

The Gesu School, Inc.

Financial Statements

Years Ended June 30, 2021 and 2020



WIPFLI

Independent Auditor's Report

Board of Trustees
The Gesu School, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Gesu School, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Wipfli LLP

Wipfli LLP

November 29, 2021
Philadelphia, Pennsylvania

The Gesu School, Inc.

Statements of Financial Position

<i>As of June 30, 2021 and 2020</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,322,015	\$ 6,270,355
Investments:		
Marketable securities	26,466,234	20,408,532
Other	18,625	84,179
Tuition receivable, net of allowance for doubtful accounts of \$3,718 and \$0 in 2021 and 2020, respectively	11,463	3,063
Unconditional promises to give, net of allowance for doubtful accounts of \$268,500 and \$309,000 in 2021 and 2020, respectively	2,000,459	2,370,211
Prepaid expenses	60,162	66,067
Property and equipment, net	5,922,031	6,052,334
Property held for future development	118,500	118,500
TOTAL ASSETS	\$ 39,919,489	\$ 35,373,241
LIABILITIES		
Accounts payable and accrued expenses	\$ 657,414	\$ 670,215
Deferred revenue	44,025	22,930
Other liabilities	103,875	-
Refundable advance	-	829,800
Total Liabilities	805,314	1,522,945
NET ASSETS		
Without donor restrictions	23,080,470	20,346,260
With donor restrictions	16,033,705	13,504,036
Total Net Assets	39,114,175	33,850,296
TOTAL LIABILITIES AND NET ASSETS	\$ 39,919,489	\$ 35,373,241

See accompanying notes to financial statements.

The Gesu School, Inc.

Statement of Activities

<i>Year Ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 2,693,440	\$ 2,723,774	\$ 5,417,214
Tuition and registration fees, net of scholarships and discounts	481,502	-	481,502
Interest and dividend income	167,837	106,241	274,078
Endowment return used for operations	697,490	263,035	960,525
Other	23,357	-	23,357
Net assets released from restriction	2,549,429	(2,549,429)	-
Total Public Support and Revenues	6,613,055	543,621	7,156,676
EXPENSES			
School and related programs	4,032,285	-	4,032,285
Management and general	1,082,252	-	1,082,252
Fundraising	814,923	-	814,923
Total Expenses	5,929,460	-	5,929,460
Excess of Public Support and Revenues Over Expenses	683,595	543,621	1,227,216
Unrealized and realized gain on investments, net of endowment return used for operations	2,050,615	1,986,048	4,036,663
CHANGE IN NET ASSETS	2,734,210	2,529,669	5,263,879
NET ASSETS - BEGINNING OF YEAR	20,346,260	13,504,036	33,850,296
NET ASSETS - END OF YEAR	\$ 23,080,470	\$ 16,033,705	\$ 39,114,175

See accompanying notes to financial statements.

The Gesu School, Inc.

Statement of Activities

<i>Year Ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 3,363,134	\$ 3,896,223	\$ 7,259,357
Tuition and registration fees, net of scholarships and discounts	640,813	-	640,813
Interest and dividend income	243,629	181,653	425,282
Endowment return used for operations	669,495	258,439	927,934
Other	25,880	-	25,880
Net assets released from restriction	2,763,944	(2,763,944)	-
Total Public Support and Revenues	7,706,895	1,572,371	9,279,266
EXPENSES			
School and related programs	4,249,543	-	4,249,543
Management and general	936,870	-	936,870
Fundraising	907,625	-	907,625
Total Expenses	6,094,038	-	6,094,038
Excess of Public Support and Revenues Over Expenses	1,612,857	1,572,371	3,185,228
Unrealized and realized gain (loss) on investments, net of endowment return used for operations	(298,654)	18,065	(280,589)
CHANGE IN NET ASSETS	1,314,203	1,590,436	2,904,639
NET ASSETS - BEGINNING OF YEAR	19,032,057	11,913,600	30,945,657
NET ASSETS - END OF YEAR	\$ 20,346,260	\$ 13,504,036	\$ 33,850,296

See accompanying notes to financial statements.

