



**GT REILLY**  
**& COMPANY**  
CPAs and Advisors

Audited Financial Statements

Pope St. John XXIII  
National Seminary, Inc.

June 30, 2022

# Pope St. John XXIII National Seminary, Inc.

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## Audited Financial Statements

June 30, 2022

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## **Independent Auditors' Report**

To the Trustees  
Pope St. John XXIII National Seminary, Inc.

### **Opinion**

We have audited the accompanying financial statements of Pope St. John XXIII National Seminary, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Pope St. John XXIII National Seminary, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **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 Pope St. John XXIII National Seminary, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

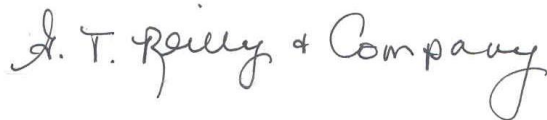
### **Auditors' Responsibilities for the Audit of the Financial Statements**

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 Pope St. John XXIII National Seminary, 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 Pope St. John XXIII National Seminary, 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.



G.T. Reilly & Company

Milton, Massachusetts

May 2 , 2023

# Pope St. John XXIII National Seminary, Inc.

## Statements of Financial Position

June 30

	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
Cash	\$ 268,743	\$ 644,034
Interest and dividends receivable	44,654	45,686
Accounts receivable	7,989	-
Promises to give, net (Note 5)	32,803	68,019
Grant funds receivable (Note 13)	-	140,896
Inventories	7,680	7,500
Prepaid expenses	7,147	7,276
Investments at fair value (Notes 2 & 3)	3,762,768	4,785,431
Interest in net assets of a foundation (Note 4)	879,910	1,105,787
Property and equipment, net (Note 6)	8,658,042	8,747,385
	<hr/>	<hr/>
TOTAL ASSETS	<b><u>\$ 13,669,736</u></b>	<b><u>\$ 15,552,014</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 114,476	\$ 194,472
Conditional grant	-	30,611
	<hr/>	<hr/>
TOTAL LIABILITIES	<b><u>114,476</u></b>	<b><u>225,083</u></b>
Net Assets (Notes 11 & 12):		
Without donor restrictions:		
Board designated for capital improvements	12,268	11,664
Board designated quasi-endowments	10,524	15,045
Undesignated	8,099,419	8,371,967
	<hr/>	<hr/>
	8,122,211	8,398,676
With donor restrictions	5,433,049	6,928,255
	<hr/>	<hr/>
	13,555,260	15,326,931
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TOTAL LIABILITIES AND NET ASSETS	<b><u>\$ 13,669,736</u></b>	<b><u>\$ 15,552,014</u></b>

## Pope St. John XXIII National Seminary, Inc.

### Statements of Activities and Changes in Net Assets

Year Ended June 30

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS &amp; OTHER SUPPORT</b>						
Tuition, net	\$ 1,598,500	\$ -	\$ 1,598,500	\$ 1,976,500	\$ -	\$ 1,976,500
Fundraising - special events	502,856	-	502,856	465,421	-	465,421
Contributions and grants	729,545	35,080	764,625	638,368	689,647	1,328,015
Investment interest and dividends	1,473	187,815	189,288	1,719	165,682	167,401
Miscellaneous income	31,856	-	31,856	311	-	311
Contributed services (Note 10)	237,289	-	237,289	182,140	-	182,140
SBA Paycheck Protection Program loan forgiveness (Note 8)	-	-	-	355,600	-	355,600
Net realized and unrealized gains (losses) on investments (Note 2)	(8,433)	(1,048,996)	(1,057,429)	8,824	990,485	999,309
Interest in change in net assets of a foundation (Note 4)	-	(225,877)	(225,877)	-	306,208	306,208
Net assets released from restrictions through satisfaction of use restrictions (Note 11)	443,228	(443,228)	-	773,239	(773,239)	-
<b>TOTAL REVENUES, GAINS &amp; SUPPORT</b>	<b>3,536,314</b>	<b>(1,495,206)</b>	<b>2,041,108</b>	<b>4,402,122</b>	<b>1,378,783</b>	<b>5,780,905</b>
<b>EXPENSES</b>						
Program	1,925,807	-	1,925,807	1,824,447	-	1,824,447
General and administrative	1,413,819	-	1,413,819	1,396,615	-	1,396,615
Fundraising and development	473,153	-	473,153	336,675	-	336,675
<b>TOTAL EXPENSES</b>	<b>3,812,779</b>	<b>-</b>	<b>3,812,779</b>	<b>3,557,737</b>	<b>-</b>	<b>3,557,737</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(276,465)</b>	<b>(1,495,206)</b>	<b>(1,771,671)</b>	<b>844,385</b>	<b>1,378,783</b>	<b>2,223,168</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>8,398,676</b>	<b>6,928,255</b>	<b>15,326,931</b>	<b>7,554,291</b>	<b>5,549,472</b>	<b>13,103,763</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 8,122,211</b>	<b>\$ 5,433,049</b>	<b>\$ 13,555,260</b>	<b>\$ 8,398,676</b>	<b>\$ 6,928,255</b>	<b>\$ 15,326,931</b>

