

The Gesu School, Inc.

Financial Statements

Years Ended June 30, 2022 and 2021



WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of The Gesu School, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP

Philadelphia, Pennsylvania
December 12, 2022

The Gesu School, Inc.

Statements of Financial Position

<i>As of June 30, 2022 and 2021</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 13,423,982	\$ 5,322,015
Investments:		
Marketable securities	15,920,230	26,466,234
Other	-	18,625
Tuition receivable, net of allowance for doubtful accounts of \$3,636 and \$3,718 in 2022 and 2021, respectively	-	11,463
Unconditional promises to give, net of allowance for doubtful accounts of \$259,000 and \$268,500 in 2022 and 2021, respectively	2,105,217	2,000,459
Prepaid expenses	77,911	60,162
Property and equipment, net	5,718,674	5,922,031
Property held for future development	118,500	118,500
TOTAL ASSETS	\$ 37,364,514	\$ 39,919,489
LIABILITIES		
Accounts payable and accrued expenses	\$ 743,830	\$ 657,414
Deferred revenue	32,007	44,025
Other liabilities	108,120	103,875
Total Liabilities	883,957	805,314
NET ASSETS		
Without donor restrictions	22,321,709	23,080,470
With donor restrictions	14,158,848	16,033,705
Total Net Assets	36,480,557	39,114,175
TOTAL LIABILITIES AND NET ASSETS	\$ 37,364,514	\$ 39,919,489

See accompanying notes to financial statements.

The Gesu School, Inc.

Statement of Activities

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 3,167,849	\$ 3,748,663	\$ 6,916,512
Tuition and registration fees, net of scholarships and discounts	605,363	-	605,363
Interest and dividend income	214,349	185,945	400,294
Endowment return used for operations	742,942	265,532	1,008,474
Other	38,769	-	38,769
Net assets released from restriction	3,853,905	(3,853,905)	-
Total Public Support and Revenues	8,623,177	346,235	8,969,412
EXPENSES			
School and related programs	4,195,441	-	4,195,441
Management and general	1,094,567	-	1,094,567
Fundraising	981,300	-	981,300
Total Expenses	6,271,308	-	6,271,308
Excess of Public Support and Revenues Over Expenses	2,351,869	346,235	2,698,104
Unrealized and realized loss on investments, net of endowment return used for operations	(3,110,630)	(2,221,092)	(5,331,722)
CHANGE IN NET ASSETS	(758,761)	(1,874,857)	(2,633,618)
NET ASSETS - BEGINNING OF YEAR	23,080,470	16,033,705	39,114,175
NET ASSETS - END OF YEAR	\$ 22,321,709	\$ 14,158,848	\$ 36,480,557

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 Functional Expenses

<i>Year Ended June 30, 2022</i>	Program Services	Supporting Services		Total
	School and Related Programs	Management and General	Fundraising	
Advertising and promotion	\$ 6,491	\$ -	\$ 73,296	\$ 79,787
Bad debt expense	15,544	-	-	15,544
Conferences and meetings	25,863	-	866	26,729
Depreciation and amortization	328,990	3,722	4,355	337,067
Employee benefits	374,814	111,529	75,080	561,423
Event expenses	-	-	101,853	101,853
Information technology	27,539	312	30,303	58,154
Insurance	113,495	1,284	1,502	116,281
Meals and entertainment	35,314	-	-	35,314
Occupancy	347,170	3,928	4,595	355,693
Office expenses	38,312	1,840	25,076	65,228
Payroll taxes	161,901	59,311	40,422	261,634
Professional fees and services	153,119	75,650	2,027	230,796
Salaries and wages	2,345,651	836,991	610,088	3,792,730
Student activities	71,712	-	-	71,712
Supplies and other	126,270	-	11,837	138,107
Travel	23,256	-	-	23,256
Total Expenses	\$ 4,195,441	\$ 1,094,567	\$ 981,300	\$ 6,271,308

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.

Statements of Cash Flows

<i>Years Ended June 30, 2022 and 2021</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,633,618)	\$ 5,263,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	337,067	386,122
Loss on retirement of property and equipment	-	3,745
(Recovery of) provision for uncollectible tuition	(82)	3,718
Change in reserve for uncollectible promises to give	(9,500)	(40,500)
Change in discount for promises to give	(61,192)	(11,583)
Unrealized and realized loss (gain) on investments	4,323,248	(4,997,188)
Change in operating assets and liabilities:		
Tuition receivable	11,545	(12,118)
Unconditional promises to give	(34,066)	421,835
Prepaid expenses	(17,749)	5,905
Accounts payable and accrued expenses	86,416	104,739
Other liabilities	4,245	103,875
Deferred revenue	(12,018)	21,095
Refundable advance	-	(829,800)
Net Cash Provided by Operating Activities	1,994,296	423,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(133,710)	(377,105)
Purchases of investments	(11,203,304)	(7,485,516)
Proceeds from sale of investments	17,444,685	6,490,557
Net Cash Provided by (Used in) Investing Activities	6,107,671	(1,372,064)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,101,967	(948,340)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,322,015	6,270,355
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,423,982	\$ 5,322,015
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the years for interest	\$ -	\$ 6,408

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.

