



Audited Financial Statements

St. Mary's High School, Inc.  
Lynn, Massachusetts

June 30, 2025

# St. Mary's High School, Inc. - Lynn, Massachusetts

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## Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

## **Independent Auditors' Report on Financial Statements**

Board of Trustees  
St. Mary's High School, Inc.

### ***Opinion***

We have audited the accompanying financial statements of St. Mary's High School, Inc., which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, 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 St. Mary's High School, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Mary's High School, Inc. 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 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.

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 St. Mary's High School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

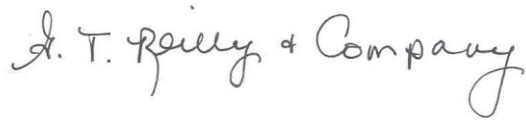
### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 St. Mary's High School, Inc.'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 St. Mary's High School, Inc.'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.

A handwritten signature in cursive script that reads "G.T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G.T. Reilly & Company

Milton, Massachusetts  
December 10, 2025

# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statements of Financial Position

June 30

	<u>2025</u>	<u>2024</u>
<b><u>Assets</u></b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 486,248	\$ 577,429
Accounts receivable, less allowance for credit losses of \$38,724 in 2025 and \$71,915 in 2024	36,092	40,295
Promises to give within one year (Note 4)	469,931	563,000
Prepaid expenses and other assets	40,143	23,275
TOTAL CURRENT ASSETS	1,032,414	1,203,999
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)	24,211,619	25,069,662
OTHER ASSETS		
Promises to give after one year (Note 4)	864,000	1,154,000
Interest in net assets of the Catholic Community Fund (Note 3)	1,625,244	1,589,783
Interest in net assets of St. Mary's High School Foundation (Note 3)	3,263,403	3,277,709
	5,752,647	6,021,492
	<u>\$ 30,996,680</u>	<u>\$ 32,295,153</u>
<b><u>Liabilities and Net Assets</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 934,123	\$ 1,431,826
Accrued compensation and other expenses	1,050,325	855,626
Deferred revenues	662,102	555,676
Current maturities of long term notes payable to Archdiocese (Note 9)	320,594	232,327
Current note payable to Archdiocese, due within one year (Note 9)	-	1,001,290
TOTAL CURRENT LIABILITIES	2,967,144	4,076,745
LONG-TERM LIABILITIES		
Long term notes payable to Archdiocese, due after one year (Note 9)	3,638,888	2,969,112
TOTAL LIABILITIES	6,606,032	7,045,857
NET ASSETS		
Without donor restrictions	18,546,548	18,766,974
With donor restrictions (Notes 7 & 8)	5,844,100	6,482,322
	24,390,648	25,249,296
	<u>\$ 30,996,680</u>	<u>\$ 32,295,153</u>

## St. Mary's High School, Inc. - Lynn, Massachusetts

### Statements of Activities and Changes in Net Assets

For the Years Ended June 30

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS AND SUPPORT						
Tuition and fees, net	\$ 7,142,570	\$ -	\$ 7,142,570	\$ 7,016,338	\$ -	\$ 7,016,338
Other programs	103,797	-	103,797	212,767	-	212,767
Contributions:						
Contributed facilities (Note 9)	1,350,000	-	1,350,000	1,350,000	-	1,350,000
Cash and other financial assets	1,772,494	2,441,191	4,213,685	1,330,080	4,261,210	5,591,290
Interest income	4,208	-	4,208	3,139	-	3,139
Interest in change in net assets of the Catholic Community Fund (Note 3)	-	98,668	98,668	-	181,592	181,592
Interest in change in net assets of St. Mary's School Foundation, Inc. (Note 3)	207,887	50,963	258,850	132,777	1,148,041	1,280,818
Fundraising and special events	399,382	-	399,382	570,525	-	570,525
Less costs of direct benefits to donors	(152,974)	-	(152,974)	(197,640)	-	(197,640)
Net assets released from restrictions (Note 7)	3,229,044	(3,229,044)	-	2,627,699	(2,627,699)	-
Total Revenues, Gains & Support	14,056,408	(638,222)	13,418,186	13,045,685	2,963,144	16,008,829
OPERATING EXPENSES						
Program	11,547,948	-	11,547,948	11,289,804	-	11,289,804
General and administrative	1,903,029	-	1,903,029	1,920,108	-	1,920,108
Fundraising	825,857	-	825,857	681,978	-	681,978
Total Expenses	14,276,834	-	14,276,834	13,891,890	-	13,891,890
CHANGE IN NET ASSETS	(220,426)	(638,222)	(858,648)	(846,205)	2,963,144	2,116,939
NET ASSETS AT BEGINNING OF YEAR	18,766,974	6,482,322	25,249,296	19,613,179	3,519,178	23,132,357
NET ASSETS AT END OF YEAR	\$ 18,546,548	\$ 5,844,100	\$ 24,390,648	\$ 18,766,974	\$ 6,482,322	\$ 25,249,296