The Gesu School, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	Program Services	Supporting Services		Total
	School and Related Programs	Management and General	Fundraising	
Advertising and promotion	\$ 1,660	\$ -	\$ 39,636	\$ 41,296
Bad debt expense	3,718	-	-	3,718
Conferences and meetings	10,966	-	195	11,161
Depreciation and amortization	376,870	4,264	4,988	386,122
Employee benefits	367,382	103,542	74,408	545,332
Event expenses	-	-	27,141	27,141
Information technology	50,681	573	27,679	78,933
Insurance	99,348	1,124	1,315	101,787
Meals and entertainment	9,831	-	-	9,831
Occupancy	283,972	3,213	4,237	291,422
Office expenses	52,967	21,858	19,056	93,881
Payroll taxes	149,323	54,922	38,424	242,669
Professional fees and services	207,665	117,674	2,749	328,088
Salaries and wages	2,287,452	775,082	555,810	3,618,344
Student activities	42,624	-	-	42,624
Supplies and other	77,986	-	19,285	97,271
Travel	9,840	-	-	9,840
Total Expenses	\$ 4,032,285	\$ 1,082,252	\$ 814,923	\$ 5,929,460

See accompanying notes to financial statements.

The Gesu School, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	Program Services	Supporting Services		Total
	School and Related Programs	Management and General	Fundraising	
Advertising and promotion	\$ 776	\$ -	\$ 96,565	\$ 97,341
Bad debt expense	23,715	-	-	23,715
Conferences and meetings	18,449	-	6,263	24,712
Depreciation and amortization	337,243	3,816	4,463	345,522
Employee benefits	343,236	81,260	67,237	491,733
Event expenses	-	-	75,696	75,696
Information technology	24,219	274	24,483	48,976
Insurance	84,744	959	1,122	86,825
Meals and entertainment	21,089	-	-	21,089
Occupancy	226,703	2,565	3,584	232,852
Office expenses	27,608	7,334	27,128	62,070
Payroll taxes	184,394	49,620	38,999	273,013
Professional fees and services	70,943	83,525	939	155,407
Salaries and wages	2,756,453	707,517	554,733	4,018,703
Student activities	44,006	-	-	44,006
Supplies and other	70,871	-	4,669	75,540
Travel	15,094	-	1,744	16,838
Total Expenses	\$ 4,249,543	\$ 936,870	\$ 907,625	\$ 6,094,038

See accompanying notes to financial statements.

The Gesu School, Inc.

Statements of Cash Flows

<i>Years Ended June 30, 2021 and 2020</i>	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,263,879	\$ 2,904,639
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	386,122	345,522
Loss on retirement of property and equipment	3,745	-
(Recovery of) provision for uncollectible tuition	3,718	(28,674)
Unrealized and realized gain on investments	(4,997,188)	(647,345)
Change in operating assets and liabilities:		
Tuition receivable	(12,118)	54,285
Unconditional promises to give	369,752	(1,254,891)
Other receivables	-	7,024
Prepaid expenses	5,905	(1,125)
Accounts payable and accrued expenses	104,739	(10,649)
Other liabilities	103,875	-
Deferred revenue	21,095	(51,628)
Refundable advance	(829,800)	829,800
Net Cash Provided by Operating Activities	423,724	2,146,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including property held for future development and construction in progress	(377,105)	(315,674)
Purchases of investments	(7,485,516)	(9,310,154)
Proceeds from sale of investments	6,490,557	9,314,817
Net Cash Used in Investing Activities	(1,372,064)	(311,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loan payable	-	(2,569)
Net Used in Financing Activities	-	(2,569)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(948,340)	1,833,378
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,270,355	4,436,977
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,322,015	\$ 6,270,355
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the years for interest	\$ 6,408	\$ 4
Additions to construction in progress through accounts payable	\$ (117,540)	\$ 117,540

See accompanying notes to financial statements.

