



Consolidated Financial Statements

Milton Academy

June 30, 2021 and 2020



MILTON ACADEMY

Consolidated Financial Statements

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Independent Auditors' Report

To the Board of Trustees
Milton Academy
Milton, Massachusetts

We have audited the accompanying consolidated financial statements of Milton Academy, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Milton Academy as of June 30, 2021 and 2020, 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.

Mayer Hoffmann McCann P.C.

September 24, 2021
Boston, Massachusetts

MILTON ACADEMY

Consolidated Statements of Financial Position

	<i>June 30,</i>	
	<i>2021</i>	<i>2020</i>
Assets		
Cash and cash equivalents	\$ 7,953,281	\$ 4,143,024
Restricted cash	6,031,923	2,813,177
Accounts and notes receivable, net of allowance for doubtful accounts of \$122,767 and \$121,216 at June 30, 2021 and 2020, respectively	534,917	389,266
Contributions receivable, net	10,603,535	16,262,301
Investments and trusts	421,788,110	348,954,298
Property, plant and equipment, net	62,827,060	58,603,283
Prepays and other assets	2,991,639	3,412,457
	<hr/>	<hr/>
Total assets	\$ 512,730,465	\$ 434,577,806
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,455,418	\$ 5,367,086
Construction payable	875,802	93,692
Student deposits and deferred income	1,682,330	1,901,579
Other liabilities	2,132,817	2,224,035
Line of credit	-	10,000,000
Bonds payable, net	61,290,278	51,396,696
	<hr/>	<hr/>
Total liabilities	73,436,645	70,983,088
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	66,362,502	59,676,905
With donor restrictions	372,931,318	303,917,813
	<hr/>	<hr/>
Total net assets	439,293,820	363,594,718
	<hr/>	<hr/>
Total liabilities and net assets	\$ 512,730,465	\$ 434,577,806
	<hr/> <hr/>	<hr/> <hr/>

MILTON ACADEMY

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30,

	2021			2020
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Operating activities:				
Revenues and support:				
Tuition and fees (net of discount of \$13,855,700 and \$13,250,229 in 2021 and 2020, respectively)	\$ 40,241,925	\$ -	\$ 40,241,925	\$ 43,489,990
Contributions	6,548,904	4,235,939	10,784,843	27,123,278
Change in split-interest agreements	-	(148,912)	(148,912)	23,266
Investment return	11,549,287	79,030,803	90,580,090	7,687,540
Auxiliary and other income	1,047,858	245	1,048,103	2,188,254
Net assets released from restrictions	14,104,570	(14,104,570)	-	-
Total revenues and support	73,492,544	69,013,505	142,506,049	80,512,328
Expenses:				
Instructional programs	27,877,514	-	27,877,514	28,795,859
Special and summer programs	1,589,214	-	1,589,214	1,744,066
Management and general	19,933,064	-	19,933,064	13,855,122
Fundraising expenses	2,951,158	-	2,951,158	3,588,337
Buildings and grounds	6,742,569	-	6,742,569	7,109,331
Depreciation and disposals	6,225,423	-	6,225,423	5,900,307
Interest expense	1,488,005	-	1,488,005	2,045,746
Loss on extinguishment of debt	-	-	-	1,718,643
Unrealized gain on interest rate swap contracts	-	-	-	(52,021)
Total expenses	66,806,947	-	66,806,947	64,705,390
Total change in net assets	6,685,597	69,013,505	75,699,102	15,806,938
Net assets, beginning	59,676,905	303,917,813	363,594,718	347,787,780
Net assets, ending	\$ 66,362,502	\$ 372,931,318	\$ 439,293,820	\$ 363,594,718

MILTON ACADEMY

Consolidated Statement of Activities and Changes in Net Assets

	<i>Year Ended June 30, 2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating activities:			
Revenues and support:			
Tuition and fees (net of discount of \$13,250,229)	\$ 43,489,990	\$ -	\$ 43,489,990
Contributions	8,549,916	18,573,362	27,123,278
Change in split-interest agreements	-	23,266	23,266
Investment return	1,328,701	6,358,839	7,687,540
Auxiliary and other income	2,183,254	5,000	2,188,254
Reclassifications based on donor intent	(28,007)	28,007	-
Net assets released from restrictions	14,196,465	(14,196,465)	-
Total revenues and support	69,720,319	10,792,009	80,512,328
Expenses:			
Instructional programs	28,795,859	-	28,795,859
Special and summer programs	1,744,066	-	1,744,066
Management and general	13,855,122	-	13,855,122
Fundraising expenses	3,588,337	-	3,588,337
Buildings and grounds	7,109,331	-	7,109,331
Depreciation and disposals	5,900,307	-	5,900,307
Interest expense	2,045,746	-	2,045,746
Loss on extinguishment of debt	1,718,643	-	1,718,643
Unrealized gain on interest rate swap contracts	(52,021)	-	(52,021)
Total expenses	64,705,390	-	64,705,390
Total change in net assets	5,014,929	10,792,009	15,806,938
Net assets, beginning	54,661,976	293,125,804	347,787,780
Net assets, ending	\$ 59,676,905	\$ 303,917,813	\$ 363,594,718