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 Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Investments

Investments in mutual funds, equity securities and exchange-traded products are reported at fair value in the statements of financial position. Other investments include partnership interests and private funds without readily determinable fair values. 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 fair value reported is 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.

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.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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 \$3,200,000 and \$3,300,000 for the years ended June 30, 2022 and 2021, respectively.

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.

The Gesu School, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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.

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 requires lessees to record assets and liabilities on the Statement of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU No. 2016-02 is effective for the Organization as of and for the year ending June 30, 2023. The Organization is currently evaluating the impact of this standard.

Note 3: Liquidity and Availability of Financial Resources

As of June 30, 2022 and 2021, 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:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,818,086	\$ 1,134,557
Tuition receivable, net	-	11,463
Total financial assets available within one year	3,818,086	1,146,020
Liquidity resource:		
Bank line of credit	-	1,000,000
Total financial assets and liquidity resources available within one year	\$ 3,818,086	\$ 2,146,020

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, 2022 and 2021, the Organization's board-designated endowment of \$15,038,578 and \$15,214,893, respectively, is subject to an annual spending rate of 4.25% as described in Note 10. 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.

The Gesu School, Inc.

Notes to Financial Statements

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>	2022	2021	2020
Contract liabilities - deferred revenue	\$ 32,007	\$ 44,025	\$ 22,930
Accounts receivable (net) - tuition and fees	\$ -	\$ 11,463	\$ 3,063

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, 2021 was recognized as revenue during fiscal year 2022, and the deferred revenue balance at June 30, 2020 was recognized as revenue during fiscal year 2021.

Note 5: Investments

The Organization's investments consist of the following as of June 30, 2022 and 2021:

Investments with readily available market prices consist of mutual funds, equity securities and exchange-traded products.

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 the remaining balance was liquidated in 2022. There was no additional capital provided in 2022.

The Gesu School, Inc.

Notes to Financial Statements

Note 5: Investments (Continued)

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

	2022		2021	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Mutual funds	\$ 4,708,654	\$ 3,869,865	\$ 13,030,185	\$ 15,651,350
Equities	2,841,828	2,240,710	-	-
Exchange-traded products	8,226,660	9,809,655	6,660,498	10,814,884
Total	\$ 15,777,142	\$ 15,920,230	\$ 19,690,683	\$ 26,466,234

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:

<i>2021</i>	Cost	Fair Value	Unfunded Commitments	Redemption Frequency
CMS/Winston Equity Partner II, LLP	\$ 148,140	\$ 18,625	\$ 2,760	Ineligible

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: Unconditional Promises to Give

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

	2022	2021
Receivable in less than one year	\$ 804,139	\$ 892,145
Receivable in one to five years	1,626,072	1,504,000
Total unconditional promises to give	2,430,211	2,396,145
Less: Allowance for uncollectible promises to give	(259,000)	(268,500)
Less: Effect of discount to net present value	(65,994)	(127,186)
Unconditional promises to give, net	\$ 2,105,217	\$ 2,000,459

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

Note 7: Property and Equipment, net

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

	2022	2021
Building and leasehold improvements	\$ 10,626,405	\$ 10,550,970
Furniture and fixtures	224,593	224,593
School equipment and computers	1,460,155	1,401,880
Library and reference books	19,300	19,300
	12,330,453	12,196,743
Less accumulated depreciation and amortization	(6,611,779)	(6,274,712)
Total	\$ 5,718,674	\$ 5,922,031

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 \$810,365 and \$762,929 as of June 30, 2022 and 2021, respectively.

Depreciation and amortization expense was \$337,067 and \$386,122 for the years ended June 30, 2022 and 2021, respectively.

The Gesu School, Inc.

Notes to Financial Statements

Note 8: 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 \$15,038,578 and \$15,214,893 at June 30, 2022 and 2021, respectively, and is included in the net assets without donor restrictions balance as of June 30, 2022 and 2021.