The Gesu School, Inc.

Notes to Financial Statements

Note 1: Background and Organization

The Gesu School, Inc. (the "Organization"), a Pennsylvania non-profit corporation, was founded in June 1993. The Gesu School, Inc. is a private, full-time, twenty-classroom elementary school to educate children from pre-kindergarten through eighth grade. The Organization follows the curriculum used by Catholic elementary schools in the Archdiocese of Philadelphia, Pennsylvania. The Organization also conducts an after-school care program for children enrolled in the school.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. The Board of Directors may elect to designate such assets for specific purposes or to have them function as endowments. This designation may be removed at the Board's discretion.

Net assets with donor restrictions are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature such as those that will be met either by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management routinely makes estimates, including the allowance for doubtful accounts, discount on pledges receivable, useful lives of depreciable assets, fair value of alternative investments, and the fair value of the lease on the school building.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Tuition and Registrations Fees

The Organization contracts as a private school with parents and guardians to provide students with educational instruction. Student enrollment contracts contain only one performance obligation, which is providing educational instruction. Tuition and registration revenue is recognized over the term of the school year as the Organization provides services to students. The passage of time is used as management considers that to be the best available measure of progress on the Organization's delivery of professional instruction. Tuition and registration fees are due from students by the beginning of each applicable school year or based upon an agreed-upon payment plan. Overdue payments are reflected in Tuition and registrations fees receivable as the Organization has an unconditional right to payment. The Organization determines the transaction price based on annual tuition rates for the services provided, reduced by discounts provided for tuition assistance and other price concessions provided to students. Tuition refunds are prorated to the date the student officially withdraws from the Organization. No refund liability is recorded at year-end as the school year is complete. Deferred revenue includes tuition payments received in advance of the upcoming school year. Tuition assistance given on the basis of financial need is netted against gross Tuition and registrations fees for reporting in the financial statements. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the limited geographical area from which the Organization draws its student enrollment. Adverse changes in the local economy may have an adverse impact on the ability of families to pay for tuition. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include unrestricted cash in checking and money market accounts held by banks and custodial investment firms.

Investments

Investments in equity and bond mutual funds are reported at fair value in the statements of financial position. Other investments in partnership interests and private funds without readily determinable fair values are reported at fair value based on net asset value (NAV) in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Tuition Receivable

Tuition receivable consists of amounts due from enrolled students. Management reviews the collectibility of these receivables at year-end and determines an appropriate allowance for doubtful accounts. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to tuition receivable.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Substantially all of the Organization's property and equipment have been contributed and recorded at the related fair market value at the date of contribution. Purchased property and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,500 and expense lesser amounts. Depreciation is provided over the estimated useful lives of the applicable asset using the straight-line method. Leasehold improvements are amortized over the lesser of the length of related lease terms or the estimated useful lives of the assets.

	<u>Years</u>
Buildings and leasehold improvements	15 to 39
Office furniture and equipment	5 to 7

Property Held for Future Development

During fiscal year 2018, the Organization purchased a property located across from the Organization's existing facility. The intent is to demolish the building and use the land for future development, therefore no provision has been made to record depreciation.

Deferred Revenue

Deferred revenue represents tuition and registration fees collected from students that pertain to the next fiscal year.

Scholarships and Discounts

Tuition and registration fees are recorded gross at the Organization's normal tuition rates for all students. Scholarships given on the basis of financial need are netted against gross tuition and fees for reporting in the statements of activities. Total scholarships and discounts netted against gross tuition were approximately \$3,300,000 and \$3,400,000 for the years ended June 30, 2021 and 2020, respectively.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Public Support

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in the second subsequent year and thereafter are recorded at the present value of their net realizable value, using an appropriate discount rate applicable to the years in which the promises are expected to be received.