MILTON ACADEMY

Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 75,699,102	\$ 15,806,938
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation expense	6,129,953	5,732,292
Write-off of construction in process	-	35,550
Amortization of bond premium	(186,070)	(854,939)
Amortization of bond issuance costs	79,652	551,899
Realized and unrealized gain, net	(90,314,492)	(5,360,463)
Recovery of bad debt expense for accounts and notes receivable	(5,326)	(45,810)
Endowment contributions	(2,791,312)	(11,490,409)
Contributions restricted for plant	(2,903,049)	(680,533)
Loss on retirement of property, plant and equipment	95,470	132,465
Changes in:		
Accounts and notes receivable	(140,325)	635,287
Contributions receivable	5,658,766	(4,783,378)
Prepays and other assets	420,818	(850,722)
Accounts payable and accrued expenses	2,088,332	(178,962)
Other liabilities	(91,218)	195,980
Student deposits and deferred income	(219,249)	(949,774)
Net cash used in operating activities	<u>(6,478,948)</u>	<u>(2,104,579)</u>
Cash flows from investing activities:		
Investment in property, plant and equipment, net	(9,667,090)	(9,649,744)
Proceeds from sale of investments	139,946,042	78,252,164
Purchase of investments	(122,465,362)	(86,978,419)
Net cash provided by (used in) investing activities	<u>7,813,590</u>	<u>(18,375,999)</u>
Cash flows from financing activities:		
Borrowing (repayment) on line of credit, net	(10,000,000)	10,000,000
Proceeds of bonds payable, net	10,000,000	4,860,202
Investment in endowment	2,791,312	7,168,908
Investment in plant	2,903,049	680,533
Bond issuance costs	-	(1,255,297)
Decrease in debt service reserve fund	-	3,599,566
Net cash provided by financing activities	<u>5,694,361</u>	<u>25,053,912</u>
Net increase in cash and cash equivalents	<u>7,029,003</u>	<u>4,573,334</u>
Cash, cash equivalents, and restricted cash beginning	<u>6,956,201</u>	<u>2,382,867</u>
Cash, cash equivalents, and restricted cash ending	<u>\$ 13,985,204</u>	<u>\$ 6,956,201</u>
Supplemental disclosures:		
Cash paid during the year for interest	<u>\$ 1,594,287</u>	<u>\$ 2,245,854</u>
Property, plant, and equipment purchases included in construction payable	<u>\$ 875,802</u>	<u>\$ 93,692</u>
Bond issuance costs paid with refinancing	<u>\$ -</u>	<u>\$ 104,326</u>

See accompanying notes to the consolidated financial statements.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Milton Academy is an independent, K-12 college preparatory school, with boarding for grades 9-12, located eight miles south of Boston. Enrollment encompasses over 1,000 students from the United States and countries throughout the world. The consolidated financial statements include the accounts of Milton Academy and its affiliated entity the Mountain School, collectively known as the "Academy". The Mountain School is located in Vershire, Vermont and provides programs for approximately 45 students from across the country with classes and programs focused on the outdoors. Milton is the sole corporate member of the Mountain School. All inter-entity accounts have been eliminated and therefore, the consolidated financial statements have been prepared to focus on the Academy as a whole.

The following is a summary of significant accounting policies:

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated certain net assets without donor restrictions to function as endowment. Net assets without donor restrictions also include the investment in property, plant and equipment, net of accumulated depreciation and bonds payable amounts, and trustee reserve funds.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or may not be met by the passage of time or an event specific by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, which affect the reported amount of assets and liabilities. The Academy discloses contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash accounts and short-term investments, such as treasuries, with original maturities from date of purchase of three months or less. Cash equivalents held by investment managers are classified as investments given the expectation of near term reinvestment. Cash and cash equivalents are presented at cost plus accrued interest.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

The Academy maintains its cash balances at several financial institutions. Account balances, at times, may exceed federally insured limits. The Academy monitors its exposure associated with cash and cash equivalents and has not experienced losses in such accounts.

