THE EPIPHANY SCHOOL, INC.

FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

THE EPIPHANY SCHOOL, INC.

Contents
June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees of
The Epiphany School, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Epiphany School, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Epiphany School, Inc. as of June 30, 2020 and 2019, 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.

AAFCPAs, Inc.

Boston, Massachusetts
September 10, 2020

THE EPIPHANY SCHOOL, INC.

Statements of Financial Position
June 30, 2020 and 2019

Assets	**2020**	**2019**
Current Assets:		
Cash and cash equivalents	$ 3,482,428	$ 2,570,096
Current portion of restricted cash	2,765,538	4,827,350
Current portion of operating pledges receivable	26,234	49,234
Prepaid expenses and deposits	162,743	165,184
Total current assets	6,436,943	7,611,864
Investments	6,511,896	6,472,163
Restricted Cash, net of current portion	351,835	-
Operating Pledges Receivable, net of current portion and discount	9,429	34,736
Capital Campaign Pledges Receivable, net of discount and allowance for uncollectible pledges of $100,000 as of June 30, 2020 and 2019	364,792	1,370,173
Property and Equipment, net	18,989,210	19,199,599
Total assets	$ 32,664,105	$ 34,688,535
Liabilities and Net Assets		
Current Liabilities:		
Construction line of credit	$ -	$ 3,090,730
Current portion of note payable	279,365	-
Accounts payable and accrued expenses	147,427	170,430
Total current liabilities	426,792	3,261,160
Note Payable, net of current portion	351,835	-
Total liabilities	778,627	3,261,160
Net Assets:		
Without donor restrictions:		
Operating	1,867,787	5,235,436
Board designated:		
Building and gap reserves	1,901,673	1,661,051
Endowment	6,234,008	6,306,489
Property and equipment	18,954,115	16,062,775
Total without donor restrictions	28,957,583	29,265,751
With donor restrictions	2,927,895	2,161,624
Total net assets	31,885,478	31,427,375
Total liabilities and net assets	$ 32,664,105	$ 34,688,535

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Operating Revenues:						
Contributions	$ 4,088,166	$ 328,086	$ 4,416,252	$ 4,024,569	$ 276,614	$ 4,301,183
Program fees	247,252	-	247,252	210,849	-	210,849
Investment earnings designated for operations	233,915	-	233,915	194,375	-	194,375
Donated services	82,023	-	82,023	4,528	-	4,528
Rental income and interest	6,857	-	6,857	15,850	-	15,850
Net assets released from time restrictions	74,944	(74,944)	-	119,425	(119,425)	-
Net assets released from purpose restrictions	215,760	(215,760)	-	187,688	(187,688)	-
Total operating revenues	4,948,917	37,382	4,986,299	4,757,284	(30,499)	4,726,785
Operating Expenses:						
Instruction and student activities	4,277,684	-	4,277,684	4,267,971	-	4,267,971
Development	694,280	-	694,280	745,643	-	745,643
General and administrative	464,794	-	464,794	384,229	-	384,229
Total operating expenses	5,436,758	-	5,436,758	5,397,843	-	5,397,843
Changes in net assets from operations	(487,841)	37,382	(450,459)	(640,559)	(30,499)	(671,058)
Other Revenues (Expenses):						
Capital campaign contributions	-	953,004	953,004	130,325	2,409,314	2,539,639
Investment return, net	185,411	4,062	189,473	503,066	4,632	507,698
Donated services - capital campaign	-	-	-	10,394	-	10,394
Net assets released from capital campaign restrictions	228,177	(228,177)	-	1,005,313	(1,005,313)	-
Capital campaign expenses	-	-	-	(200,236)	-	(200,236)
Investment earnings designated for operations	(233,915)	-	(233,915)	(194,375)	-	(194,375)
Total other revenues (expenses)	179,673	728,889	908,562	1,254,487	1,408,633	2,663,120
Changes in net assets	(308,168)	766,271	458,103	613,928	1,378,134	1,992,062
Net Assets:						
Beginning of year	29,265,751	2,161,624	31,427,375	28,651,823	783,490	29,435,313
End of year	$ 28,957,583	$ 2,927,895	$ 31,885,478	$ 29,265,751	$ 2,161,624	$ 31,427,375