Conditional contributions and grants, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions and investments are reported as net assets without donor restrictions unless they are restricted as specified by the donor. Investment earnings available for distribution are recorded in net assets without restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

Allocation of Functional Expenses

The costs of providing the Organization's programs and activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail of the expenses by function. Accordingly, expenses directly related to the programs and supporting services are combined with allocations of certain common costs of the Organization, which have been allocated based on estimates made by management. Expenses that are allocated include certain salaries, payroll taxes, and benefits, which are allocated according to time spent on performance of specific tasks; depreciation and amortization, information technology, insurance, occupancy, and professional fees and services expenses, all of which are allocated according to square footage.

Tax Status

The Organization is a qualified public charity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Tax filings are subject to audit by various taxing authorities. Open periods subject to audit are generally the previous three years of tax returns filed.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in the ASU is 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 Organization adopted this guidance as of July 1, 2020. The Organization applied Topic 606 on a modified retrospective basis and elected the practical expedient provided in 606, under which an entity need not restate contracts that begin and are completed within the same annual reporting period. The adoption of this ASU did not have an effect on the Organization's financial statements and resulted in no cumulative adjustments for prior periods. The Organization did not identify any changes in the timing of revenue recognition when considering the amended accounting guidance. The Organization included additional disclosures as required by the guidance. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing activities. The most significant change for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current accounting guidance. Certain accounting policy elections are permitted for leases with terms of 12 months or less. FASB Accounting Standards Codification (ASC) Topic 842, Leases ("ASC 842"), supersedes current lease requirements in FASB ASC Topic 840, Leases. The new standard, which was deferred one year as a result of ASU 2020-05, is effective for nonpublic companies for annual periods beginning after December 15, 2021 (effective for the Organization's year ending June 30, 2023). The Organization has not yet evaluated the impact of the adoption of this ASU on the financial statements.

Note 3: Liquidity and Availability of Financial Resources

As of June 30, 2021 and 2020, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,134,557	\$ 1,060,378
Tuition receivable, net	11,463	3,063
Total financial assets available within one year	1,146,020	1,063,441
Liquidity resource:		
Bank line of credit	1,000,000	1,000,000
Total financial assets and liquidity resources available within one year	\$ 2,146,020	\$ 2,063,441

The Gesu School, Inc.

Notes to Financial Statements

Note 3: Liquidity and Availability of Financial Resources (Continued)

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As of June 30, 2021 and 2020, the Organization's board-designated endowment of \$15,214,893 and \$12,996,441, respectively, is subject to an annual spending rate of 4.25% as described in Note 12. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

Note 4: Contract Balances

Opening and closing balances for contract liabilities and accounts receivable arising from contracts with customers include:

<i>As of June 30,</i>	2021	2020	2019
Contract liabilities - deferred revenue	\$ 44,025	\$ 22,930	\$ 74,558
Accounts receivable (net) - tuition and fees	\$ 11,463	\$ 3,063	\$ 28,674

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. The deferred revenue balance at June 30, 2020 was recognized as revenue during fiscal year 2021.

The Gesu School, Inc.

Notes to Financial Statements

Note 5: Investments

The Organization's investments consist of the following as of June 30, 2021 and 2020:

Miller Investment Management - mutual funds: Holdings consist of shares of equity and bond mutual funds.

CMS/Winston Equity Partners II, LP: The fund's objective was to make controlled (or investor-controlled) investments in companies with defensible market positions and underlying organic potential. The fund intended to target opportunities to invest between \$3 million and \$10 million in companies that were projected by the fund to generate a compound internal rate of return in excess of 30%. The fund, which was set to expire on December 31, 2018, was extended by the fund managers and is expected to close by December 31, 2021, with the expectation that a sale of the remaining assets will occur by early 2022.