Restricted Cash

Restricted cash includes proceeds received from the draw down of bonds, restricted for the use of construction.

Accounts and Notes Receivable

Accounts and notes receivable are carried at their net realizable value. Accounts are billed in advance of the delivery of the related academic or other service. Payments are generally due by the start of the academic period. Accounts and notes receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the Academy. Management estimates the allowance for doubtful accounts by identifying troubled accounts and using historical account aging experience. Accounts and notes receivable are written off when deemed uncollectible. Recoveries of accounts and notes receivable previously written off are recorded as revenue when received. Accounts receivable balances do not directly depend on meeting specified performance obligations of the Academy. Receivables are not collateralized.

Contributions Receivable

Contributions receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. They are initially recorded at fair value using Level 2 inputs as per the fair value policies in this section. Unconditional promises to give are periodically reviewed to estimate a doubtful collections allowance. Management estimates the allowance using overall historical experience and account specific collection trends.

In the ordinary course of business, the Academy receives pledges and contributions without any designation. These are classified as with donor restriction pending, while awaiting donor clarification. During 2021 and 2020, the Academy received clarification on several such gifts and reclassified these accordingly.

Investments and Trusts

Investments and trusts are carried at fair value. Fair value is determined as per the fair value policies described in this section.

Net investment returns (losses) are reported in the consolidated statement of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses. Endowment and similar funds, other than those separately invested or administered by outside trustees, are pooled for investment purposes. Investment returns are allocated ratably.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and Trusts (Continued)

Investment managers may utilize hedging strategies, invest in securities denominated in foreign currencies, or invest in options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty to the transactions. At any point during the year, the Academy may have exposure to derivatives primarily through limited liability vehicles.

Fair Value Measurements

The Academy reports required types of financial instruments in accordance with the fair value standards of accounting. Certain fair value items are measured on a recurring basis (such as investments) while other fair value items are measured when an item is recorded (such as with contributions). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the standards allow the Academy to report certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value ("NAV") per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Academy to classify financial instruments (except for those measured using NAV) into a three-level hierarchy, based on how inputs are prioritized for valuation.

The fair value standards require that the valuation methods used for each item carried at fair value be disclosed using the following three categories (except for those items valued at NAV):

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In that case, the category is based on the lowest level input that significantly impacts the fair value measurement.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

It is possible that redemption rights may be restricted or eliminated by investment managers in the future (in accordance with the underlying fund agreements). Market prices are affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured based on actively quoted prices generally will have a lesser degree of judgment used in measuring fair value. It is reasonably possible that near-term changes in these instruments' value will occur and that such changes could materially affect the amounts reported in these consolidated financial statements.

Property, Plant and Equipment, Net

Land, buildings and equipment are recorded as assets when (a) the useful life is over one year and (b) their cost exceeds a management established capitalization threshold. In the case of donated property, such amounts are recorded at fair value at the date of gift which would normally entail a Level 3 fair value assessment. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. The cost of normal maintenance and repairs are expensed as incurred.

Estimated useful lives are as follows:

Buildings and land and building improvements	10-40 years
Equipment	3-10 years

Plant assets are removed from the records at the time of disposal. Any gain or loss is included in depreciation expense in the consolidated statements of activities.

Student Deposits and Deferred Income

Student deposits and deferred income primarily include deposits for future enrollment and advance payments on tuition and fees. These are credited towards tuition and fees once enrollment occurs (in the case of deposits) or during the academic period when tuition and fees are due (in the case when amounts are paid in advance).

Payables to Annuitants

The Academy has entered into a variety of charitable gift annuity agreements. The Academy agrees to pay a donor and named beneficiaries a fixed amount per year for the life of the annuitants. In exchange, the Academy receives assets valued in excess of the present value of the annuity obligation with the difference reflected as contribution revenue. Initial assets received are generally recorded using Level 1 fair value methods, while the recording of the related obligation is initially recorded using Level 2 fair value methods as per the fair value policies in this section. Obligations are adjusted for payments made and changes in life expectancy over time. Payables to annuitants totaled \$2,018,459 and \$2,113,716 at June 30, 2021 and 2020, respectively, and are included in other liabilities on the consolidated statements of financial position.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Bond Payable

Costs incurred in conjunction with the issuance of bonds payable as well as premiums received on the sale of bonds are presented as part of bonds payable and are being amortized over the lives of the bonds.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment returns and gains and losses on other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expiration of time restrictions on net assets with donor restrictions, such as the donor stipulated purpose has been fulfilled and/or the time period has elapsed, are reported as net assets released from restrictions.

