



George Stevens Academy

FINANCIAL STATEMENTS

June 30, 2021

With Independent Auditor's Report

DRAFT FOR
MGMT REVIEW



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
George Stevens Academy

We have audited the accompanying financial statements of George Stevens Academy, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 George Stevens Academy as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Portland, Maine
REPORT DATE

GEORGE STEVENS ACADEMY

Statement of Financial Position

June 30, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,200,034
Cash restricted for scholarships	200,706
Accounts receivable, net of \$10,800 allowance for doubtful accounts	20,995
Pledges receivable	78,000
Funds held for students	50,544
Prepaid expenses	<u>114,226</u>
Total current assets	1,664,505
Property and equipment, net of accumulated depreciation	6,075,704
Investments held for long-term purposes	<u>8,407,934</u>
Total assets	<u>\$ 16,148,143</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current portion of long-term debt	\$ 36,605
Accounts payable and accrued expenses	57,461
Accrued salaries and benefits	328,259
Current portion of scholarships payable	108,608
Other accrued liabilities	157,472
Funds held for students	<u>50,544</u>
Total current liabilities	<u>738,949</u>
Long-term liabilities	
Scholarships payable	150,643
Long-term debt, excluding current portion	<u>520,164</u>
Total long-term liabilities	<u>670,807</u>
Total liabilities	<u>1,409,756</u>
Net assets	
Without donor restrictions	2,757,590
With donor restrictions	<u>11,980,797</u>
Total net assets	<u>14,738,387</u>
Total liabilities and net assets	<u>\$ 16,148,143</u>

The accompanying notes are an integral part of these financial statements.

GEORGE STEVENS ACADEMY

Statement of Activities

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Operating revenues and other support			
Tuition and fees	\$ 4,026,664	\$ -	\$ 4,026,664
Food service	22,697	-	22,697
Other program revenue	<u>55,113</u>	<u>-</u>	<u>55,113</u>
Total earned revenues	4,104,474	-	4,104,474
Government grants	353,839	-	353,839
Operating gifts and pledges	321,237	187,350	508,587
Appropriation from endowed funds	30,125	(30,125)	-
Net assets released from restrictions	<u>201,718</u>	<u>(201,718)</u>	<u>-</u>
Total operating revenues and other support	<u>5,011,393</u>	<u>(44,493)</u>	<u>4,966,900</u>
Expenses			
Educational programs	4,635,332	-	4,635,332
Residential program	303,535	-	303,535
Auxiliary	152,692	-	152,692
Management and general	643,536	-	643,536
Advancement	<u>224,414</u>	<u>-</u>	<u>224,414</u>
Total expenses	<u>5,959,509</u>	<u>-</u>	<u>5,959,509</u>
Change in net assets from operating activities	<u>(948,116)</u>	<u>(44,493)</u>	<u>(992,609)</u>
Nonoperating revenue (losses)			
Debt forgiveness	732,100	-	732,100
Investment returns and interest income	(690,597)	2,389,348	1,698,751
Nonoperating gifts and pledges	-	15,100	15,100
Appropriation from endowed funds	225,846	(225,846)	-
Net assets released from restrictions	<u>5,176</u>	<u>(5,176)</u>	<u>-</u>
Total nonoperating revenue	<u>272,525</u>	<u>2,173,426</u>	<u>2,445,951</u>
Change in net assets	(675,591)	2,128,933	1,453,342
Net assets, beginning of year	<u>3,433,181</u>	<u>9,851,864</u>	<u>13,285,045</u>
Net assets, end of year	<u>\$ 2,757,590</u>	<u>\$ 11,980,797</u>	<u>\$ 14,738,387</u>

The accompanying notes are an integral part of these financial statements.