The following table includes a comparison of investment cost and fair value and additional disclosures for the CMS/Winston Equity Partners' II Fund, whose fair values are estimated using net asset value (NAV) as of June 30, 2021 and 2020:

	Cost	Fair Value	Unfunded Commitments	Redemption Frequency
<u>2021</u>				
CMS/Winston Equity Partners II, LP	\$ 148,140	\$ 18,625	\$ 2,760	Ineligible
<u>2020</u>				
CMS/Winston Equity Partners II, LP	\$ 148,140	\$ 84,179	\$ 2,760	Ineligible

The CMS/Winston Equity Partners II, LP has stated that it does not anticipate the need to call additional capital from investors and is in the process of liquidating its holdings.

A comparison of investment cost and fair value is as follows for marketable securities reported at fair value as of June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Miller Investment Management - mutual funds	\$ 19,690,683	\$ 26,466,234	\$ 17,203,143	\$ 20,408,532

These investments are exposed to various risks such as market volatility, interest rate and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Gesu School, Inc.

Notes to Financial Statements

Note 6: Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

The following tables set forth by level, within the fair value hierarchy, the Organization's financial instruments measured at fair value:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 14,696,982	\$ -	\$ -	\$ 14,696,982
Fixed income	7,270,613	-	-	7,270,613
International equity	4,498,639	-	-	4,498,639
Total investments in the fair value hierarchy	\$ 26,466,234	\$ -	\$ -	26,466,234
Investments measured at NAV				<u>18,625</u>
Total investments at fair value				<u>\$ 26,484,859</u>

The Gesu School, Inc.

Notes to Financial Statements

Note 6: Fair Value Measurements (Continued)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 9,565,561	\$ -	\$ -	\$ 9,565,561
Fixed income	7,440,144	-	-	7,440,144
International equity	3,402,827	-	-	3,402,827
Total investment in the fair value hierarchy	\$ 20,408,532	\$ -	-	20,408,532
Investments measured at NAV				<u>84,179</u>
Total investments at fair value				<u><u>\$ 20,492,711</u></u>

The following provides a brief description of the types of financial instruments the Organization holds and the methodology for estimating fair value.

Mutual Funds - These mutual funds invest in publicly traded fixed income and equity securities and have readily available market prices.

Limited Partnerships - The limited partnerships are interests in private equity funds, representing the Organization's ownership interest in the net asset value (NAV) of the respective partnership. Investments held by the partnerships consist of marketable securities that do not have readily determinable fair values. The fair values of the investments held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the general partner taking into consideration, among other things, the cost of the investments, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the investments relate.

The Gesu School, Inc.

Notes to Financial Statements

Note 7: Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30:

	2021	2020
Receivable in less than one year	\$ 892,145	\$ 1,462,980
Receivable in one to five years	1,504,000	1,355,000
Total unconditional promises to give	2,396,145	2,817,980
Less: Allowance for uncollectible promises to give	(268,500)	(309,000)
Less: Effect of discount to net present value	(127,186)	(138,769)
Unconditional promises to give, net	\$ 2,000,459	\$ 2,370,211

Unconditional promises to give that are due beyond one year are discounted using a discount rate of 2.25%.

Note 8: Property and Equipment, net

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

	2021	2020
Building and leasehold improvements	\$ 10,550,970	\$ 10,400,212
Furniture and fixtures	224,593	224,593
School equipment and computers	1,401,880	1,189,266
Library and reference books	19,300	19,300
Construction in progress	-	117,540
	12,196,743	11,950,911
Less accumulated depreciation and amortization	(6,274,712)	(5,898,577)
Total	\$ 5,922,031	\$ 6,052,334

The Organization receives use of its school facilities from St. Joseph's Preparatory School under a lease agreement that expires on May 31, 2055. Under this agreement, the Organization is required to pay a nominal amount of rent; however, it is required to pay for all repairs and maintenance of the facility and for utilities. The value of the leased building over the term of the lease is \$1,850,000 and is included in building and leasehold improvements, and is being amortized over the estimated useful life of the facilities, which is less than the term of the lease. Accumulated amortization related to the contributed value of the leased building was \$762,929 and \$715,493 as of June 30, 2021 and 2020, respectively.