## Pope St. John XXIII National Seminary, Inc.

### Statements of Functional Expenses

Year Ended June 30

	2022				2021			
	Program Services	General and Administrative	Fundraising and Development	Total	Program Services	General and Administrative	Fundraising and Development	Total
Salaries and benefits	\$ 1,057,781	\$ 1,036,444	\$ 245,532	\$ 2,339,757	\$ 962,846	\$ 1,038,120	\$ 177,466	\$ 2,178,432
Contract services	7,512	78,765	-	86,277	11,788	57,495	-	69,283
Professional services	-	26,950	-	26,950	-	30,600	-	30,600
Admissions	11,205	-	-	11,205	5,940	-	-	5,940
Travel and entertainment	21,229	17,469	2,015	40,713	14,856	4,180	20	19,056
Utilities	196,378	36,821	12,274	245,473	203,672	38,189	12,730	254,591
Technology	-	-	7,200	7,200	-	-	3,754	3,754
Property maintenance	118,411	22,202	7,401	148,014	120,295	22,555	7,518	150,368
Interest expense and service fees	10,263	1,924	641	12,828	11,475	2,152	717	14,344
Office	14,558	23,950	3,872	42,380	13,887	22,415	1,117	37,419
Depreciation	272,455	51,085	17,028	340,568	239,118	44,835	14,945	298,898
Publicity	-	-	64,378	64,378	-	-	20,952	20,952
Library	40,546	2,404	174	43,124	38,107	4,176	110	42,393
Kitchen	133,853	25,097	8,366	167,316	134,662	25,249	8,416	168,327
Fundraising events and activities	-	-	104,272	104,272	-	-	88,930	88,930
Student assistance	37,148	-	-	37,148	37,637	-	-	37,637
Operational supplies	4,267	74,105	-	78,372	29,914	90,283	-	120,197
Other	201	16,603	-	16,804	250	16,366	-	16,616
	<u>\$ 1,925,807</u>	<u>\$ 1,413,819</u>	<u>\$ 473,153</u>	<u>\$ 3,812,779</u>	<u>\$ 1,824,447</u>	<u>\$ 1,396,615</u>	<u>\$ 336,675</u>	<u>\$ 3,557,737</u>

