, 2021 and 2020, the permanently restricted endowment funds total \$12,600,000 and \$10,100,000, respectively, \$12 million of which represents a single donor's endowment (\$10 million in 2020). In both 2021 and 2020, prior to the transfer of the School's investments to the Foundation, the School received a \$2,000,000 transfer of the donor's original endowment to the Adopt-A-Student Foundation (see Notes 4 and 10).

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

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 285,078	\$ 1,166,463
Capital campaign	153,426	325,801
Time restricted	70,000	37,500
STEAM	25,000	50,000
Football program	10,000	-
Accumulated appreciation and income on endowment funds	-	1,259,929
Interest in restricted net assets of Adopt-A-Student Foundation:		
Support and scholarships & financial aid to students of the High School	2,035,472	41,257
Accumulated appreciation and income on endowment funds	<u>4,139,742</u>	<u>-</u>
	<u>\$ 6,718,718</u>	<u>\$ 2,880,950</u>

	<u>2021</u>	<u>2020</u>
For intended use:		
Scholarships	\$ 482,400	\$ 102,000
Grants from Adopt-A-Student	1,689,000	1,520,000
Capital campaign	161,550	42,245
School nurse	146,123	-
Kaplan SAT preparation	-	30,000
COVID relief and Restorative Justice Program	50,000	-
Time restricted	77,500	75,000
Football program	40,000	-
STEAM	25,000	75,000
Support from and restricted by Catholic Schools Foundation	<u>447,375</u>	<u>449,807</u>
	<u>\$ 3,118,948</u>	<u>\$ 2,294,052</u>

Net assets without restrictions include net assets designated by the Board of Trustees (\$2,169,529 and \$1,984,467 at June 30, 2021 and 2020, respectively), which serve as a quasi-endowment that helps fund the future needs of School operations (see Note 10). This board-designated quasi-endowment was part of the investment transfer referenced in the first paragraph of this note and, as such, it has had no effect on the School's net assets since it is a part of the School's interest in the net assets of the Foundation.

Note 10 – Endowments and Quasi-Endowments

As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The School's policies relating to endowments, including those held and maintained by the Foundation, are summarized herein.

Interpretation of Relevant Law – Management views the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the School and the Foundation to preserve the fair value of donor-restricted endowment funds as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions, (a) the original value of gifts donated as a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor restricted endowment made 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 the endowment fund. Also included in net assets with donor restrictions is the accumulated appreciation on donor restricted endowment funds, which are available for expenditure in a manner consistent with donor intentions and the standard of prudence prescribed by UPMIFA.

Endowment Investment Policy – The School and the Foundation have adopted an investment philosophy 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 endowment and quasi-endowment, 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 and the Foundation must hold in perpetuity or for donor-specified periods. Under the investment policy and spending rate, both of which are approved by the Board of Trustees, the endowment and quasi-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. The School and the Foundation do not have an explicit targeted rate of return as part of the investment objectives.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the endowments and quasi-endowments are invested in the Multi-Strategy Equity Fund and the Multi-Strategy Bond Fund of the Commonfund (see Note 3). 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).

Changes in Endowment Net Assets – Endowment net assets and changes therein as of and for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Temporary in Nature	Perpetual in Nature	Total
For the year ended June 30, 2021:				
Endowment net assets at beginning of year	\$ 1,984,467	\$ 1,259,929	\$ 10,100,000	\$ 11,359,929
Transfer from the Adopt-A-Student Foundation	-	-	2,000,000	2,000,000
Contributions	-	-	-	-
Interest in the net assets increase of Foundation	203,355	1,212,650	500,000	1,712,650
Net realized and unrealized gains on investments	331,707	1,982,163	-	1,982,163
Appropriation of endowment assets for expenditure	(350,000)	(315,000)	-	(315,000)
Endowment net assets at end of year	<u>\$ 2,169,529</u>	<u>\$ 4,139,742</u>	<u>\$ 12,600,000</u>	<u>\$ 16,739,742</u>
For the year ended June 30, 2020:				
Endowment net assets at beginning of year	\$ 3,619,903	\$ 1,229,273	\$ 8,100,000	\$ 9,329,273
Transfer from the Adopt-A-Student Foundation	-	-	2,000,000	2,000,000
Contributions	-	-	-	-
Interest and dividends	15,385	42,614	-	42,614
Net realized and unrealized losses on investments	(50,821)	(11,958)	-	(11,958)
Appropriation of endowment assets for expenditure	(1,600,000)	-	-	-
Endowment net assets at end of year	<u>\$ 1,984,467</u>	<u>\$ 1,259,929</u>	<u>\$ 10,100,000</u>	<u>\$ 11,359,929</u>

Note 10 – Endowments and Quasi-Endowments (Cont.)

Subsequent Event - Subsequent to June 30, 2021, the Adopt-A-Student Foundation began the process of establishing an endowment campaign on behalf of the High School to provide for long-term funding of the School for need-based scholarships, financial aid and overall support of operations into perpetuity, to invest in the faculty of the School, and to also provide for funding to update and maintain the facilities of the School. In conjunction with the start of this campaign, in December of 2021, the Foundation received \$3,000,000 from one foundation and the School received \$250,000 from this same foundation.

Note 11 – Related Party Transactions

Expenses – During the years ended June 30, 2021 and 2020, the School was charged \$353,213 and \$320,046, respectively, for health, life, disability, workers' compensation, and property insurance administered by the Roman Catholic Archdiocese of Boston, A Corporation Sole (RCAB).