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	$ 458,103	$ 1,992,062
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	631,782	603,268
Net realized and unrealized gains	(147,471)	(375,388)
Capital campaign contributions	(953,004)	(2,539,639)
Change in discount on operating pledges receivable	(692)	(2,218)
Change in discount on capital campaign pledges receivable	(13,743)	(14,371)
Changes in operating assets and liabilities:		
Operating pledges receivable	48,999	121,423
Prepaid expenses and deposits	2,441	(16,991)
Accounts payable and accrued expenses	(12,004)	20,878
Net cash provided by (used in) operating activities	14,411	(210,976)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(432,392)	(1,533,696)
Purchase of investments	(102,966)	(255,217)
Proceeds from sales of investments	210,704	216,462
Net cash used in investing activities	(324,654)	(1,572,451)
Cash Flows from Financing Activities:		
Proceeds from (payments made on) construction line of credit	(3,090,730)	1,290,730
Principal payments on capital lease obligation	-	(3,286)
Proceeds from note payable	631,200	-
Capital campaign contributions received in cash	1,972,128	3,288,694
Net cash provided by (used in) financing activities	(487,402)	4,576,138
Net Change in Cash and Cash Equivalents	(797,645)	2,792,711
Cash and Cash Equivalents:		
Beginning of year	7,397,446	4,604,735
End of year	$ 6,599,801	$ 7,397,446
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 44,552	$ 100,620
Supplemental Disclosure of Non-Cash Transactions:		
Property and equipment acquisitions financed via accounts payable	$ 35,095	$ 46,094
Construction in process placed in service	$ -	$ 16,433
Unrealized gains on investments	$ 144,336	$ 375,605

THE EPIPHANY SCHOOL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020				2019
	Instruction and Student Activities	Development	General and Adminis-trative	Total	Total
Expenses:					
Salaries and related expenses:					
Salaries and wages	$ 2,011,602	$ 328,849	$ 173,314	$ 2,513,765	$ 2,504,516
Payroll taxes and benefits	522,799	60,128	44,432	627,359	646,335
Intern benefits	6,851	-	-	6,851	5,778
Total salaries and related expenses	2,541,252	388,977	217,746	3,147,975	3,156,629
Other:					
Professional fees	148,046	179,068	83,349	410,463	228,222
Repairs and maintenance	200,576	18,707	10,543	229,826	193,592
Utilities	171,018	19,662	11,011	201,691	201,665
Miscellaneous	75,768	8,856	3,156	87,780	92,742
Meals	86,286	-	-	86,286	109,544
Donated services	14,250	11,250	56,523	82,023	4,528
Financial aid	80,552	-	-	80,552	85,381
Program and supplies	68,582	101	220	68,903	104,925
Summer camp facility	68,026	-	-	68,026	61,071
Insurance	25,025	255	32,907	58,187	57,637
Professional development	51,580	-	-	51,580	56,883
Interest	43,660	446	446	44,552	100,620
Office supplies	34,012	2,021	4,289	40,322	30,141
Printing and copying	9,669	27,549	-	37,218	42,611
Bank and payroll fees	38	-	34,661	34,699	23,762
Dues and subscriptions	11,941	12,656	2,557	27,154	16,326
School events	8,479	8,975	-	17,454	164,639
Meetings and travel	14,099	280	70	14,449	16,749
Postage	-	9,159	998	10,157	12,866
Student transportation	3,341	-	-	3,341	13,388
Field trips	2,338	-	-	2,338	20,654
Total expenses before depreciation	3,658,538	687,962	458,476	4,804,976	4,794,575
Depreciation	619,146	6,318	6,318	631,782	603,268
Total expenses	$ 4,277,684	$ 694,280	$ 464,794	$ 5,436,758	$ 5,397,843

THE EPIPHANY SCHOOL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Instruction and Student Activities	Development	General and Adminis-trative	Total
Expenses:				
Salaries and related expenses:				
Salaries and wages	$ 1,996,161	$ 341,828	$ 166,527	$ 2,504,516
Payroll taxes and benefits	504,791	55,209	86,335	646,335
Intern benefits	5,778	-	-	5,778
Total salaries and related expenses	2,506,730	397,037	252,862	3,156,629
Other:				
Professional fees	99,343	99,424	29,455	228,222
Repairs and maintenance	171,374	11,109	11,109	193,592
Utilities	170,608	15,574	15,483	201,665
Miscellaneous	82,698	8,991	1,053	92,742
Meals	109,544	-	-	109,544
Donated services	-	2,500	2,028	4,528
Financial aid	85,381	-	-	85,381
Program and supplies	104,851	37	37	104,925
Summer camp facility	61,071	-	-	61,071
Insurance	23,299	238	34,100	57,637
Professional development	55,819	1,064	-	56,883
Interest	98,608	1,006	1,006	100,620
Office supplies	23,889	1,821	4,431	30,141
Printing and copying	9,043	33,568	-	42,611
Bank and payroll fees	23	-	23,739	23,762
Dues and subscriptions	10,509	4,056	1,761	16,326
School events	15,430	149,209	-	164,639
Meetings and travel	14,249	2,389	111	16,749
Postage	258	11,587	1,021	12,866
Student transportation	13,388	-	-	13,388
Field trips	20,654	-	-	20,654
Total expenses before depreciation	3,676,769	739,610	378,196	4,794,575
Depreciation	591,202	6,033	6,033	603,268
Total expenses	$ 4,267,971	$ 745,643	$ 384,229	$ 5,397,843