## St. Mary's High School, Inc. - Lynn, Massachusetts

### Statement of Functional Expenses

For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

	Program Services						2025	2024
	Instructional	Athletics	Auxiliary & Other Activities	Total Program Services	General & Administrative	Fundraising	Total Expenses	Total Expenses
Compensation	\$ 4,872,088	\$ 302,110	\$ 9,658	\$ 5,183,856	\$ 1,175,810	\$ 341,119	\$ 6,700,785	\$ 6,366,007
Employee benefits	561,454	3,541	619	565,614	191,426	11,381	768,421	874,486
Payroll taxes	360,562	21,588	705	382,855	82,324	25,864	491,043	462,152
Total Personnel Expenses	5,794,104	327,239	10,982	6,132,325	1,449,560	378,364	7,960,249	7,702,645
Professional development	1,800	-	-	1,800	-	500	2,300	-
Outside services	316,005	71,269	26,331	413,605	44,744	14,729	473,078	478,072
Lunch program	-	-	835,434	835,434	-	-	835,434	867,958
Travel and entertainment	9,359	872	100,354	110,585	639	590	111,814	80,397
Technology	241,445	46,729	27,971	316,145	31,079	15,561	362,785	264,726
Marketing	7,294	-	-	7,294	19,983	144,529	171,806	74,350
Office equipment	17,477	9	-	17,486	0	-	17,486	45,636
Academic and program supplies	116,903	8,393	5,036	130,332	11,370	11,934	153,636	200,507
Athletic supplies and expenses	8,889	385,397	-	394,286	-	-	394,286	349,627
Transportation	6,523	266,390	-	272,913	-	-	272,913	193,900
Contributed rent	850,500	202,500	121,500	1,174,500	135,000	40,500	1,350,000	1,350,000
Utilities	199,630	47,971	28,352	275,953	19,570	9,451	304,974	363,413
Insurance	108,010	25,717	15,430	149,157	17,145	5,143	171,445	174,700
Repair and maintenance	131,296	31,261	18,757	181,314	20,841	6,252	208,407	199,288
Other fundraising expenses	85,586	1,405	-	86,991	18,293	119,802	225,086	69,261
Other expenses	40,057	18,744	-	58,801	17,309	43,253	119,363	279,840
Provisions for (recovery of) credit losses	(33,191)	-	-	(33,191)	-	-	(33,191)	(13,420)
Interest	94,133	22,413	13,448	129,994	14,942	4,483	149,419	160,863
Depreciation	646,093	153,832	92,299	892,224	102,554	30,766	1,025,544	1,050,127
TOTAL EXPENSES	\$ 8,641,913	\$ 1,610,141	\$ 1,295,894	\$ 11,547,948	\$ 1,903,029	\$ 825,857	\$ 14,276,834	\$ 13,891,890

## St. Mary's High School, Inc. - Lynn, Massachusetts

### Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services			Total Program Services	General & Administrative	Fundraising	Total
	Instructional	Athletics	Auxiliary & Other Activities				
Compensation	\$ 4,489,099	\$ 414,227	\$ 9,175	\$ 4,912,501	\$ 1,105,084	\$ 348,422	\$ 6,366,007
Employee benefits	650,803	14,425	1,914	667,142	195,155	12,189	874,486
Payroll taxes	327,361	30,805	663	358,829	76,892	26,431	462,152
Total Personnel Expenses	5,467,263	459,457	11,752	5,938,472	1,377,131	387,042	7,702,645
Outside services	315,988	58,957	29,190	404,135	64,207	9,730	478,072
Lunch program	-	-	867,958	867,958	-	-	867,958
Travel and entertainment	12,251	2,383	-	14,634	64,253	1,510	80,397
Technology	181,053	22,045	14,387	217,485	16,200	31,041	264,726
Marketing	300	6	-	306	16,475	57,569	74,350
Office equipment	8,548	-	37,035	45,583	53	-	45,636
Academic and program supplies	152,743	8,216	4,911	165,870	6,863	27,774	200,507
Athletic supplies and expenses	-	349,627	-	349,627	-	-	349,627
Transportation	-	193,790	110	193,900	-	-	193,900
Contributed rent	850,500	202,500	121,500	1,174,500	135,000	40,500	1,350,000
Utilities	228,951	54,512	32,707	316,170	36,341	10,902	363,413
Insurance	110,061	26,205	15,723	151,989	17,470	5,241	174,700
Repair and maintenance	125,551	29,893	17,936	173,380	19,929	5,979	199,288
Other fundraising expenses	38,482	4,547	-	43,029	3,459	22,773	69,261
Other expenses	128,993	13,056	50,576	192,625	41,628	45,587	279,840
Provisions for bad debts	(13,420)	-	-	(13,420)	-	-	(13,420)
Interest	101,344	24,129	14,478	139,951	16,086	4,826	160,863
Depreciation	661,580	157,519	94,511	913,610	105,013	31,504	1,050,127
TOTAL EXPENSES	\$ 8,370,188	\$ 1,606,842	\$ 1,312,774	\$ 11,289,804	\$ 1,920,108	\$ 681,978	\$ 13,891,890