GEORGE STEVENS ACADEMY

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Educational Programs</u>	<u>Residential Program</u>	<u>Auxiliary</u>	<u>Management and General</u>	<u>Advancement</u>	<u>Total</u>
Payroll	\$ 2,644,040	\$ 119,067	\$ 82,009	\$ 401,065	\$ 110,525	\$3,356,706
Employee benefits	522,680	23,537	16,212	79,283	21,849	663,561
Miscellaneous	98,613	15,085	336	102,134	10,120	226,288
Computer and equipment expense	206,302	-	-	-	18,981	225,283
Materials and supplies	171,937	7,231	238	3,097	4,089	186,592
Occupancy	156,361	20,486	331	2,223	174	179,575
Covid expenses	159,542	145	-	7,050	1,939	168,676
Professional fees	114,305	-	-	21,017	28,906	164,228
Depreciation	75,146	58,556	397	9,618	-	143,717
Scholarships awarded	125,350	-	-	-	-	125,350
Payroll taxes	81,187	3,656	2,518	12,315	3,394	103,070
Repairs and maintenance	90,078	9,007	708	1,592	-	101,385
Insurance	63,836	6,338	-	-	-	70,174
Food purchases	1,420	-	49,943	-	-	51,363
Travel	45,708	5,278	-	37	-	51,023
Printing and publications	14,994	-	-	-	21,904	36,898
Residential student program	16,748	19,211	-	-	-	35,959
Professional dues	24,065	619	-	-	63	24,747
Interest	8,474	14,115	-	-	-	22,589
Advertising	9,619	-	-	4,105	2,470	16,194
Program supplies	<u>4,927</u>	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,131</u>
	<u>\$ 4,635,332</u>	<u>\$ 303,535</u>	<u>\$152,692</u>	<u>\$ 643,536</u>	<u>\$ 224,414</u>	<u>\$5,959,509</u>

The accompanying notes are an integral part of these financial statements.

GEORGE STEVENS ACADEMY

Statement of Cash Flows

Year Ended June 30, 2021

Cash flows from operating activities	
Change in net assets	\$ 1,453,342
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	143,717
Bad debts	34,331
Net unrealized and realized gains on investments	(1,550,252)
Contributions received for long-term purposes	(15,100)
PPP debt forgiveness income	(732,100)
Changes in operating assets and liabilities	
Increase in accounts receivable	(33,170)
Increase in pledges receivable	(78,000)
Increase in prepaid expenses	(80,329)
Increase in accounts payable and accrued expenses	40,399
Increase in accrued salaries and benefits	3,052
Increase in scholarships payable	1,012
Increase in other accrued liabilities	48,834
Decrease in deferred revenue	<u>(52,569)</u>
Net cash used by operating activities	<u>(816,833)</u>
Cash flows from investing activities	
Purchases of property and equipment	(60,417)
Proceeds from sale of investments	1,022,958
Purchase of investments	<u>(1,154,760)</u>
Net cash used by investing activities	<u>(192,219)</u>
Cash flow from financing activities	
Principal payments on long-term debt	(41,563)
Contributions received for long-term purposes	<u>15,100</u>
Net cash used by financing activities	<u>(26,463)</u>
Net decrease in cash, cash equivalents and restricted cash	(1,035,515)
Cash, cash equivalents and restricted cash, beginning of year	<u>2,436,255</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,400,740</u>
Composition of cash, cash equivalents and restricted cash, end of year:	
Cash and cash equivalents	\$ 1,200,034
Cash restricted for scholarships	<u>200,706</u>
	<u>\$ 1,400,740</u>

The accompanying notes are an integral part of these financial statements.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Background Information

George Stevens Academy (the Academy) is a non-profit corporation organized in the State of Maine. The Academy was formed to provide secondary education to students in the Blue Hill peninsula area. It is a private school funded primarily by tuition fees and donations.

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Academy have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Academy to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Academy. The net assets may be used at the discretion of the Academy's management and the Board of Trustees (the Board).