Depreciation and amortization expense was \$386,122 and \$345,522 for the years ended June 30, 2021 and 2020, respectively.

The Gesu School, Inc.

Notes to Financial Statements

Note 9: Refundable Advance

The Organization had a refundable advance liability of \$829,800 as of June 30, 2020 due to the issuance of a Paycheck Protection Program grant from the Small Business Administration (SBA) during fiscal 2020. The Organization determined the grant was a conditional grant and was reported as a refundable advance liability until the barriers to entitlement were met and overcome. On January 21, 2021 the Organization received notification that the SBA had approved full forgiveness of the liability; therefore management has determined that the conditions of the award have been met and the full amount of the refundable advance had been recognized in contribution revenue for the current year ended June 30, 2021.

Note 10: Net Assets Without Donor Restrictions

The Organization's Board of Trustees has approved that a portion of the net assets without donor restrictions be directed into a board-designated endowment. Investment earnings from the board-designated endowment are reinvested but are available for distribution at the discretion of the Board of Trustees. Investment earnings from the board-designated endowment are recorded as increases in net assets without donor restrictions. The board-designated endowment totaled \$15,214,893 and \$12,996,441 at June 30, 2021 and 2020, respectively, and is included in the net assets without donor restrictions balance as of June 30, 2021 and 2020.

The Gesu School, Inc.

Notes to Financial Statements

Note 11: Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purposes:		
Accumulated earnings on permanently restricted endowment in excess of spending policy	\$ 4,922,188	\$ 2,829,900
Building maintenance	80,000	80,000
Counseling program	-	70,000
Future value of leased building	1,087,071	1,134,507
Graduate counselor expenses	375,000	447,700
Mission and ministry	16,000	-
Music program	-	3,000
Neighborhood Special Needs program	-	3,797
SERP	115,000	130,000
Student scholarships	28,302	38,968
Summer school program	30,000	-
YET program	38,877	47,547
Youngest Scholars program	73,394	57,917
Total subject to expenditure for specified purposes	6,765,832	4,843,336
Subject to the passage of time:		
Multi-year unconditional promises to give and other time restricted contributions	1,580,064	1,772,892
Endowments:		
Permanent funds subject to endowment spending policy and appropriation	7,687,809	6,887,808
Total net assets with donor restrictions	\$ 16,033,705	\$ 13,504,036

The Gesu School, Inc.

Notes to Financial Statements

Note 11: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the years ended June 30:

	2021	2020
Satisfaction of purpose restrictions:		
Appropriation of endowment assets for expenditures	\$ 263,035	\$ 258,439
After-school program	40,000	111,424
Building maintenance	-	20,000
Counseling program	70,000	70,000
GEM program	-	18,955
Graduate counselor expenses	72,700	70,779
Music program	3,000	-
Neighborhood Special Needs program	3,796	-
Science program	-	3,500
SERP	50,000	-
Student scholarships	1,605,395	1,974,652
Summer school program	750	2,300
Technology	-	1,413
Use of leased building	47,436	47,436
Writing program	-	20,000
YET program	18,669	19,153
Youngest Scholars program	34,524	44,893
Total purpose restrictions satisfied	2,209,305	2,662,944
Passage of time:		
Multi-year unconditional promises to give	340,124	101,000
Total net assets released from donor restrictions	\$ 2,549,429	\$ 2,763,944

Net assets were restricted in perpetuity at June 30, 2021 and 2020 as follows:

- a. \$100,000 and \$100,000, respectively, Edwin L. Knetzger Teaching Prize endowment established by an Organization trustee. Investment earnings from the teaching prize endowment are available to provide an annual award to a Gesu School teacher and are recorded as an increase in net assets without donor restrictions if the teaching prize is provided before the end of the fiscal year or as an increase in net assets with donor restrictions if not.

The Gesu School, Inc.