# St. Mary's High School, Inc. - Lynn, Massachusetts

## Statements of Cash Flows

### For the Years Ended June 30

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (858,648)	\$ 2,116,939
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,025,544	1,050,127
Interest in the change in net assets of the Catholic Community Fund	(98,667)	(181,592)
Interest in the change in net assets of St. Mary's High School Foundation, Inc.	(258,850)	(1,280,818)
Distributions of interest in net assets of the Catholic Community Fund	63,206	59,925
Distributions of interest in net assets of St. Mary's High School Foundation, Inc.	273,156	452,908
Changes in operating assets and liabilities:		
Accounts receivable, net	4,203	32,633
Promises to give	383,069	(1,702,000)
Other assets	(16,868)	25,116
Accounts payable	(497,703)	362,866
Accrued compensation and other expenses	194,699	(36,997)
Due to/from related organizations	-	(371,033)
Deferred revenues	106,426	(29,214)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>319,567</u>	<u>498,860</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to property, equipment and leasehold improvements	<u>(167,501)</u>	<u>(593,924)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under revolving loan agreement with the Archdiocese	-	100,000
Payments on loan term loan from Archdiocese	<u>(243,247)</u>	<u>(224,432)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(243,247)</u>	<u>(124,432)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(91,181)	(219,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>577,429</u>	<u>796,925</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 486,248</u>	<u>\$ 577,429</u>
<b><u>Supplemental Cash Flow Information</u></b>		
Cash paid for interest	<u>\$ 149,418</u>	<u>\$ 160,863</u>

# St. Mary's High School, Inc. – Lynn, Massachusetts

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## Notes to Financial Statements

June 30, 2025

### Note 1 – Nature of Organization

St. Mary's High School, Inc. of Lynn, Massachusetts (St. Mary's School, or the "School") is a private Catholic school that transcends early childhood through secondary education. The School's mission is to provide a strong academic foundation which promotes Christian faith and morals and provides a deeper understanding of Catholic religious tradition. The School derives its revenue and support from student tuition, donations, auxiliary activities and other related operating activities. Revenues are also generated from other programs such as athletics, school lunches and the like.

### Note 2 – Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation – The accompanying financial statements of the School are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as they apply to not-for-profit organizations. The School presents in its statement of financial position and its statement of activities and changes in net assets two classes of net assets based on the existence or absence of donor-imposed restrictions as discussed below.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. Actual results could differ from those estimates. Estimates are involved in the process of allocating certain expense to program services and supporting functions.

Net Assets Without Donor Restrictions – These are net assets available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Trustees may designate net assets without restrictions for specific purposes. Currently, the board has designated net assets for future replacement, improvement or additions to property and equipment.

Net Assets With Donor Restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of events or the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity, such as endowments.

Donor-restricted support is recorded as "net assets with donor restrictions" when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of "net assets with donor restrictions" are reclassified to "net assets without donor restrictions" and reported in the statement of activities as "net assets released from restrictions".

Contributions made with donor-imposed restrictions to maintain the principal in perpetuity, while allowing the use of income generated therefrom, are also classified as "net assets with donor restrictions". Income derived from the investment of these perpetual net assets is reported as an increase in "net assets without donor restrictions", or "net assets with donor restrictions", depending on the terms of the donor instrument. Unrealized gains or losses on perpetual net assets are reported as increases or decreases in "net assets with donor restrictions", unless the donor explicitly states otherwise.

See Note 7 regarding restrictions on net assets.

## **Note 2 – Significant Accounting Policies (Cont.)**

Contributions – Nonreciprocal transactions where the School receives cash, other assets or resources are treated as contributions for accounting purposes if the grantor or donor does not receive a benefit of commensurate value in return. If the resource provider receives something or a benefit of commensurate value in return for the resources provided, the transaction, or part of it, is recognized as an exchange transaction. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as an individual, foundation, government agency, corporation, or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is treated as a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. Transactions determined to be contributions are reported as revenue or support with or without donor restrictions as described above, Basis of Accounting and Financial Statement Presentation.

Conditional Grants and Contributions – Conditional grants and contributions are not recognized as revenue or support until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. As expenses are incurred under the terms of cost-reimbursement grants, the revenue is recorded for the reimbursable amounts. Any funds received before eligible expenses are incurred or before the conditions are met are reported in the statement of financial position as liabilities. Since fiscal year 2022, the School has received funds from the Department of Early Education and Care through the American Rescue Plan Act (ARPA). These Child Care Stabilization funds are intended to provide economic relief to childcare programs and are intended to be spent on qualified expenses. During the years ended June 30, 2025 and 2024, the School received and reported as contributed support approximately \$309,000 and \$154,000, respectively, of Child Care Stabilization funds.