Contributed Facilities and Services – At the time of its initial incorporation on July 1, 2004, the School entered into an agreement with Archdiocesan Central High Schools, Inc. ("ACHS") for the lease of the School's facility. The lease required a payment of one dollar per year, and it expired June 30, 2008. Effective July 1, 2008, the School entered into a 99-year lease agreement with ACHS, which requires the payment of one dollar per year. Under the terms of the lease, the School is responsible for insurance, real estate taxes, utilities, and all operating costs.

As discussed in Note 2, "Contributed Facilities", the estimated rental value of the facilities of \$335,500 for both of the years ended June 30, 2021 and 2020, is reflected as an expense of the School via an offsetting amount recorded as support. If the School were to lease the facility from an unrelated party, the operating results and financial position of the School would be adversely affected.

Transfers from Adopt-A-Student Foundation – The School is the sole beneficiary of the Adopt-A-Student Foundation (the "Foundation"). The School is related to the Foundation through common members of their Boards of Directors/Trustees. Activities between the School and the Foundation are discussed in Note 4.

Amounts due to the Foundation as of June 30, 2021 total \$86,588. Amounts due from the Foundation as of June 30, 2020 total \$50,000.

Note 12 – Pension Plan

The School participates, along with other organizations affiliated with the RCAB, in a 401(k) defined contribution plan, and it contributes a matching contribution subject to formulas defined in the plan document. The School contributed approximately \$73,000 and \$58,000 to the 401(k) plan during the years ended June 30, 2021 and 2020, respectively.

Note 13 – Concentrations and Credit Risk

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of cash and cash equivalents, investments, promises to give, long-term debt, and the underlying assets of its interest in the net assets of the Adopt-A-Student Foundation. A summary of financial instrument and other concentrations follows.

Cash – The School's cash, cash equivalents and restricted cash are placed with high-quality financial institutions. At June 30, 2021, based on bank balances, the School has on deposit approximately \$497,000 in excess of the federal insured limit.

Investments – The School's investments, valued at \$285,079 at June 30, 2021, are placed with the Commonfund, and are managed by one independent investment advisor (see Note 3).

Note 13 – Concentrations and Credit Risk

Promises to Give – The School has three promises to give at June 30, 2021 from two individuals and one corporation, representing 45%, 34% and 21%, respectively, which collectively make up all of the promises to give to the School.

Support – The School has significant interest in the net assets of the Adopt-A-Student Foundation approximating \$20,945,000 at June 30, 2021. During the year ended June 30, 2021, approximately \$4,055,000 (42%) of the School's total revenue and support was provided by the change in its interest in the net assets of the Foundation (\$1,068,000 in 2020, 28%). While it has been Adopt-A-Student Foundation's intent to raise funds on behalf of the School, there is no obligation to continue this effort (see Note 4).

Tuition Revenues – All of the students who are enrolled at the School are from the greater Boston metropolitan area.

Note 14 – 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:		
Cash and cash equivalents	\$ 820,738	\$ 1,185,898
Accounts receivable	30,094	31,489
Promises to give, net	85,725	64,100
Investments	285,079	14,510,859
Cash, restricted	134,426	299,201
Due from affiliate	-	50,000
Interest in the net assets of Adopt-A-Student Foundation	<u>20,944,743</u>	<u>41,257</u>
Total financial assets	<u>22,300,805</u>	16,182,804
Less amount of donor restricted net assets	<u>(19,318,718)</u>	<u>(12,980,950)</u>
Financial assets available for general expenditure within one year	<u>\$ 2,982,087</u>	<u>\$ 3,201,854</u>

The School has a policy to structure its financial assets to be available and liquid as obligations come due. The amount of Board restricted quasi-endowment funds included in the interest in the net assets of Adopt-A-Student Foundation at June 30, 2021, \$2,169,529, has been included with financial assets considered available for general expenditure, because the Board of Trustees of the Foundation reserves the right to "undesignate" quasi-endowment funds at its discretion. The Foundation's Board's intent is to withdraw from the quasi-endowment assets in accordance with the demonstrated operational financial needs of the School, or on an "as needed" basis. The Board's goal is to maintain the purchasing power of the quasi-endowment assets held in perpetuity, as well as to provide additional real growth through investment return. At June 30, 2020, the School's Board-designated quasi-endowment net assets of \$1,984,467 are similarly included in financial assets available for expenditure.

Note 15 – 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 effect on the School's financial statements.

Note 16 – Effects and Uncertainties of Covid Pandemic and Subsequent Events

Since the beginning of the Covid pandemic in the U.S. in the first quarter of the 2020 calendar year, the School has been able to continue with its basic academic program within state mandated restrictions with little disruption, although classes were held remotely towards the end of the 2020 school year through most of the 2021 school year. As a result, certain auxiliary programs and student activities were canceled or curtailed during this time, causing a reduction in expected revenues.

As discussed in Note 8, during the past two fiscal years, the School received government support in the form of SBA PPP loans in the amount of \$1,266,000, of which \$632,000 has since been forgiven by the SBA. Management expects the \$634,000 to be forgiven during the year ended June 30, 2022.

As of the date of the issuance of these financial statements, Massachusetts and other states have lifted their significant restrictions, and a significant amount of the U.S. population has been vaccinated against the virus. In Massachusetts, recent data shows that the recent surge of the Omicron variant of the virus appears to be on the decline. However, there still remains uncertainties relative to the pandemic, including the size of the unvaccinated population, the long-term efficacy of vaccinations and booster shots, the potential for future variants of the virus, and the potential for future educational and economic disruptions. Although management does not foresee any significant disruptions to the School's operations in the near term, it is not certain at this time what adverse effects the continued spread and potential variations of the virus may have, if any, on the School's operations, including its future revenues and support, its operating results and its financial position.