# Pope St. John XXIII National Seminary, Inc.

## Statements of Cash Flows

For the Year Ended June 30

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(1,771,671)	\$ 2,223,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	340,569	298,898
Donation of investments	(5,447)	(19,325)
Net realized and unrealized (gains) losses on investments	1,057,429	(999,309)
Interest in change in net assets of a foundation	225,877	(306,208)
Transfer of assets from a foundation	-	200,000
SBA Paycheck Protection Program loan forgiveness	-	(355,600)
Changes in operating assets and liabilities:		
Promises to give, net	35,216	(44,361)
Grant funds receivable	140,896	(140,896)
Interest and dividends receivable	1,032	(12,605)
Prepaid expenses	129	(2,265)
Accounts receivable	(7,989)	-
Inventories	(180)	(2,000)
Conditional grant	(30,611)	30,611
Accounts payable and accrued expenses	(79,996)	128,094
NET CASH (APPLIED TO) PROVIDED FROM OPERATING ACTIVITIES	<u>(94,746)</u>	<u>998,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(251,226)	(562,620)
(Purchases) redemptions of investments, net	<u>(29,319)</u>	<u>(25,401)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(280,545)</u>	<u>(588,021)</u>
CASH FLOWS APPLIED TO FINANCING ACTIVITIES		
Payments on equipment note payable	<u>-</u>	<u>(10,207)</u>
NET (DECREASE) INCREASE IN CASH	(375,291)	399,974
CASH AT BEGINNING OF YEAR	<u>644,034</u>	<u>244,060</u>
CASH AT END OF YEAR	<u>\$ 268,743</u>	<u>\$ 644,034</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>-</u>	<u>\$ 2,214</u>



# Pope St. John XXIII National Seminary, Inc.

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## Notes to Financial Statements

June 30, 2022

### Note 1 – Principal Activity and Summary of Significant Accounting Policies

Principal Activity – The Seminary is a Roman Catholic, professional and graduate theological school dedicated primarily to the intellectual, cultural and spiritual preparation of second-career seminarians for the priesthood.

Financial Statement Presentation – As a not-for-profit organization, the Seminary 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 follows:

*Net Assets Without Donor Restrictions* – Net assets that are available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Trustees may designate net assets without donor restrictions for specific purposes. Net assets have been designated by the Board for capital improvements and as amounts quasi-endowed to provide a permanent source of income as disclosed in Note 12.

*Net Assets With Donor Restrictions* – Net assets that 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 by 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.

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" (see Note 11).

Contributions made with donor-imposed restrictions to maintain the principal in perpetuity (endowments), 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.

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 certain reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Revenue Recognition – The Seminary recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers". The standards are based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the standards, among other things, revenue is recognized either at a point in time (when), or over time (as), a performance obligation is satisfied.

## Note 1 – Principal Activity and Summary of Significant Accounting Policies (Cont.)

The revenue standards do not apply to revenues and support that are covered under other accounting standards such as contributions and investment earnings, gains and losses. The Seminary's revenues and related methods of recognition are summarized as follows:

*Tuition Revenue* – The Seminary recognizes revenue from student tuition and fees during the year in which the related services are provided to students. 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 academic year. In addition, the students pay room and board to live on premises during the school year. Contracts for tuition, room, and board are combined into a single portfolio of similar contracts. Payment for tuition, room and board is required before the start of the academic year. All amounts received prior to the commencement of the academic year are recorded as liabilities and revenue recognition is deferred to the applicable period. Scholarships provided to students are recorded as reductions to tuition, room and board at the time the revenue is recognized.

*Fundraising - Special Events* – The Seminary recognizes revenue from fundraising-special events once the event has taken place.

Contributions – The Seminary recognizes contributions in accordance with the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The ASU is intended to assist entities in evaluating whether transactions should be accounted for, and reported as, contributions or as exchange transactions, and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. 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. Such is the case where a student's tuition is paid by the Archdiocese of Boston (Note 7). However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation or other entity), only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes. Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction.

Conditional Grants and Contributions – Contributions, grants or other support that are conditional are not recognized in the statement of activities until they become unconditional, that is, at the time when the donor or grantor-imposed conditions on which they depend are substantially met or barriers are overcome. Funds received in advance of satisfying the conditions are reported as liabilities.

Promises to Give – Unconditional promises to give cash or other assets to the Seminary are recorded as assets receivable when the pledges are made and documented. Conditional promises to give are recorded only when the specified conditions are substantially met. Unconditional promises to give that are expected to be collected over a period of years are recorded at the present value of their estimated future cash flows. Amortization of such discounts is included in support. Recorded promises to give to the Seminary are reported in the statement of financial position net of an estimated allowance for uncollectable amounts. The allowance is recorded via a provision charged against support. On a periodic basis, management evaluates the promises to give to the Seminary and establishes or adjusts the allowance to an amount that it believes will be adequate to absorb possible losses on promises that may become uncollectible, based on evaluations of the individual pledges. Recorded amounts are written off and charged against the allowance or against support when management believes that the collectability of the specific pledge is unlikely. See Note 5 for a summary of recorded promises to give.