Promises to Give – Promises to give to the School that are, in effect, “unconditional” are recorded at the present value of future cash flows. Promises to give that are to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional support in accordance with donor-imposed restrictions, if any, on the contributions and grants. Unless otherwise stated by the donor, promises to give to be paid over a period of years are considered “time restricted” to the period in which the payments are pledged to be made. Promises to give are stated net of an allowance for doubtful collection, when considered necessary, which would be reported on the face of the statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates recorded promises to give to the School and establishes or adjusts its allowance to an amount it believes will be adequate to absorb possible losses on amounts that may become uncollectible, based on evaluations of the collectability of individual accounts, history of prior loss experience, and on current economic conditions. The accompanying statements of financial position do not include allowances for doubtful collection of promises at June 30, 2025 and 2024, as one was not considered necessary by management.

Contributed Services, Facilities and Other Nonfinancial Assets – Contributed services are recognized as support and expense at their estimated fair values if they create or enhance nonfinancial assets or if they require specialized skills that would need to be purchased if they were not donated. The School did not receive any contributed services that meet the criteria for recognition during the years ended June 30, 2025 or 2024.

The School pays annual rent of \$1.00 to the RCAB for each of two facilities located in Lynn, Massachusetts. The estimated current rental value of the facilities is reported as rent expense, and a corresponding amount is reported as contributed support in the statement of activities. (See Note 9)

Additionally, the School received certain items to be sold at auction in connection with its annual events. Contributed auction items are valued at the gross selling price received at auction.

## Note 2 – Significant Accounting Policies (Cont.)

Other contributed nonfinancial assets such as property and equipment, commonly referred to as “gifts-in-kind”, are also recorded and reported as contributed support. The School did not receive any contributed nonfinancial assets during the years ended June 30, 2025 or 2024.

Cash and Cash Equivalents – For the purpose of classification in the statement of financial position, cash and cash equivalents include amounts on-hand and in bank accounts, including time-deposits with original maturities of 90 days or less.

Revenue Recognition – The School’s revenue from contracts with student families is recognized when control of a good or service is considered transferred to the student, and in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods and services. Revenues collected in advance of the year to which it relates are reported as liabilities, deferred revenues.

The School recognizes revenue from student tuition and fees during the fiscal year in which the related services are provided to students. Contracts with the students coincide with the School’s fiscal year. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the school year. The School’s tuition and fees revenues presented in the statement of activities and changes in net assets reflect the School’s normal tuition rates for all students reduced by the amounts of scholarships and financial aid given on the basis of financial need and/or achievement. The School’s contract assets generally consist solely of accounts receivable for tuition. A contract liability is recorded for deferred tuition revenue received in the current fiscal year that are applicable to future fiscal years.

A summary of net tuition revenue and fees is as follows:

	<u>2025</u>	<u>2024</u>	
Gross tuition and fees	\$ 14,430,769	\$ 13,669,764	-
Less:			
Discounts	648,240	567,430	
Funded financial aid, including vouchers	1,567,432	1,294,652	
Financial aid provided through operations	3,028,147	2,165,278	-
Funded academic scholarships awarded	927,860	827,100	
Other scholarships awarded through operations	1,116,520	1,798,966	
Net tuition revenue and fees	<u>\$ 7,142,570</u>	<u>\$ 7,016,338</u>	

Contract assets and liabilities consist of the following as of the end of each of the last three fiscal years:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable, net	<u>\$ 36,092</u>	<u>\$ 40,295</u>	<u>\$ 72,928</u>
Deferred revenues	<u>\$ 662,102</u>	<u>\$ 555,676</u>	<u>\$ 584,890</u>

Other program revenues are generated from other activities related to the School’s operations, such as the School cafeteria and athletics, as well as certain student activities including boosters, student council and national honor society. Revenues from most of these activities are recognized at the time of sale, when an event takes place, or at the time that other performance obligations are satisfied.

Functional Allocation of Expenses – The statements of activities and changes in net assets reports a summary of the School’s expenses by function, either program or supporting functions (general and administrative functions or fundraising). The statement of functional expenses presents the natural classification of expenses by function. Certain expenses are charged directly to the programs or supporting functions to which they relate. Other expenses require allocation to programs and/or supporting functions, which is made on a reasonable basis that is consistently applied in the accompanying financial statements. The expenses that are generally allocated include salaries and wages, payroll taxes and benefits, which are allocated on the basis of estimated efforts, and occupancy related costs, which are allocated on the basis of usage and square footage.

## Note 2 – Significant Accounting Policies (Cont.)

Accounting for Credit Losses on Financial Instruments – In estimating credit loss allowances on certain financial instruments, the School applies the “current expected credit loss” model (“CECL”), which requires that an estimate be recorded of expected credit losses over the life of a financial asset or a financial asset group, and it requires consideration of a broad range of information to determine credit loss estimates based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of a reported financial asset amount. The allowance for credit losses under the CECL model applies to certain financial assets with contractual rights to receive cash that are subject to potential credit losses and that are measured at cost or amortized cost. The School’s financial instruments that are subject to the CECL accounting principles consist solely of any trade accounts receivable related to revenues earned from tuition and fee billings.