Notes to Financial Statements

Note 11: Net Assets with Donor Restrictions (Continued)

b. \$7,587,809 and \$6,787,808, respectively, scholarship endowment established by various contributors. Investment earnings from the scholarship endowment are available to provide scholarships to children attending the School and are recorded as an increase in net assets without donor restrictions if the scholarships are provided before the end of the fiscal year or as an increase in net assets with donor restrictions if not.

Note 12: Endowment Fund

As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments.

Interpretation of Relevant Law

The Organization interprets the Commonwealth of Pennsylvania Act 141 (Act 141) 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, the Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the Organization's spending policy.

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Act 141 requires the Organization to retain as a fund of perpetual duration (underwater endowments). We have interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under Act 141. As of June 30, 2021 and 2020, there were no funds with deficiencies. When applicable, these deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Over time, these may reverse due to appreciation of the underlying investments.

Endowment Investment and Spending

The Organization has an investment committee which oversees the investment advisors' investment of endowment assets to protect the future purchasing power of the principal of the endowed funds and provide a source of income to support the activities of the Organization.

The Gesu School, Inc.

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Investment returns through June 30, 2021 have averaged an annual rate of return of 12% for the last five years. The return objective is to produce an average rate of return sufficient to preserve the purchasing power of the endowment after withdrawals are taken. Actual returns in any given year may vary from this amount.

The investment committee determines spending of the Organization's permanently restricted net assets in its investment portfolio within the parameters of Act 141 (between 2% to 7% of endowment value). For each of the years ended June 30, 2021 and 2020, the investment committee determined the spending rate to be 4.25% of donor-restricted and board-designated endowment funds in its investment portfolio, based on the investment portfolio's fair value determined quarterly on the last trading day of each calendar quarter and averaged over the 12 quarters through March 31 of the previous fiscal year.

Strategies Employed for Achieving Objectives

The investment objectives for the endowment require disciplined and consistent management that accommodates all those events which are relevant, reasonable, and probable. The management of the endowment should ensure a total return (yield plus capital appreciation) sufficient to preserve and enhance, in real dollar terms, the principal funds endowed net of withdrawals to support the Organization over the long term.

Investments of endowed funds are diversified so as to maximize expected returns while controlling risk. Within agreed upon parameters, investment managers have complete investment discretion based on the expectation that the assets of the fund will be invested with care, skill, prudence and diligence.

The asset allocation, consistent with the return objective, consisted of the following at June 30:

	% of Assets	
	2021	2020
Money market funds	9%	15%
Equity mutual funds	66	54
Bond mutual funds	24	30
Limited partnerships	1	1
	100%	100 %

The Gesu School, Inc.

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Endowment Fund Activity

Endowment net assets composition by type of fund at June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 12,609,997	\$ 12,609,997
Board-designated endowment funds	15,214,893	-	15,214,893
Total funds	\$ 15,214,893	\$ 12,609,997	\$ 27,824,890

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 12,996,441	\$ 9,717,708	\$ 22,714,149
Investment return			
Interest and dividends	167,837	106,241	274,078
Unrealized and realized appreciation	2,748,105	2,249,083	4,997,188
Net investment return	2,915,942	2,355,324	5,271,266
Appropriation of endowment assets for expenditure (draw)	(697,490)	(263,035)	(960,525)
Contributions	-	800,000	800,000
Endowment net assets, end of year	\$ 15,214,893	\$ 12,609,997	\$ 27,824,890

Endowment net assets composition by type of fund at June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 9,717,708	\$ 9,717,708
Board-designated endowment funds	12,996,441	-	12,996,441
Total funds	\$ 12,996,441	\$ 9,717,708	\$ 22,714,149

The Gesu School, Inc.