## Note 1 – Principal Activity and Summary of Significant Accounting Policies (Cont.)

Contributed Services – The Seminary recognizes contributions of services received as support in the statement of activities with an equal amount recognized as expense if the services provided require special skills and would need to be purchased by the Seminary if not contributed (see Note 10).

Cash – The Seminary considers short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents for presentation purposes in the statement of financial position and the statement of cash flows.

Inventories – Inventories are reported at the lower of cost or net realizable value based on the first-in, first-out (FIFO) method, and consist of books and related supplies.

Investments – The Seminary reports investments in marketable securities and pooled funds at fair value. Increases or decreases in the fair value of investments are reflected currently in the statement of activities and reported with any realized gains (losses) on investments (see Notes 2 & 3).

Accounting for Assets Held by Others – The Seminary 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 Seminary. The asset amount is adjusted for the Seminary's share of the change in the related organization's net assets via a charge or credit to the Seminary's statement of activities. Transfers of funds from the related organization are reported as reductions to the Seminary's recorded interest (see Note 4).

Property and Equipment – Property and equipment are stated at cost less accumulated provisions for depreciation. Property contributed by the Roman Catholic Archdiocese of Boston in 1997 is stated at the net book value on the records of the Archdiocese at the time of the contribution. Maintenance and repairs are expensed as incurred, whereas major additions and purchases are capitalized (see Note 6).

Depreciation has been calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are summarized as follows:

	<u>Estimated Useful Lives</u>
Building and building improvements	15 - 50 years
Furniture and equipment	5 years
Motor vehicles	5 years

Functional Allocation of Expenses – The costs and expenses of the Seminary have been summarized and presented in the statement of activities by function: program, general and administrative, and fundraising and development. The statement of functional expenses presents the natural classification detail of expenses by function. Costs and expenses related directly to a program or a supporting function are charged to that program or function, while other expenses are allocated based on reasonable methods which include square footage, time spent and management's best estimates. Included in costs and expenses that are allocated are occupancy related costs.

Income Tax – The Seminary is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements (see Note 14).

Evaluation of Subsequent Events – Management has evaluated subsequent events involving the Seminary for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2022 up through May 2, 2023, the date the accompanying financial statements were available to be issued.

## Note 2 – Investments

Investments consist of the following at June 30:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$ 3,362,619	\$ 3,762,461	\$ 3,306,367	\$ 4,785,149
Common Stock	32	307	35	282
	<u>\$ 3,362,651</u>	<u>\$ 3,762,768</u>	<u>\$ 3,306,402</u>	<u>\$ 4,785,431</u>

The majority of the Seminary's investments represent unit holdings in the Common Investment Fund established by the Roman Catholic Archbishop of Boston (RCAB) to provide common investment pools in which the Seminary and other related organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund incurs service fees from the RCAB for administrative and clerical services performed on behalf of the fund. These fees are reflected in the calculation of the value per unit. Dividend income from the Seminary's investments totaled \$189,001 and \$166,672 for the years ended June 30, 2022 and 2021, respectively.

The Common Investment Fund invests nearly all of its funds in the RCAB Collective Investment Partnership (the "Investment Partnership"), the underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private entities. The make-up of the Investment Partnership's investments at June 30, 2022 was: 32% domestic common stocks, 22% fixed-income securities, 27% private investments and 19% mutual funds and other investments.

The Seminary's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$ (1,057,456)	\$ 999,213
Common Stock	27	96
	<u>\$ (1,057,429)</u>	<u>\$ 999,309</u>

Risks and Uncertainties – The Seminary's investments in the Common Investment Fund and common stock are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with these investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

## Note 3 – Fair Value Measurements

The Seminary measures the fair values of assets and liabilities at an estimated exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Seminary classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

### Note 3 – Fair Value Measurements (Cont.)

The Seminary measures the fair value of investments in certain entities that do not have a quoted market price based on the investees' calculated net asset value (NAV) per share or its equivalent. The Seminary reports its investments at the net asset value per unit on the valuation day.