Accounts Receivable and Allowance for Credit Losses – Accounts receivable for revenues earned under student tuition contracts are required to be stated net of an allowance for credit losses, unless the expectation of nonpayment is zero or insignificant. Any such allowance for credit losses would be reported on the face of the School’s statement of financial position. The allowance is established via a provision for estimated credit losses charged to operations. In determining an estimate of the School’s expected credit losses, management evaluates the School’s historical credit loss experience, information related to the creditworthiness of student families, changes in its credit policies, and the current and forecasted direction of the economic and business environment of the School and its student families. Historical loss experience, the amount of time an account may be overdue, and current information with regard to students with significant balances are evaluated on an individual basis.

The School’s policy is to regularly review accounts receivable balances, when applicable, and write off account balances or portions thereof against the allowance, if any, or as a charge to operations when management believes that the collectability of a specific account or amount is unlikely. Likewise, sub-sequent recoveries of accounts previously written off would be credited to the allowance or to operations.

The accompanying statements of financial position at June 30, 2025 and 2024, include an allowance for credit losses of \$38,724 and \$71,915, respectively.

Accounting for Assets Held by Others – The School recognizes as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the School, and it periodically adjusts the interest for its share of the change in the related organization’s net assets. Distributions to the School from these organizations are recorded as a reduction in the School’s recorded interest. The School is a beneficiary of two separate foundations, the Catholic Community Fund and St. Mary’s High School Foundation, Inc (St. Mary’s School Foundation, or the “Foundation”). Both of these organizations are considered related parties. (See Notes 3 and 9)

Furniture, Equipment and Leasehold Improvements – Furniture, equipment and leasehold improvements are stated at cost less accumulated provisions for depreciation (see Note 5). Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives in Years</u>
Furniture and equipment	5 years
Leasehold improvements	39 years
Gateway building	39 years

Accrued Compensation – Faculty members of the School have annual contracts covering the period September 1 – August 31, whereby compensation for each academic year is earned as of the School’s fiscal year, June 30. As a result, the School records a significant amount of accrued compensation for faculty members at the end of the fiscal year for payments that will be made in July and August of the following fiscal year.

## Note 2 – Significant Accounting Policies (Cont.)

**Tax-Exempt Status** – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income taxation.

**Evaluation of Subsequent Events** – Management has evaluated subsequent events involving the School for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2025 through December 10, 2025, the date the accompanying financial statements were available to be issued.

## Note 3 – Interest in Other Organizations

The School is the beneficiary of donations collected on its behalf by two related organizations, the Catholic Community Fund and the St. Mary's School Foundation, Inc. As discussed in Note 2, "Accounting for Assets Held by Others", the School has recorded as assets its interests in the foundations' net assets as follows at June 30:

	<u>2025</u>	<u>2024</u>
Catholic Community Fund	\$ 1,625,244	\$ 1,589,783
St. Mary's School Foundation	3,263,403	3,277,709
	<u>\$ 4,888,647</u>	<u>\$ 4,867,492</u>

During the reporting years, the School's interests in the net assets of the foundations increased as follows:

	<u>2025</u>	<u>2024</u>
Catholic Community Fund	\$ 98,668	\$ 181,592
St. Mary's School Foundation	258,850	1,280,818
	<u>\$ 357,518</u>	<u>\$ 1,462,410</u>

Distributions received from the foundations were as follows:

	<u>2025</u>	<u>2024</u>
Catholic Community Fund	\$ 63,206	\$ 59,925
St. Mary's School Foundation	273,156	452,908
	<u>\$ 336,362</u>	<u>\$ 512,833</u>

The School is one of several beneficiaries of the Catholic Community Fund. The School's interest in the net assets of the Catholic Community Fund is restricted to supporting scholarships.

The Articles of Organization of St. Mary's School Foundation state that its sole purpose is to assist in and facilitate the renovation and improvement of the School's buildings and generally support the overall mission of the School. The School and the Foundation have common Board membership. At June 30, 2025, the majority of the School's interest in the Foundation is restricted for the support of student scholarships and financial aid. The net assets of the Foundation as of June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 15,379	\$ 21,585
Investments, at fair value	3,267,924	3,141,528
Promises to give, net	-	129,598
Accounts payable and accrued expenses	(19,900)	(15,002)
	<u>\$ 3,263,403</u>	<u>\$ 3,277,709</u>

### Note 3 – Interest in Other Organizations (Cont.)

All of the Foundation's net assets are reported by the Foundation as "with donor restriction" for the sole benefit of St. Mary's School. Certain amounts of the Foundation's net assets carry restrictions on the School's specific use of the funds when received from the Foundation while other net assets are unrestricted as to the School's use. The School's interest in the net assets of the Foundation are summarized as follows at June 30:

	<u>2025</u>	<u>2024</u>
Interest in net assets of the Foundation, without restriction	\$ 1,040,965	\$ 943,221
Interest in net assets of Foundation, with restrictions:		
Restrictions that are temporary in nature (use or time)	622,320	778,020
Restrictions that are permanent in nature (endowments)	<u>1,600,118</u>	<u>1,556,468</u>
	<u>\$ 3,263,403</u>	<u>\$ 3,277,709</u>

See Note 7, Net Assets with Donor Restrictions.