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Recently Adopted Accounting Pronouncements

On July 1, 2020, the Academy adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, and related ASUs, which provide guidance for revenue recognition that superseded the revenue recognition requirements in FASB Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance. Adoption of this ASU did not have a material impact on the Academy's financial reporting.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Significant estimates include estimated fair value of investments, estimated useful lives of property and equipment and allocation of expenses.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Income Taxes

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Cash and Cash Equivalents

The Academy considers all highly-liquid money market accounts and debt instruments with an original maturity date of less than three months to be cash or cash equivalents.

The Academy maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that are either time restricted or limit use of the donated assets.

The Academy reports gifts of land, buildings, and equipment as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Academy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Accounts Receivable

Accounts receivable are stated at the amount the Academy expects to collect from outstanding balances and consist mainly of amounts due for tuition from individuals and sending municipalities. The Academy provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Academy has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Credit is extended without collateral.

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least probable that changes in value in the near term would materially affect the amounts reported in the statements of financial position and activities.

Income and realized net gains on investments of endowment and similar funds are reported as increases in net assets with donor restrictions if 1) the term of the gift or the Board's interpretation of relevant state laws requires that they be added to the principal of a perpetual endowment fund, 2) the terms of the gift impose restrictions on the use of the income, or 3) absent donor stipulations, they are related to gifts of perpetual duration for which appropriation has not been made. Otherwise, income and realized gains on investment of endowment and similar funds are reported as increases in net assets without donor restrictions.

Property and Equipment

Acquisitions of buildings, equipment and improvements in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment, and improvements are stated at cost if purchased or at fair value at the date of receipt if donated. Depreciation is being provided for by use of the straight-line method over the estimated useful lives of the related assets, which range from three to fifty years.

Operating Revenues

Operating revenues consist primarily of tuition and fees, net of financial aid, derived from courses taught by the Academy. A contract is entered into with a student and covers an academic year. Tuition revenue is recognized pro-rata over the applicable period of instruction. Revenue recognition occurs once a student starts attending. Students are billed upon the execution of an enrollment contract. Payments on invoices are typically due within 30 days upon receipt.

The Academy maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none, of the tuition is refundable, then in accordance with its revenue recognition policy, the Academy continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The Academy does not record amounts that may be refunded as revenue.

Student financial aid in the form of scholarships is reflected as a reduction of tuition and fees revenue in the statement of activities.

Tuition deposits and certain other advances billed for the following year, including summer programs, are recorded as a liability until earned, at which time they are reflected in revenue.

The Academy's accounts receivable and deferred revenue on July 1, 2020 was \$22,156 and \$52,569, respectively. The Academy's bad debt for the year ended June 30, 2021 was \$34,331.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Forgivable Debt

Currently there is no authoritative guidance under U.S. GAAP that addresses accounting and reporting by a nongovernmental entity that receives forgivable debt from a government entity. Accordingly, management elected to recognize forgivable debt received under a government entity's program as debt until debt extinguishment occurs when the Academy is legally released from being the obligor. Upon legal release as obligor, the Academy recognized the forgiven amount as nonoperating revenue in the statement of activities.

Accrued Salaries and Benefits

Academy salaries are paid based on a contract year of September 1 to August 31. Any compensation to be paid to faculty in July and August is accrued at June 30. Payroll taxes payable and employee deductions payable differ from accrued expenses in that they represent payroll taxes and other deductions accrued and withheld as of the end of the fiscal year, but are not yet paid to the respective agencies.

Sabbatical Benefit

The Academy provides opportunity for sabbatical for teachers who have been employed for seven consecutive years at the Academy and are approved by a Sabbatical Committee. The sabbatical benefit provides for up to one year of leave at one-half salary and benefits. Employees who are granted a sabbatical are required to return to the Academy for two years. Salary paid on a sabbatical leave will be advanced under a loan agreement. The loan shall be cancelled upon completion of two-years of subsequent employment with the Academy. An employee who does not complete the two-year requirement will repay the loan on a prorated basis. At June 30, 2021, the Academy has no employees on active sabbatical, no employees in the two-year post-sabbatical period, and has not approved any award for the upcoming school year. Accordingly, no accrual in the financial statements has been made.