The Seminary's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2022 and 2021, by level within the fair value hierarchy, are presented in the table below. Financial assets measured at fair value on a nonrecurring basis, such as recorded promises to give to the Seminary, are excluded from the table.

	Level 1	Level 2	Level 3	Total
<b><u>June 30, 2022</u></b>				
Common Stock	\$ 307	\$ -	\$ -	\$ 307
Units of Common Investment Fund, measured at net asset value				<u>3,762,461</u>
Total investments at fair value				<u>\$ 3,762,768</u>
 <u>June 30, 2021</u>				
Common Stock	\$ 282	\$ -	\$ -	\$ 282
Units of Common Investment Fund, measured at net asset value				<u>4,785,149</u>
Total investments at fair value				<u>\$ 4,785,431</u>

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. The methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets.

A summary of the methods used to estimate the fair value of investments is as follows:

Unit Values in the Common Investment Fund (CIF) – This investment does not have quoted prices in active markets, or significant other observable inputs that have quoted market prices, although the Seminary can redeem its investment at the net asset value per share. The Seminary estimates the net asset value of its unit holdings in the CIF based on the Seminary's share of the underlying net assets of the investment portfolio that consists of actively-traded equities, bonds and money market funds.

Common Stock – The investments are valued at the closing price reported on the active market on which individual securities are traded, and they are classified within Level 1 of the valuation hierarchy.

### Note 4 – Interest in the Catholic Community Fund of the Archdiocese of Boston, Inc. (“Foundation”)

The Seminary is the beneficiary of restricted donations collected on its behalf by the Foundation, a related party. As discussed in Note 1, “Accounting for Assets Held by Others”, the Seminary has recorded as an asset its interest in the Foundation's net assets, approximately \$880,000 at June 30, 2022 (\$1,100,000 at June 30, 2021). The change in the Seminary's interest is reflected in the statement of activities as an decrease in net assets of approximately \$226,000 in 2022 (an increase of approximately \$306,000 in 2021). Transfer of funds from the Foundation to the Seminary totaled \$200,000 during the year ended June 30, 2021. There were no transfers of funds from the Foundation to the Seminary during the year ended June 30, 2022.

## Note 5 – Promises to Give

Included in promises to give are the following unconditional promises to give to the Seminary, summarized by use-restriction:

	<u>2022</u>	<u>2021</u>
Capital renovations	\$ -	\$ 14,200
Student scholarships	30,000	60,000
Unrestricted	<u>2,803</u>	<u>704</u>
Unconditional promises to give before provision for uncollectible pledges	32,803	74,904
Less unamortized discount	-	(4,135)
Less provision for uncollectible pledges	-	(2,750)
	<u>\$ 32,803</u>	<u>\$ 68,019</u>

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 32,803	\$ 44,904
One to two years	-	30,000
	<u>\$ 32,803</u>	<u>\$ 74,904</u>

Unconditional promises to give that are expected to be collected after one year have been discounted at 5.95%.

## Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 116,140	\$ 116,140
Building	4,909,692	4,909,692
Building improvements	5,967,239	5,647,274
Furniture and equipment	2,047,265	1,940,470
Construction in progress	-	175,535
	<u>13,040,336</u>	<u>12,789,111</u>
Less accumulated provision for depreciation	4,382,294	4,041,726
	<u>\$ 8,658,042</u>	<u>\$ 8,747,385</u>

Depreciation expense totaled \$340,569 and \$298,898 for the years ended June 30, 2022 and 2021, respectively.

## Note 7 – Related Party Transactions

Tuition Revenue – The Seminary received \$154,500 in 2022 (\$193,500 in 2021) from the Archdiocese of Boston, representing and reported as tuition for registered Boston students.

Insurance – During the years ended June 30, 2022 and 2021, the Seminary was charged \$337,326 and \$312,567, respectively, for health, life, disability, and property insurance administered by the Roman Catholic Archdiocese of Boston, A Corporation Sole.

## Note 7 – Related Party Transactions (Cont.)

Contributions – During the years ended June 30, 2022 and 2021, the Seminary received approximately \$104,000 and \$83,000, respectively, in contributions from several members of its Board of Trustees.