1. OPERATIONS AND NONPROFIT STATUS

The Epiphany School, Inc. (the School) is an independent school for children of economically disadvantaged families in Boston with scholarships for all. The School admits children of diverse faiths, races, cultures, and cognitive profiles, believing in the Episcopal tradition that the School finds God in and through each other. In close partnership with families and community partners, the School is an innovative learning community. The School offers structured support to enable children to discover and develop the fullness of their individual gifts and to help their families thrive. The School's Early Learning Center (the Center) serves infants, toddlers and preschoolers through a rich, child-centered curriculum and whole-family program model to ensure kindergarten readiness and family self-sufficiency. The School's Middle School offers small classes, individualized curricula, and extended school days providing rigorous academic, moral and social instruction to children in grades five through eight. The School's Graduate Support program provides abiding personal, educational, and career guidance and assistance to its graduates ensuring they are prepared to contribute intelligently, morally, and actively to the society they will inherit. The School's Teacher Training Program trains aspiring urban teachers, including many of its graduates. The School's Impact Center shares best practices to improve educational outcomes on a broad scale. Together, the School never gives up on a child.

The School is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The School is also exempt from state income taxes. Donors may deduct contributions made to the School within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Principle Adoption

The FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, the School adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning on June 30, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the School's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue.

During fiscal year 2020, the School also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The School adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the School. The School has grouped its net assets without donor restrictions into the following categories:

- ***Operating net assets*** consist of resources without donor restrictions available for the School's operations.

- ***Board designated net assets:***

    - Building and gap reserves are funds set aside to maintain the physical infrastructure of the School, along with funds set aside to offset any seasonal and future operating deficits.
    - Endowment represent funds set aside by the Board of Trustees to function as a Quasi-Endowment. Earnings will be used for strategic expenditures as well as operating expenses as part of the Board-approved annual operating budget (see Note 9). The use of these funds requires approval of the Board of Trustees.

- ***Property and equipment net assets*** reflect amounts expended and resources available for property and equipment, net of related debt.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows at June 30:

	2020	2019
Subject to expenditure for specified purpose:		
Capital campaign (see Note 11)	$ 2,426,420	$ 1,777,093
Other	138,070	27,984
Scholarships	88,693	81,042
SILK program	34,827	17,329
Graduate support	10,000	-
Sailing	4,715	6,460
Urban Achievers program	4,527	6,027
Foster fund	4,480	5,077
Total purpose restricted	2,711,732	1,921,012
Subject to expenditure for time	35,663	135,612
Funds held in perpetuity	180,500	105,000
Total	$ 2,927,895	$ 2,161,624

Net assets with perpetual donor restrictions represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 9).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of demand deposits and highly liquid investments with an initial maturity of three months or less, excluding those held as part of the investment portfolio (see Note 3). Restricted cash includes cash received with restrictions imposed by donors (but not yet spent) for the capital campaign (see Note 11). Also included in restricted cash as of June 30, 2020, are proceeds from the Paycheck Protection Program loan (see Note 7).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying statements of financial position that sum to the total of the same such amounts in the accompanying statements of cash flows as of June 30:

	2020	2019
Cash and cash equivalents	$ 3,482,428	$ 2,570,096
Current portion of restricted cash	2,765,538	4,827,350
Restricted cash, net of current portion	351,835	-
Total	$ 6,599,801	$ 7,397,446

Pledges Receivable and Allowance for Doubtful Pledges

Pledges receivable consist of contributions committed to the School (see Note 11). Pledges are recorded at their net present value when unconditionally committed. An allowance for doubtful pledges is calculated based on management's best estimate of the amount of uncollectible pledges. Estimates of uncollectible pledges are based on past collection experience together with a review of the current status of existing receivables. The allowance for uncollectible pledges was $100,000 at June 30, 2020 and 2019.