Scholarships Payable

Scholarships payable represents amounts the Academy has awarded to students for continuing education that have not yet been paid to the student or college of their choice.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by functional classification. Interest expense, depreciation of property and equipment and utilities are allocated to the functional classifications that benefited from the use of the proceeds of the debt or use of the assets based on estimates of square footage. Payroll and employee benefits are allocated based on estimates of time and effort.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through **REPORT DATE**, which is the date that the financial statements were available to be issued.

2. Property and Equipment

Property and equipment was comprised of the following at June 30, 2021:

Land	\$ 734,218
Athletic fields and tennis courts	491,271
Building and improvements	8,729,978
Equipment	<u>1,654,643</u>
	11,610,110
Less accumulated depreciation	<u>(5,534,406)</u>
Net property and equipment	<u>\$ 6,075,704</u>

3. Investment Returns and Interest Income

Investment returns and interest income is comprised of the following for the year ended June 30, 2021:

Interest and dividend income	\$ 186,255
Investment fees	(37,756)
Realized gains	-
Unrealized gains	<u>1,550,252</u>
Net investment income	<u>\$ 1,698,751</u>

4. Endowment

The Academy's endowment consists of funds established for a variety of purposes and includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Academy's Board of Trustees ("Board") to function as endowments, are classified and reported based on the existence or absence of donor-implied restrictions.

Relevant Law

The Academy conducts its activities primarily in Blue Hill, Maine and, accordingly, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Maine's legislature. In accordance with that statute, the Academy has interpreted State law to require all net realized and unrealized gains and losses on funds of perpetual duration to be net assets with donor restrictions until appropriated by the Board.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation, net appreciation on funds of perpetual duration is reported as increases in net assets with donor restrictions until appropriated by the Board.

Endowment Spending Policy

The Board of Trustees has approved an annual distribution of up to 5% of the value of the endowment fund, defined as the average of the trailing 12 quarters, to support current operations, to the extent of any unexpended appreciation.

Endowment Investment Policy

The Academy's endowment funds are invested for growth in principal and income and for protection against inflation, with a goal of achieving a real annual rate of return of 8% or more over a five- to ten-year investment horizon. Broad diversification of issues, instruments and asset classes is employed as the principal strategy for attaining that goal while managing portfolio risk. The Academy's endowment assets are held in a variety of readily determinable, marketable securities including money market instruments, equities, and fixed income obligations.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor intends the Academy to retain as a fund of perpetual duration. Deficiencies between the historic dollar value of a donor-restricted gift and the current investment value are reported as reductions in net assets with donor restrictions. The Academy continues appropriation from these funds. There were no deficiencies of this nature at June 30, 2021.

Endowment Net Assets

The Academy's endowment was comprised of the following at June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation</u>	<u>Funds of Perpetual Duration</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 4,484,634	\$ 7,102,747	\$ 11,587,381
Board-designated endowment	<u>511,553</u>	<u>-</u>	<u>-</u>	<u>511,553</u>
Total	<u>\$ 511,553</u>	<u>\$ 4,484,634</u>	<u>\$ 7,102,747</u>	<u>\$ 12,098,934</u>

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

The changes in the Academy's endowment for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation</u>	<u>Funds of Perpetual Duration</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 978,069	\$ 2,351,164	\$ 7,087,647	\$ 10,416,880
Contributions and returned scholarship awards	-	200	15,100	15,300
Investment return, net	263,743	1,433,136	-	1,696,879
Investment income, net, allocated to property (Note 4)	(956,105)	956,105	-	-
Amounts appropriated for expenditure	<u>225,846</u>	<u>(255,971)</u>	<u>-</u>	<u>(30,125)</u>
Endowment net assets, end of year	<u>\$ 511,553</u>	<u>\$ 4,484,634</u>	<u>\$ 7,102,747</u>	<u>\$ 12,098,934</u>

The funds of perpetual duration balances include property on Tenney Hill in Blue Hill, Maine purchased and renovated with permanently restricted funds in the amount of \$3,691,000. A portion of the investment return and appropriations have been allocated to this fund. Management is evaluating the options to restore the investments for the amounts withdrawn.