### Note 4 – Promises to Give

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

	<u>2025</u>	<u>2024</u>
Amounts expected to be collected in one year or less	\$ 469,931	\$ 563,000
Amounts expected to be collected in one year to five years	<u>940,000</u>	<u>1,230,000</u>
	1,409,931	1,793,000
Less unamortized discount	<u>(76,000)</u>	<u>(76,000)</u>
Net present value of promises to give	<u>\$ 1,333,931</u>	<u>\$ 1,717,000</u>

Promises to give are recorded at the present value of estimated future cash flows. The present value of estimated cash flows has been measured utilizing a weighted average risk adjusted discount rate of 3% at June 30, 2025. At June 30, 2025, 92% of the promises to give to the School represents pledges made from two donors in the gross amounts of \$799,431 and \$500,000, respectively. All promises to give to the School at June 30, 2025 are restricted for specific uses. At June 30, 2024, 97% of the promises to give to the School represented pledges made from the same two donors in the gross amounts of \$1 million and \$500,000, respectively.

### Note 5 – Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Gateway Building	\$ 23,021,720	\$ 23,021,720
Leasehold improvements	5,116,606	4,949,106
Furniture and equipment	<u>2,912,252</u>	<u>2,912,252</u>
	31,050,578	30,883,078
Less accumulated provisions for depreciation	<u>(6,838,959)</u>	<u>(5,813,416)</u>
	<u>\$ 24,211,619</u>	<u>\$ 25,069,662</u>

## Note 5 – Property, Equipment and Leasehold Improvements (Cont.)

Depreciation expense totaled \$1,025,544 and \$1,050,127 for the years ended June 30, 2025 and 2024, respectively.

## Note 6 – Financial Instruments and Other Concentrations of Credit Risk

The School's financial instruments that potentially subject it to concentrations of credit risk consist of cash, accounts receivable, donor promises to give to the School, interests in the net assets of two foundations, accounts payable, and loans payable to the RCAB. A summary of financial instrument concentrations and other concentrations follows.

*Cash* - The School maintains its cash accounts and equivalents in high-quality financial institutions. At times, the amounts on deposit at any institution may exceed insured limits. At June 30, 2025, the School has deposits that are \$243,000 in excess of FDIC insured limits, based on bank balances.

The School also has approximately \$7,200 on deposit with the RCAB at June 30, 2025. These funds are uninsured and pooled together with other related organizations' funds in the RCAB's revolving loan fund.

*Accounts Receivable* - The School's accounts receivable reflect amounts due from its students for tuition and special activity fees with no specific concentrations.

*Promises to Give and Support* – As disclosed in Note 4, as of June 30, 2025 the School has two promises to give totaling \$1.3 million, which represent approximately 92% of total recorded promises to give to the School. The original promises by these two donors were made during the year ended June 30, 2024 and together approximated 28% of the School's cash and other financial asset contributions and nearly 10% of its total revenues, gains and support for that year.

*Interest in Net Assets of Other Organizations* - The School has significant interests in the net assets of two foundations approximating \$1,625,000 and \$3,263,000, respectively, at June 30, 2025. The net assets of the foundations primarily consist of investments and cash. (See Note 3)

*Loans Payable to Archdiocese* - At June 30, 2025, the School is indebted to the RCAB under long-term promissory notes with a current aggregate balance of approximately \$3.96 million. These outstanding borrowings of represent 60% of the School's total liabilities at June 30, 2025. (See Note 9)

*Accounts Payable* - At June 30, 2025, the School has accounts payable to one vendor in the amount of \$353,000, representing approximately 38% of its total accounts payable.

## Note 7 – Net Assets with Donor Restrictions

The following is a summary of net assets with donor restrictions at June 30:

	<u>2025</u>	<u>2024</u>
Temporary in nature	\$ 3,243,982	\$ 3,925,854
Perpetual in nature	2,600,118	2,556,468
	<u>\$ 5,844,100</u>	<u>\$ 6,482,322</u>