Property and Equipment and Depreciation

Property and equipment are recorded at cost or, if acquired by donation, at fair value at the date of acquisition. Major additions and improvements are capitalized, while ordinary maintenance and repairs are expensed as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and gains or losses are reflected in the accompanying statements of activities and changes in net assets.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Buildings and improvements	20 - 40 years
Computers and software	5 - 7 years
Furniture, fixtures and equipment	5 - 7 years

Land is not depreciated.

The School accounts for the carrying value of its property and equipment in accordance with the requirements of the U.S. GAAP standard on the *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2020 and 2019, the School has not recognized any reduction in the carrying value of its property and equipment when considering this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

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

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

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

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

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

Investments

Investments (see Note 3) are recorded in the accompanying financial statements at fair value. If an investment is directly held by the School and an active market with quoted prices exists, the market price of an identical security is used to report fair value. The School holds other investments in non-publicly traded securities that are valued using the basis of the School's equity in the net asset value (NAV) of the investment vehicle as a practical expedient. As of June 30, 2020 and 2019, the School had no plans to sell investments at amounts different from NAV.

A summary of inputs used in valuing the School's investments as of June 30, 2020 and 2019, is included in Note 3.

The Board has established investment policies governing long-term investments, which are held in several investment accounts, based on the purpose for those investment accounts and their earnings. These policies take into account liquidity, risk, and return characteristics appropriate for the different categories of the School's holdings.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Financial Aid

Financial aid is awarded to students who graduate from the School and go on to attend private high schools and colleges, which require tuition. Financial aid is awarded based on need and is recorded as an expense when paid by the School to the private high schools and colleges.

Revenue Recognition

In accordance with Topic 958, the School must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the School should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. As of June 30, 2020, the School did not have funding commitments for future periods which contained imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations.

Grants and contributions from government agencies, foundations, individuals, and corporations are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenues and net assets with donor restrictions when received or when unconditionally committed by the donor. Grants and contributions with donor restrictions are transferred to revenue and net assets without donor restrictions as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contributions as time restrictions lapse. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions. Program fees and all other revenues are recorded when earned.

Interest and dividends are recognized when earned. Gains and losses are recognized as incurred upon sale or maturity of investments or based on fair value changes during the period.

Rental income is recorded over the term of the lease.

Donated Services

Individuals and other organizations contribute services to the School in support of various aspects of its programs. These services, which are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors or management, were valued at $82,023 and $4,528 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2019, the School also received $10,394 of services from other organizations related to the School's capital campaign (see Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate of the percentage attributed to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related expenses, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated based on employee headcounts within the respective department; depreciation, which is allocated on a square footage basis; and supplies and dues and subscription costs, which are allocated based on usage.

Income Taxes

The School accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The School has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. However, the School's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through September 10, 2020, which is the date the financial statements were available to be issued. Except as disclosed in Note 10, there were no events that met the criteria for recognition or disclosure in the financial statements.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Other revenues (expenses) include capital campaign (see Note 11) and investment activity (see Note 3).

3. INVESTMENTS

The following table presents the School's investments by level within the valuation framework (see Note 2) as of June 30:

	2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities:				
Non-publicly traded equity fund*	$ -	$ -	$ -	$ 4,116,768
Bond securities:				
Non-publicly traded bond fund*	-	-	-	2,306,434
Mutual and exchange traded funds:				
Balanced funds	79,434	-	-	79,434
Cash and cash equivalents	9,260	-	-	9,260
Total	$ 88,694	$ -	$ -	$ 6,511,896

3. INVESTMENTS (Continued)

Investment Type	2019 Level 1	Level 2	Level 3	Total
Equity securities:				
Non-publicly traded equity fund*	$ -	$ -	$ -	$ 4,179,192
Bond securities:				
Non-publicly traded bond fund*	-	-	-	2,211,929
Mutual and exchange traded funds:				
Balanced funds	71,854	-	-	71,854
Cash and cash equivalents	9,188	-	-	9,188
Total	$ 81,042	$ -	$ -	$ 6,472,163

* In accordance with U.S. GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

Cash equivalent investments and mutual and exchange traded funds are valued based on quoted market prices in active markets. Investments in non-publicly traded equity and bond funds are held at the reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used to assess the NAV of these external managers vary by asset class. The School monitors the valuation methodologies and practices of these managers.