Line of Credit – On June 1, 2019, the Seminary entered into a \$300,000 line of credit agreement with the Archdiocese of Boston. The applicable rate of interest on any outstanding balance was charged at 3.75% per annum. The agreement was in effect until May 30, 2022. On June 30, 2022, the Seminary entered into a \$400,000 line of credit agreement with the Archdiocese of Boston with an applicable interest rate of 4.5% per annum, subject to change by lender. The agreement is in effect until June 30, 2027. There are no outstanding borrowings at June 30, 2022 or 2021 on either line of credit.

## Note 8 – SBA Paycheck Protection Program Loan and Forgiveness

In April of 2020, the Seminary obtained a loan from a financial institution in the amount of \$355,600 under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the note agreement, the loan’s repayment was guaranteed by the Small Business Administration (“SBA”), it accrued interest at 1%, and it was forgivable and payable by the SBA if the Seminary incurred and paid eligible expenses such as payroll and other specified costs as defined in the CARES Act. The Seminary applied for the loan’s forgiveness under the terms of the agreement and in April of 2021 it was notified by the SBA that the loan and accrued interest was repaid and the debt has been forgiven in full. As a result of the forgiveness, the loan amount has been removed as a liability via a credit to support in the 2021 statement of activities and changes in net assets as “SBA Paycheck Protection Program loan forgiveness” in the amount of \$355,600.

## Note 9 – Employee Pension Plan

The Seminary participates in the Archdiocese of Boston 401(k) defined contribution plan. The Seminary contributes a matching contribution subject to formulas defined in the plan document. Contributions by the Seminary approximated \$35,000 and \$29,000 for the years ended June 30, 2022 and 2021, respectively. Each eligible employee may defer up to 100% of compensation subject to limits on the maximum amount allowed by law.

## Note 10 – Contributed Services

For the years ended June 30, 2022 and 2021, the Seminary recorded contributions in the amount of \$237,289 and \$182,140, respectively, for services performed by religious personnel who serve as faculty. These amounts represent the differences between the actual compensation paid, and the estimated compensation that would be paid to laypersons performing the same services (see Note 1).

## Note 11 – Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Temporary in Nature	\$ 688,768	\$2,183,974
Perpetual in Nature	<u>4,744,281</u>	<u>4,744,281</u>
	<u>\$ 5,433,049</u>	<u>\$6,928,255</u>

**Note 11 – Net Assets With Donor Restrictions (Cont.)**

Restricted net assets which are temporary in nature at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Restricted for:		
Student scholarships	\$ 54,770	\$ 37,953
Accent Reduction Program	13,850	20,000
Adoration Chapel	25,000	25,000
Exercise facilities	10,000	10,000
Operations	77,295	52,068
Needy students	18,292	16,561
Spanish language instruction	-	4,767
Theology Chair	4,051	-
Catholic community	(44,254)	181,623
Pre-theology program	1,048	-
Academic Dean Faculty Chair	11,658	-
Pastoral ministry	9,342	-
Critical financial needs	15,000	15,000
Promise for Tomorrow case statement	-	69,201
Student Needs	18,840	18,840
Organ music program	9,350	-
Strategic Plan	-	50,000
Foreign Ministry Scholarships	60,000	55,865
Capital Improvements	-	152,090
	<u>284,242</u>	<u>708,968</u>
Net unrealized gains and losses on investments related to restricted endowment net assets (see below)	<u>404,526</u>	<u>1,475,006</u>
	<u>\$ 688,768</u>	<u>\$ 2,183,974</u>

Restricted net assets which are perpetual in nature (endowments) at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Income restricted for:		
Student scholarships	\$ 236,321	\$ 236,321
Academic Dean Faculty Chair	1,000,000	1,000,000
Rector fund for needy students	35,000	35,000
Theology Chair	346,961	346,961
Pastoral Ministry	800,000	800,000
Pre-Theology Program	894,512	894,512
Operations	489,138	489,138
Promise for Tomorrow case statement	18,183	18,183
Interest in endowment net assets of a foundation (Note 4)	<u>924,166</u>	<u>924,166</u>
	<u>\$ 4,744,281</u>	<u>\$ 4,744,281</u>