## Note 7 – Net Assets with Donor Restrictions (Cont.)

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

	<u>2025</u>	<u>2024</u>
Time and purpose restricted:		
Scholarship and financial aid	\$ 799,431	\$ 1,000,000
Preschool	500,000	500,000
Mental health program	80,000	-
Technology upgrades	-	250,000
Scholarship and financial aid	556,701	513,051
Robotics program	-	250,000
Other	60,286	45,000
Interest in net assets of Catholic Community Fund restricted for scholarships	625,244	589,783
Interest in net assets of the Foundation that are temporary in nature:		
Scholarships & financial aid	228,048	286,256
Capital campaign	-	135,352
College scholarships for students	292,525	284,602
Accumulated income (loss) on endowment funds	101,747	71,810
	<u>\$ 3,243,982</u>	<u>\$ 3,925,854</u>

Net assets with donor restrictions that are perpetual in nature consist of the following endowment funds, which are required to be maintained in perpetuity with the income therefrom restricted to supporting scholarships to students of the School:

	<u>2025</u>	<u>2024</u>
Interest in restricted net assets of the Catholic Community Fund	\$ 1,000,000	\$ 1,000,000
Interest in restricted net assets of St. Mary's High School Foundation, Inc.	1,600,118	1,556,468
	<u>\$ 2,600,118</u>	<u>\$ 2,556,468</u>

Net assets were released from donor restrictions by incurring qualified costs and expenses, or by the occurrence of other events satisfying the restricted purposes as follows for the year ended June 30:

Student scholarships and financial assistance	\$ 2,332,279	\$ 2,029,151
Technology upgrades and capital improvements	250,000	-
Robotics program	250,000	-
Early education	80,000	-
Poland trip	80,000	50,000
Athletic program		30,000
Mental health program	25,000	-
Other	48,752	65,640
Distributions from St. Mary's High School Foundation, Inc.		
Scholarships and financial assistance	163,013	92,600
Capital improvements	-	360,308
	<u>\$ 3,229,044</u>	<u>\$ 2,627,699</u>

## Note 8 – Endowments

The School's net assets that are perpetual in nature consist of endowment funds established to support scholarships to students of the School, which were raised and are held by the Catholic Community Fund and St. Mary's School Foundation, Inc. (see Notes 3 and 7). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## **Note 8 – Endowments (Cont.)**

Interpretation of Relevant Law – The School has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, amounts classified as net assets with donor restrictions consist of the original value of gifts donated to permanent endowment, and accumulations to donor restricted endowments 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 an endowment fund. Also included in net assets with donor restrictions is the accumulated appreciation on the donor restricted endowment funds which are available for expenditure in a manner consistent with donor intentions, and the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value". Deficiencies of this nature are reported by a charge to net assets with donor restrictions that are temporary in nature. Deficiencies may result from unfavorable market fluctuations that occurred. There were no deficiencies at June 30, 2025.

Endowment Investment Policy – The School has adopted an investment philosophy that is followed by the Foundation which, combined with the spending rate, attempts to provide a predictable stream of returns, thereby making funds available to programs that are supported by its endowments, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School or the Foundation must hold in perpetuity or for donor-specified periods.

Under this Investment Policy and the School's spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives – To satisfy long-term, rate-of-return objectives, the School and the Foundation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). The School is the sole beneficiary of the Foundation and one of multiple beneficiaries of the Catholic Community Fund, both of which have invested their endowment asset portfolios in the Common Investment Fund, a mutual fund established by the Roman Catholic Archbishop of Boston, a Corporation Sole, which, in turn, invests in the Collective Investment Partnership. The Investment Committee of Corporation Sole is responsible for selecting the investment managers of the Collective Investment Partnership.

The Investment Committee's investment rationale is to include an array of different strategy and investment managers for the Collective Investment Partnership's portfolio to reduce overall volatility while providing investment returns above industry benchmarks.

## Note 8 – Endowments (Cont.)

Endowment Net Assets – Endowment net asset composition by type of fund as of June 30, 2025 and 2024 is as follows:

	Donor-Restricted		
	Temporary in Nature	Perpetual in Nature	Total
<b><u>For the year ended June 30, 2025:</u></b>			
Endowment net assets at beginning of year	\$ 661,593	\$2,556,468	\$3,218,061
Interest in change in net assets of Catholic Community Fund	98,668	-	98,668
Interest in change in net assets of St. Mary's HS Foundation	118,450	43,650	162,100
Appropriation of endowment assets for expenditure	(151,719)	-	(151,719)
Endowment net assets at end of year	<u>\$ 726,992</u>	<u>\$2,600,118</u>	<u>3,327,110</u>
<b><u>For the year ended June 30, 2024:</u></b>			
Endowment net assets at beginning of year	\$ 467,609	\$1,556,468	\$2,024,077
Interest in net assets of the Catholic Community Fund	181,592	-	181,592
Interest in net assets of St. Mary's High School Foundation	96,417	1,000,000	1,096,417
Appropriation of endowment assets for expenditure	(84,025)	-	(84,025)
Endowment net assets at end of year	<u>\$ 661,593</u>	<u>\$2,556,468</u>	<u>\$3,218,061</u>

## Note 9 – Related Party Debt and Other Transactions

Long-Term Financing Arrangements – The School had a \$1,000,000 revolving line of credit agreement with the Roman Catholic Archdiocese of Boston ("RCAB") for working capital purposes. Borrowings bore interest at 3.75%. The School could borrow under this line of credit through November 15, 2024, which was extended through May of 2025, at which time the agreement was converted to a long-term note payable over 10 years. Under the new agreement, monthly principal and interest payments of \$10,607 are due through May of 2035. The note bears an interest rate of 5% and prepayments may be made without penalty.