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,051,466	\$ 8,917,990	\$ 21,969,456
Investment return			
Interest and dividends	243,629	181,653	425,282
Unrealized and realized appreciation	370,841	276,504	647,345
Net investment return	614,470	458,157	1,072,627
Appropriation of endowment assets for expenditure (draw)	(669,495)	(258,439)	(927,934)
Contributions	-	600,000	600,000
Endowment net assets, end of year	\$ 12,996,441	\$ 9,717,708	\$ 22,714,149

Note 13: Commitments and Contingencies

Line of Credit

The Organization has a line of credit with a financial institution which provides for borrowings up to \$1,000,000 and bears interest at a floating interest rate at the Daily LIBOR Rate plus 2% (2.78% effective rate at June 30, 2021), which has been extended through January 31, 2022 and is renewable annually. The line is secured by pledged cash of the Organization equal to \$1,350,000. There were no outstanding borrowings against the line of credit at June 30, 2021 and 2020.

Leases

The Organization leases school equipment under operating leases expiring through 2027. Rental expense for the years ended June 30, 2021 and 2020 was \$14,305 and \$11,160, respectively.

Future minimum lease payments under these operating leases as of June 30, 2021 are:

<u>Year Ending June 30,</u>	
2022	\$ 9,625
2023	6,104
2024	6,104
2025	6,104
2026	5,136
thereafter	3,295
Total	\$ 36,368

The Gesu School, Inc.

Notes to Financial Statements

Note 14: Risks and Uncertainties

As of June 30, 2021 and 2020, the Organization held financial instruments which potentially subject it to concentrations of credit risk. The financial instruments consist primarily of checking and money market accounts in excess of federally insured limits. As of June 30, 2021 and 2020, the uninsured balances were approximately \$4,518,000 and \$6,014,000, respectively. The Organization has not experienced any losses in such financial instruments. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

Note 15: Related Party

During the fiscal year 2017, the Gesu School Scholarship #1 LLC, a Pennsylvania limited liability company (the "Company") was formed and organized exclusively to participate in the Pennsylvania Educational Improvement/Opportunity Scholarship Tax Credit Programs and earn Educational Improvement Tax Credits (EITC) and/or the Opportunity Scholarship Tax Credits (OSTC) from the Commonwealth of Pennsylvania. The Company is expected to make charitable scholarship donations in the future to the Organization. The Organization is providing management services to the Company. There were no transactions between the Organization and the Company during fiscal years 2021 and 2020.

Note 16: Employee Benefit Plans

Defined Contribution Retirement Plan

All full-time employees who have one year of service and have attained the age of 21 are eligible to participate in the Organization's defined contribution retirement plan. Pension expense for the years ended June 30, 2021 and 2020 was \$47,100 and \$26,957, respectively.

457(b) Plan

During the year ended June 30, 2019, the Board of Trustees of the Organization approved the creation of a contributory 457(b) plan for certain eligible employees. The plan was effective July 1, 2019, and eligibility for this plan is based solely on the discretion of the Board of Trustees. The Organization may make contributions to the plan at such time and in such amount as the Organization determines. Employee contributions to the plan amounted to \$18,288 and \$19,000 for the years ended June 30, 2021 and 2020, respectively. There were no employer contributions for the years ended June 30, 2021 and 2020.

The Gesu School, Inc.

Notes to Financial Statements

Note 16: Employee Benefit Plans (Continued)

457(f) Plan

During the year ended June 30, 2019, the Board of Trustees of the Organization approved the creation of a non-contributory 457(f) plan for the Organization's President/CEO. The plan was effective July 1, 2019, and requires the Organization to make annual credits during the four year period beginning July 1, 2019 and ending June 30, 2023, totaling \$250,000. As of June 30, 2021 and 2020, the total liability relating to this plan was \$139,324 and \$62,500, respectively, and expenses incurred amounted to \$76,824 and \$62,500, respectively, for the year ended June 30, 2021 and 2020, respectively.

The amounts contributed by the Organization will then be paid to the President/CEO within sixty days upon completing continuous employment from July 1, 2019 to June 30, 2023.

Note 17: Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, the date the financial statements were available to be issued.