5. Debt

Long-term debt consists of the following as of June 30, 2021:

Note payable in monthly installments of \$1,256, including interest at 3.90%, maturing April 2025; collateralized by real estate.	\$ 53,344
Note payable in monthly installments of \$811, including interest at 4.375%, maturing December 2029; collateralized by real estate.	68,786
Note payable in monthly installments of \$412, including interest at 0.91%, maturing April 2023; collateralized by a vehicle.	6,554
Note payable in monthly installments of \$2,583, including interest at 5.70% maturing June 2040; collateralized by real estate	<u>428,085</u>
Total long-term debt	556,769
Less current portion	<u>36,605</u>
Long-term debt, excluding current portion	<u>\$ 520,164</u>

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Maturities of long-term debt for the next five years are as follows:

2022	\$ 36,605
2023	37,627
2024	36,303
2025	35,470
2026	24,497
Thereafter	<u>386,267</u>
	\$ <u><u>556,769</u></u>

Cash paid for interest approximated interest expense in 2021.

The Academy has an available unsecured line of credit with Bar Harbor Bank & Trust in the amount of \$300,000, with an interest rate of 3.25% at June 30, 2021. No amounts were outstanding at June 30, 2021.

The Academy has an available unsecured line of credit with Camden National Bank in the amount of \$200,000, with an interest rate of 0.75% above the high prime rate as published in the Wall Street Journal (3.25% at June 30, 2021). No amounts were outstanding at June 30, 2021.

6. Government Funding

In reaction to the coronavirus disease (COVID-19) pandemic, the U.S. government has responded with several rounds of relief legislation. Certain legislation called the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, as amended, and clarified in later legislation, authorized emergency loans to businesses by establishing, and providing funding for, forgivable bridge loans under the Paycheck Protection Program (PPP), among other programs.

Debt Forgiveness

In April 2020, the Academy benefited from the CARES Act by receiving \$732,100 under the PPP. Under the PPP, the Small Business Administration (SBA) will forgive the proceeds received if eligibility and other criteria are met, at which time the Academy will recognize the forgiven amount as income. Once the SBA reviews and approves the forgiveness amount, the SBA will have the right to audit the Academy's compliance with the PPP for a period of up to six years. The Academy received forgiveness of the entire balance of the PPP loan from the SBA and the bank released the Academy from repayment in December 2020. This amount is included in debt forgiveness income on the statement of activities.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Grant Income

The Academy also received economic support funds from the Department of Education under the CARES Act totaling \$353,839. The Academy complied with all the terms of the awards and recognized the entire amount as grant income during the year ended June 30, 2021.

7. Retirement Plans

Defined Benefit Pension Plan

The Academy's teachers contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine State Retirement System and a board autonomous from the Academy. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLDs Consolidated Plan Board of Trustees.

The contribution requirements of plan members are established and may be amended by the PLDs Consolidated Plan Board of Trustees. Teachers are required to contribute 7.65% of their annual salary to the system. The Academy and the State of Maine contribute the remaining amounts necessary to fund the system using the actuarial basis specified by statute. This amount is a percentage of the Academy's total covered payroll. This percentage is determined by the System on a bi-annual basis based on an actuarial determination using the total estimated covered payroll for the entire state. The Academy contributed 3.97% for the year end June 30, 2021, which resulted in an expense of \$99,997 for the year ended June 30, 2021.

Defined Contribution Plan

The Academy has a 403(b) defined contribution plan covering substantially all of the employees. The Academy does not contribute to the plan.