The School believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2020 and 2019. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

Invested resources of the School's endowment as well as other investments are presented as non-current assets as they are intended to be held for long-term purposes. The balances of each were as follows at June 30:

	2020	2019
Endowment investments in securities	$ 6,423,202	$ 6,391,121
Other investments in securities	88,694	81,042
	$ 6,511,896	$ 6,472,163

The following schedule summarizes the components of investment return, net on investments for the years ended June 30:

	2020	2019
Unrealized gains	$ 144,336	$ 375,605
Interest and dividend income	65,213	154,397
Realized gains (losses)	3,135	(217)
Investment fees	(23,211)	(22,087)
Investment return, net	$ 189,473	$ 507,698

Investments are not insured and are subject to ongoing market fluctuations.

4. PROPERTY AND EQUIPMENT

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

	2020	2019
Buildings and improvements	$ 21,420,165	$ 21,123,184
Land	1,752,614	1,752,614
Furniture, fixtures and equipment	554,077	429,665
Computers and software	145,565	145,565
	23,872,421	23,451,028
Less - accumulated depreciation	4,883,211	4,251,429
	$ 18,989,210	$ 19,199,599

5. EMPLOYEE BENEFIT PLANS

The School established a deferred compensation plan covering all qualified employees. The employee may defer an amount annually allowed by law. The School will match half of the employee's deferment up to 10% of their annual salary. For the years ended June 30, 2020 and 2019, the School's contribution to the plan totaled approximately $68,000 and $50,000, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses.

6. LINES OF CREDIT

The School has a $400,000 line of credit with a bank. Any amounts drawn on the line of credit are payable on demand. Interest accrues on all amounts advanced at a rate equal to the thirty-day London Interbank Offered Rate (LIBOR) plus 2.5% (2.68% and 4.90% at June 30, 2020 and 2019, respectively). There were no draws on the line of credit during fiscal years 2020 and 2019. The line of credit is unsecured under a non-encumbrance agreement. This line of credit requires the School to meet certain covenants. The School was in compliance with these covenants as of June 30, 2020 and 2019.

The School had a $5,000,000 line of credit agreement with a bank to fund its capital projects (see Note 11). Any amounts drawn on the line of credit were payable on demand. Interest accrued on all amounts advanced at a rate equal to the thirty-day LIBOR plus 2% (2.18% and 4.40% at June 30, 2020 and 2019, respectively). The School paid off the line of credit during fiscal year 2020. The line of credit had an outstanding balance of $3,090,730 at June 30, 2019. The School had the option to convert the outstanding balance of the line of credit to a three-year term loan upon the completion of the capital project in 2020. The line of credit was secured by a mortgage on the 228-230 Centre Street property. This line of credit required the School to meet certain covenants. The School was in compliance with these covenants as of June 30, 2019.

7. NOTE PAYABLE

The School applied for and was awarded a forgivable loan of $631,200 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a twenty-four-week period (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until December 31, 2020, when the note, plus interest, will be due in equal monthly payments through April 23, 2022. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2020. There was no accrued interest on the note payable as of June 30, 2020, as it would be immaterial to the overall financial statements.

8. CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalent balances in various financial institutions insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, balances exceeded the insured amounts. The School has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents. The School performs periodic evaluations of the relative credit standings and limits the amount of credit exposure with these financial institutions.

9. ENDOWMENT

The School follows an investment and spending policy to ensure a total return (income plus capital change) necessary to preserve and enhance the principal of the endowment fund and, at the same time, provide a dependable source of support for current operations and programs. The withdrawal from the fund in support of current operations is expected to remain a constant percentage of the total fund (3% to 5% of the endowment's average value over the previous twelve quarters), adjusted for new gifts to the fund.

In recognition of the prudence required by fiduciaries, reasonable diversification is sought where possible. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of investment managers of diverse investment styles. Asset allocation parameters have been developed for various funds within the structure, based on investment objectives, liquidity needs, and time horizon for intended use.

Measurement of investment performance against policy objective will be computed on a total return basis. Total return is defined as dividend or interest income plus realized gains and losses and unrealized capital appreciation or depreciation at fair market value.