Outstanding borrowings under this arrangement approximate \$991,000 and \$1,000,000 as of June 30, 2025 and 2024, respectively.

Additionally, in 2020, the School obtained a \$4 million loan from the RCAB for the purpose of repaying previous borrowings under a \$2 million construction line of credit with the RCAB and to provide \$2 million of funding for the completion of the Gateway Building. Under the agreement, monthly principal and interest payments of \$29,089 are due through October of 2035. The note bears an interest rate of 3.75% and prepayments may be made without penalty. There are also certain financial covenants that must be met each year by the School.

Future repayments under the long-term debt agreements with the RCAB are as follows:

Year Ending June 30	Principal Maturities
2026	\$ 320,594
2027	343,858
2028	357,682
2029	362,087
2030	377,102
Thereafter	2,198,159
	<u>\$ 3,959,482</u>

## **Note 9 – Related Party Debt and Other Transactions (Cont.)**

Line of Credit Agreement – During 2025, the School also entered into a line of credit agreement with the RCAB for available borrowings up to \$500,000. Borrowings bear interest at 4% and mature in July of 2027. There are no outstanding borrowings under this agreement at June 30, 2025.

Insurance – During the years ended June 30, 2025 and 2024, the School was charged approximately \$1,071,000 and \$1,009,00, respectively, for health, life, disability, workers' compensation and property insurance administered by the RCAB.

Lease Agreement and Contributed Facilities – The School leases land and a building from the RCAB. Effective August 1, 2006, the School entered into a lease agreement for a four-year period ending July 1, 2010, requiring annual lease payments of \$1.00. Since then, the School was considered a tenant-at-will under the same terms. A new lease agreement was not entered into until May of 2025, with the same payment terms and a term of 25 years expiring in April of 2050.

Under these agreements, all maintenance, capital improvements and expenditures are the responsibility of the School. The current rental value of contributed facilities was estimated at \$1,350,000 for each of the years ended June 30, 2025 and 2024. The estimated lease value of the property is recorded as both support (contributed facilities) and expense in the accompanying statements of activities. If the use of these facilities were not contributed to the School, its statements of activities would be adversely affected.

Other Related Party Transactions – During the course of the year, the School provides services to the Foundation at no charge to the Foundation. Management estimates the value of these services at approximately \$89,000 and \$91,000 for the years ended June 30, 2025 and 2024, respectively.

As discussed in Note 3, "Interest in Other Organizations", the School is one of multiple beneficiaries of the Catholic Community Fund and the sole beneficiary of St. Mary's School Foundation, Inc. The School is related through common Board membership to St. Mary's School Foundation, Inc.

## **Note 10 – Employee Pension Plan**

The School participates in a 401(k) plan maintained by the RCAB. The School contributes a matching contribution subject to formulas defined in the plan document. Each eligible employee may defer up to 100% of compensation subject to limits on the maximum amount allowed by law. Matching contributions related to the 401(k) defined contribution plan approximated \$180,000 and \$156,000 for the years ended June 30, 2025 and 2024, respectively.

## Note 11 – Liquidity and Availability of Resources

The School's financial assets available within one year of June 30 for general expenditures are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 486,248	\$ 577,429
Accounts receivable, net	36,092	40,295
Promises to give, restricted (Note 4)	1,333,931	1,717,000
Interest in the net assets of Catholic Community Fund	1,625,244	1,589,783
Interest in the net assets of St. Mary's High School Foundation, Inc.	3,263,403	3,277,709
Total financial assets	6,744,918	7,202,216
Less: Net assets with donor purpose restrictions (Note 7)	(5,844,100)	(6,482,322)
Availability of financial assets within one year	900,818	719,894
Other liquidity resources:		
Availability under \$500,000 RCAB line of credit (Note 9)	500,000	-
Financial assets and liquidity resources available for general expenditure within one year	<u>\$ 1,400,818</u>	<u>\$ 719,894</u>

The School has a policy to structure its financial assets and other liquidity resources to be available and liquid as obligations come due. Management anticipates receiving sufficient revenue and support through tuition, grants, and contributions over the next twelve months to cover general expenditures over that same period. As discussed in Note 9, contributed use of the School's property with an estimated annual value of \$1,350,000 is significant to the School's support. Management also anticipates receiving distributions from the Foundation to fund financial aid and scholarships consistent with previous years.

## Note 12 – Legal Matters

Various legal claims may arise from time-to-time in the normal course of the School's operations. In the opinion of management, the resolution of any such claims will have no material impact on the School's financial statements.