## Note 11 – Net Assets With Donor Restrictions (Cont.)

During the years ended June 30, net assets were released from donor restrictions by incurring expenses, or by the occurrence of other events satisfying the restricted purposes, or by donors removing the restrictions, as follows:

	<u>2022</u>	<u>2021</u>
Capital Improvements	\$ 221,291	\$ 47,910
Classroom furniture	20,945	
Foreign Ministry Scholarships	-	30,000
Organ music program	650	-
Spanish language instruction	4,767	-
Accent reduction	6,150	-
Theology Chair	16,031	18,441
Pre-theology Chair	48,479	46,059
Academic Dean Faculty Chair	39,829	51,101
Pastoral ministry	35,086	44,786
Strategic plan	50,000	-
Expenditures caused by COVID-19 pandemic:		
Property and equipment upgrades	-	451,852
Personal protective equipment	-	57,590
Student grants	-	25,500
	<u>\$ 443,228</u>	<u>\$ 773,239</u>

## Note 12 – Endowments and Quasi-Endowments

The Seminary's endowments consist of various funds established for the support of various activities. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Seminary has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Seminary to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the “historic dollar value” of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not considered restricted in perpetuity and is regarded as “net appreciation”, is considered temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminary.

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 in restricted net assets. There were no significant deficiencies at June 30, 2022 or 2021.

## Note 12 – Endowments and Quasi-Endowments (Cont.)

**Endowment Investment Policy** – The Seminary has adopted an investment philosophy 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 endowment, 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 Seminary must hold in perpetuity or for donor-specified periods. Under the Seminary’s investment policy and 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 its long-term rate-of-return objectives, the Seminary relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). From the time when the Seminary was organized, the Seminary has invested its endowment investment portfolio in the Common Investment Fund which, in turn, invests in the Investment Partnership (see Note 2). The Investment Committee of Corporation Sole is responsible for selecting the investment managers of the Investment Partnership. The Investment Committee’s investment rationale is to include an array of different strategy investment managers for the Investment Partnership’s portfolio to reduce overall volatility while providing investment returns above industry benchmarks.

**Changes in Endowment Net Assets** - Endowment net assets and changes therein as of and for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary in Nature	Perpetual in Nature	
<b>For the year ended June 30, 2022:</b>				
Endowment net assets at beginning of year	\$ 15,045	\$ 1,720,687	\$ 4,744,281	\$ 6,464,968
Interest in change in net assets of a foundation	-	(225,877)	-	(225,877)
Interest and dividends	591	187,815	-	187,815
Realized and unrealized gains (losses) on investments	(5,112)	(1,048,996)	-	(1,048,996)
Appropriation of endowment assets for expenditure	-	(96,901)	-	(96,901)
<b>Endowment net assets at end of year</b>	<b>\$ 10,524</b>	<b>\$ 536,728</b>	<b>\$ 4,744,281</b>	<b>\$ 5,281,009</b>

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary in Nature	Perpetual in Nature	
<b>For the year ended June 30, 2021:</b>				
Endowment net assets at beginning of year	\$ 9,019	\$ 661,222	\$ 4,744,281	\$ 5,405,503
Interest in change in net assets of a foundation	-	306,208	-	306,208
Interest and dividends	391	165,682	-	165,682
Realized and unrealized gains on investments	5,635	990,485	-	990,485
Appropriation of endowment assets for expenditure	-	(402,910)	-	(402,910)
<b>Endowment net assets at end of year</b>	<b>\$ 15,045</b>	<b>\$ 1,720,687</b>	<b>\$ 4,744,281</b>	<b>\$ 6,464,968</b>

## Note 13 – Financial Instruments and Concentrations of Credit Risk

The Seminary’s financial instruments that potentially subject it to concentrations of credit risk consist of cash, promises to give, investments, and a beneficial interest in the net assets of a foundation. A summary of financial instrument and other concentrations follows.

### Note 13 – Financial Instruments and Concentrations of Credit Risk (Cont.)

*Cash* - The Seminary maintains its cash accounts in high quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2022, based on bank balances, there was approximately \$19,000 of cash in excess of FDIC insurance limits.