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment
Endowment net assets, June 30, 2018	$ 5,901,610	$ 80,000	$ 5,981,610
Contributions	115,325	-	115,325
Investment returns:			
Investment return, net	483,929	4,632	488,561
Appropriation for operations	(194,375)	-	(194,375)
Net investment returns	289,554	4,632	294,186
Endowment net assets, June 30, 2019	6,306,489	84,632	6,391,121
Contributions	-	100,500	100,500
Investment returns:			
Investment return, net	161,434	4,062	165,496
Appropriation for operations	(233,915)	-	(233,915)
Net investment returns	(72,481)	4,062	(68,419)
Endowment net assets, June 30, 2020	$ 6,234,008	$ 189,194	$ 6,423,202

10. LEASE AGREEMENTS

Operating Leases

The School leases office equipment under operating lease agreements that expire at various times through July 2023. Future minimum lease payments under these agreements are expected as follows:

Fiscal Year	
2021	$ 11,829
2022	$ 11,289
2023	$ 4,569
2024	$ 45

During the years ended June 30, 2020 and 2019, the School incurred equipment lease expenses of approximately $22,000 and $19,000, respectively, which are included in printing and copying in the accompanying statements of functional expenses.

Lessor Agreements

The School has a lease agreement to rent parking spaces that is renewed annually in July. Rental income was approximately $6,300 for the years ended June 30, 2020 and 2019, and is included in rental income and interest in the accompanying statements of activities and changes in net assets.

Subsequent to year-end, effective July 2021, the School entered into a new lease agreement under the same terms. Future minimum lease payments under the lease agreement are expected to be $6,300 for fiscal year 2021.

11. PLEDGES RECEIVABLE

Capital Campaign

During the year ended June 30, 2014, the School launched a capital campaign to raise $25,000,000 to build capital and support other initiatives identified by the Board of Trustees. For fiscal years 2020 and 2019, the School has recognized $953,004 and $2,409,314, respectively, of contributions in connection with the capital campaign. The School did not incur costs associated with this capital campaign during fiscal year 2020. The School incurred $200,236 of costs associated with this capital campaign during fiscal year 2019. During the years ended June 30, 2020 and 2019, there were capital releases of $228,177 and $1,005,313, respectively, related to the campaign. The campaign has raised approximately $22,806,000 to date as of June 30, 2020, which is inclusive of both cash received and pledges made.

As of June 30, 2020 and 2019, the School has unconditional pledges for the capital campaign which are due as follows:

	2020	2019
Due within one year	$ 240,982	$ 695,585
Due in two to five years	231,740	796,261
	472,722	1,491,846
Less - allowance for uncollectible pledges	100,000	100,000
Less - discount	7,930	21,673
	$ 364,792	$ 1,370,173

11. PLEDGES RECEIVABLE (Continued)

Capital Campaign (Continued)

Capital campaign pledges receivable are presented as long-term assets regardless of their expected collection dates due to the long-term nature of the intended usage of those contributions.

The capital campaign pledges have been discounted using a 2.0% interest rate at June 30, 2020 and 2019. Three and two donors' balances represent approximately 46% and 57% of the total outstanding capital campaign pledge balance at June 30, 2020 and 2019, respectively.

The cash received and not spent for the capital campaign is reflected as restricted cash.

Operating

As of June 30, 2020 and 2019, the School has unconditional pledges to be used for the operating budget which are due as follows:

	2020	**2019**
Due within one year	$ 26,234	$ 49,234
Due in two to five years	9,618	35,617
	35,852	84,851
Less - discount	189	881
	35,663	83,970
Less - current portion	26,234	49,234
	$ 9,429	$ 34,736

12. CONTINGENCIES

During fiscal year 2018, the School received a $500,000 capital grant from the Commonwealth of Massachusetts, Department of Early Education and Care (EEC), to operate a licensed child care program in the Center (see Note 1). As a condition of the grant, the School must operate the Center in accordance with the agreement for a period of at least twenty-five years under a land use restriction. Violations of the provisions of this agreement will result in the grant funds being due back to EEC.

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the School expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

13. LIQUIDITY

The School's financial assets available within one year from the statements of financial position date as of June 30, 2020 and 2019, for general operating expenses are as follows:

	2020	2019
Cash and cash equivalents	$ 3,767,121	$ 2,824,245
Current portion of operating pledges receivable	26,234	49,234
Total financial assets	3,793,355	2,873,479
Contractual or donor-imposed restrictions	(285,312)	(143,919)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,508,043	$ 2,729,560

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School invests cash in excess of daily requirements in short-term investments. There is a fund established by the Board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the School also could draw upon available lines of credit (see Note 6) or its endowment fund (see Note 9).

14. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.