8. Uncertainty and Contingencies

Uncertainty

During 2020, in response to the coronavirus disease (COVID-19) global pandemic, U.S. and world governments encouraged self-isolation to curtail the spread of COVID-19, by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. Many sectors are experiencing disruption to business operations and may feel further impact related to delayed government reimbursement, volatility in investment returns, and reduce philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and the scale of government actions to mitigate them. While management expects this matter may impact operating results, the related financial impact and duration cannot be reasonably estimated.

GEORGE STEVENS ACADEMY

Notes to Financial Statements

June 30, 2021

Contingency

The Academy has a wetland remediation liability to be paid in the future; management believes remediation will take during fiscal year 2022. The Academy estimates the amount of the liability to be \$157,472 at June 30, 2021 and is reported as other accrued liabilities in the statement of financial position.

Litigation

On occasion, the Academy is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Academy's future financial position or results of operations.

9. Board Designated Net Assets

Net assets without donor restrictions include assets whose use is limited for purposes designated by the Board of Trustees. The assets are included in the statement of financial position as cash and long-term investments.

Program	\$ -
Plant and equipment	-
Technology	-
Quasi-endowments	511,533
	<u>511,533</u>
	\$ <u>511,533</u>

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the the following at June 30, 2021 :

Subject to purpose restrictions	
Operational	\$ 132,346
Plant and equipment	88,880
Scholarships	172,190
Accumulated endowment earnings	4,484,634
Funds of perpetual duration	
Operational	5,745,698
Scholarships	1,158,061
Food for Thought Fund	<u>198,988</u>
Total net assets with donor restrictions	\$ <u>11,980,797</u>

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Net assets were released from donor restrictions as follows for the year ended June 30, 2021:

Purpose restrictions	
Program	\$ 96,325
Plant and equipment	5,176
Scholarships	93,000
Technology	12,393
Endowment appropriations	<u>255,971</u>
Total net assets with donor restrictions	\$ <u><u>462,865</u></u>

11. Fair Value Measurement and Investments

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs derived principally from or corroborated by observable market data by correlation or other means, and other inputs that are observable or can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. The Academy uses the market approach to value its Level 2 investments.

Level 3: Significant unobservable inputs that reflect the Academy's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below at June 30, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money market funds and certificates of deposit	\$ 566,917	\$ 566,917	\$ -	\$ -
U.S. government obligations	195,448	195,448	-	-
Corporate bonds	627,462	-	627,462	-
Fixed income mutual funds	1,333,608	1,333,608	-	-
Equity securities and mutual funds	<u>5,684,499</u>	<u>5,684,499</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	\$ <u><u>8,407,934</u></u>	\$ <u><u>7,780,472</u></u>	\$ <u><u>627,462</u></u>	\$ <u><u>-</u></u>

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Fair values for the Academy's Level 2 investments are based on estimates using market prices of comparable securities.

The fair values of money market funds, certificates of deposit, U.S. government obligations, equity securities and mutual funds are determined using quoted market prices.

12. Availability and Liquidity of Financial Assets

The Academy receives significant contributions restricted by donors, and considers contributions for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing operating activities as well as the conduct of services undertaken to support those operating activities.

In addition to financial assets available to meet general expenditures over the next 12 months, the Academy operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings. Furthermore, the Academy monitors expected enrollment for the upcoming school year.

Financial assets available for general expenditure, within one year of the date of the statement of financial position, consist of the following as of June 30, 2021:

Cash and cash equivalents	\$ 1,200,034
Accounts receivable	20,995
Expected appropriation of donor-restricted endowed funds for use over the next 12 months	238,000
Expected appropriation of investment funds without donor restrictions for use over the next 12 months	<u>44,020</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,503,049</u>

As part of the Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Academy holds endowment funds consisting of donor-restricted and quasi- or Board-restricted funds. The intent of the Board is to hold these quasi-endowment funds for long-term investment and growth; however, these funds could be made available if necessary.