*Investments* - As more fully discussed in Note 2, substantially all of the Seminary's investments consist of Common Investment Funds administered by the Roman Catholic Archdiocese of Boston (RCAB).

*Beneficial Interest in Foundation* - As more fully discussed in Note 4, the Seminary's beneficial interest in the net assets of the Catholic Community Fund approximated \$880,000 at June 30, 2022.

*Promises to Give* - The Seminary's recorded promises to give are dispersed among various corporate and individual contributors throughout the region. At June 30, 2022, approximately \$30,000 or 91% of the gross total is pledged from one donor. See Note 5.

*Covid Related Grants* - During fiscal year 2021, under the CARES Act, the Seminary was awarded a Higher Education Emergency Relief Fund grant by the US Department of Education in the approximate amount of \$478,000 as well as approximately \$87,000 of grants for student financial assistance and costs incurred by the Seminary due to the Covid pandemic. Approximately \$141,000 and \$425,000 of such grant funds have been recognized as support in the statement of activities for the year ended June 30, 2022 and 2021, respectively. At June 30, 2021 approximately \$141,000 of such funds were recorded as grant funds receivable.

### Note 14 – Income Taxes

The Seminary recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Seminary's management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Seminary's financial statements.

### Note 15 – Liquidity and Sufficiency of Net Assets

A comparison of the Seminary's financial assets and available resources to its donor restricted net assets is as follows:

	<u>2022</u>	<u>2021</u>
Financial assets	\$ 4,117,000	\$5,658,000
Other resources: Line of credit (Note 7)	400,000	300,000
Total financial assets and resources	<u>4,517,000</u>	<u>5,958,000</u>
Donor restricted net assets	5,433,049	6,928,000
Less interest in restricted net assets of the Catholic Community Fund	<u>(880,000)</u>	<u>(1,100,000)</u>
Net donor restricted	<u>4,553,049</u>	<u>5,828,000</u>
Sufficiency (insufficiency) of financial assets related to donor restricted net assets	<u>\$ (36,049)</u>	<u>\$ 130,000</u>

Due to the insufficiency of financial assets in relation to donor restricted net assets, the Seminary has no liquid assets available for general expenditures at June 30, 2022. At June 30, 2021, the excess of the Seminary's financial assets over its donor restricted net assets, \$130,000, represented the only amounts available for general expenditure within one year.

## **Note 15 – Liquidity and Sufficiency of Net Assets (Cont.)**

The Seminary's total financial assets approximate \$4,117,000 at June 30, 2022, including its investment portfolio of \$3,763,000, which primarily relates to its donor restricted net assets. However, at June 30, 2022 it has donor restrictions on its net assets of approximately \$4,553,000, excluding its interest in the restricted net assets of the Catholic Community Fund (Note 4), resulting in an insufficiency in its investment portfolio of approximately \$790,000. Similarly, at June 30, 2021, the Seminary had an insufficiency in its investment portfolio of approximately \$1,043,000.

This situation results from the Seminary in effect “borrowing” funds from its endowment investments to fund its operations over the years, with the intention of replenishing those funds along with an appropriate interest charge. Amounts borrowed from the endowment investments approximate \$579,000 and \$629,000 at June 30, 2022 and 2021, respectively.

The Seminary's cash flows have seasonal variations due to the nature and timing of tuition billings and various development events for fundraising. Most of the Seminary's cash inflow is received at the beginning of the school year, subsequent to its fiscal year-end. Management anticipates that the Seminary's tuition revenues and support for the next fiscal year will be sufficient to meet the majority of its general expenditures. However, to provide a cushion for seasonal financing needs, management will be seeking an increase in its existing line of credit with the Archdiocese of Boston to \$500,000. It also expects that the Seminary will not need to “borrow” from its endowment investments in the next 12 months and it has implemented a plan to repay the current borrowings at a minimum of \$10,000 per year.

Management will continue to focus on improvements to the Seminary's institutional advancement program to increase contributions, improvements to its recruiting process to increase enrollment, and it is determining the feasibility of generating additional revenue sources such as from the leasing of available grounds to a third party.