Note 9: Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purposes:		
Accumulated earnings on permanently restricted endowment in excess of spending policy	\$ 2,887,041	\$ 4,922,188
Athletics	14,000	-
Building maintenance	80,000	80,000
Counseling program	1,769	-
Future value of leased building	1,039,635	1,087,071
Graduate counselor expenses	300,000	375,000
Mission and ministry	20,000	16,000
SERP	98,335	115,000
Student scholarships	16,090	28,302
Summer school program	10,000	30,000
Symposium	10,000	-
Writing program	30,000	-
YET program	31,015	38,877
Youngest Scholars program	57,614	73,394
Total subject to expenditure for specified purposes	4,595,499	6,765,832
Subject to the passage of time:		
Multi-year unconditional promises to give and other time restricted contributions	1,375,540	1,580,064
Endowments:		
Permanent funds subject to endowment spending policy and appropriation	8,187,809	7,687,809
Total net assets with donor restrictions	\$ 14,158,848	\$ 16,033,705

The Gesu School, Inc.

Notes to Financial Statements

Note 9: 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:

	2022	2021
Satisfaction of purpose restrictions:		
Appropriation of endowment assets for expenditures	\$ 265,532	\$ 263,035
After-school program	60,000	40,000
Counseling program	75,000	70,000
GEM program	24,000	-
Graduate counselor expenses	75,000	72,700
Music program	3,000	3,000
Neighborhood Special Needs program	-	3,796
SERP	50,000	50,000
Student scholarships	2,686,144	1,605,395
Summer school program	30,000	750
Use of leased building	47,436	47,436
Writing program	8,500	-
YET program	32,863	18,669
Youngest Scholars program	45,780	34,524
Total purpose restrictions satisfied	3,403,255	2,209,305
Passage of time:		
Multi-year unconditional promises to give	450,650	340,124
Total net assets released from donor restrictions	\$ 3,853,905	\$ 2,549,429

Net assets were restricted in perpetuity at June 30, 2022 and 2021 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.

b. \$8,087,809 and \$7,587,809, 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.

The Gesu School, Inc.

Notes to Financial Statements

Note 10: 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, 2022 and 2021, 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.

Investment returns through June 30, 2022 have averaged an annual rate of return of 3% 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 Gesu School, Inc.

Notes to Financial Statements

Note 10: Endowment Fund (Continued)

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, 2022 and 2021, 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	
	2022	2021
Money market funds	42%	9%
Mutual funds	14	54
Equities	8	0
Exchange-traded products	36	36
Limited partnerships	-	1
	100%	100%

The Gesu School, Inc.

Notes to Financial Statements

Note 10: Endowment Fund (Continued)

Endowment Fund Activity

Endowment net assets composition by type of fund at June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 11,074,850	\$ 11,074,850
Board-designated endowment funds	15,038,578	-	15,038,578
Total funds	\$ 15,038,578	\$ 11,074,850	\$ 26,113,428

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 15,214,893	\$ 12,609,997	\$ 27,824,890
Investment return			
Interest and dividends	214,349	185,945	400,294
Unrealized and realized depreciation	(2,367,688)	(1,955,560)	(4,323,248)
Net investment loss	(2,153,339)	(1,769,615)	(3,922,954)
Appropriation of endowment assets for expenditure (draw)	(742,942)	(265,532)	(1,008,474)
Contributions	2,719,966	500,000	3,219,966
Endowment net assets, end of year	\$ 15,038,578	\$ 11,074,850	\$ 26,113,428

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

The Gesu School, Inc.

Notes to Financial Statements

Note 10: Endowment Fund (Continued)

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

Note 11: Commitments and Contingencies

Line of Credit

The Organization had a line of credit with a financial institution which provided for borrowings up to \$1,000,000, and bearing interest at a floating interest rate at the Daily LIBOR Rate plus 2% (2.78% effective rate at June 30, 2021). The line was 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. During 2022, the line of credit was not renewed.

Leases

The Organization leases school equipment under operating leases expiring through 2027. Rental expense for the years ended June 30, 2022 and 2021 was \$16,992 and \$14,305, respectively.

Future minimum lease payments under these operating leases as of June 30, 2022 are:

<u>Year Ending June 30,</u>		
2023	\$	17,620
2024		17,620
2025		17,620
2026		14,593
2027		3,578
Total	\$	71,031

The Gesu School, Inc.

Notes to Financial Statements

Note 12: Risks and Uncertainties

As of June 30, 2022, 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, 2022, the uninsured balance was approximately \$12,600,000. 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 13: 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 2022 and 2021.

Note 14: 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, 2022 and 2021 was \$50,080 and \$47,100, 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 \$18,269 and \$18,288 for the years ended June 30, 2022 and 2021, respectively. There were no employer contributions for the years ended June 30, 2022 and 2021.

The Gesu School, Inc.

Notes to Financial Statements

Note 14: 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, 2022 and 2021, the total liability relating to this plan is included in accounts payable and accrued expenses and totaled \$200,672 and \$139,324, respectively; expenses incurred amounted to \$61,348 and \$76,824 for the years ended June 30, 2022 and 2021, 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 15: Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2022, the date the financial statements were available to be issued.