Earned Revenues

Earned revenues from contracts with customers are recorded using a principles based process that requires 1) Identification of the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price in the contacts; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises.

Tuition and fees and sales are recorded at established rates, net of institutional financial aid and scholarships provided directly to students. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered and has not made any changes in the timing and satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of scholarships and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the Academy's withdrawal policies. These policies allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the Academy's programs, the exposure to withdrawal rights is limited at year end.

Auxiliary revenue relates to facility rental of the Academy facilities, a Saturday program, and other miscellaneous revenue. Revenue is recorded over time as earned.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributed Support

Contributions, including unconditional promises to give, are recognized as revenue as either with or without donor restrictions when verifiably committed (using the pledge or receipt date, whichever is earlier). Conditional contributions are recorded as revenue when such amounts become unconditional, generally by meeting a barrier to entitlement. This can include meeting a matching provision, incurring specified allowable expenses in accordance with a framework, or other barriers. Contributions scheduled to be received after one year are discounted at a risk adjusted rate commensurate with the duration of the pledge, net of allowance for amounts deemed uncollectible. Amortization of the discount is included in contribution revenue.

The Academy reports contributions of land, buildings and equipment as support without donor restrictions, unless the donor places restrictions on their use. Contributions of cash used to acquire or construct long-lived assets are reported as support without donor restrictions to the extent the funds have been expended for the specific construction activity; otherwise the contributions are reported as support with donor restrictions.

Income Tax Status

The Academy is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and State income taxes except when undertaking unrelated activities. Given the status, the Academy's disclosures about income tax obligations and expenses have been determined to not merit detailed disclosures.

Uncertain Tax Positions

The Academy accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold, based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to be uncertain, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Academy has identified its tax status as a tax-exempt entity and its classifications of income as related or unrelated as the only significant tax positions. The Academy has determined that such tax positions do not result in an uncertainty requiring recognition. The Academy is not currently under examination by any taxing jurisdiction. The Academy's Federal and State tax returns are generally open for examination for three years following the date filed.

Functional Allocation of Expenses

The cost of providing various programs, activities, and supporting services has been summarized by function in the statements of activities. Expenses are also presented later within these footnotes by natural classification, detailing the types of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services. Depreciation, plant operation and maintenance expenses, and interest expense have been allocated by function based on square footage of facilities.

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Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts reported in the 2020 consolidated financial statements have been reclassified to conform to the June 30, 2021 presentation.

Subsequent Events

The Academy has evaluated subsequent events through September 24, 2021, the date the consolidated financial statements were issued.

Note 2 - Liquidity of Financial Resources

The Academy regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Academy has various sources of liquidity at its disposal including cash and cash equivalents, marketable debt and equity securities. If necessary, the spendable yet realized portion of the Academy's net assets could be used to meet cash needs. Management follows prudent investment management to ensure the preservation of the funds for future use.

The Academy seeks to operate with a balanced budget or better and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources, over a twelve month period.

Below is a table showing the total financial assets that could be readily available within one year to meet general expenditures as of June 30:

	2021	2020
Financial assets available to meet general expenditures over the next 12 months (rounded):		
Cash and cash equivalents	\$ 7,953,000	\$ 4,143,000
Investments not encumbered by donor or Board restriction	6,964,000	16,980,000
Accounts receivable, net	535,000	389,000
Contributions for general expenditures due in one year or less	583,000	1,951,100
Endowment spending rate distribution and appropriations	<u>13,982,000</u>	<u>13,392,500</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 30,017,000</u>	<u>\$ 36,855,600</u>

In addition, as of June 30, 2021, the Academy has approximately \$52.6 million of board designated funds and \$5.1 million of trustee reserve funds which could be spent on operations upon approval by the Board of Trustees of the Academy.

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Notes to Consolidated Financial Statements

Note 3 - Contributions Receivable

Contributions receivable are as follows at June 30:

	2021	2020
Contributions for:		
Endowment	\$ 7,215,343	\$ 10,650,332
Construction of facilities	3,195,536	5,090,251
Unrestricted	<u>1,640,109</u>	<u>2,233,363</u>
	12,050,988	17,973,946
Less allowance for unfulfilled pledges	801,596	855,088
Less present value discount	<u>645,857</u>	<u>856,557</u>
Contributions receivable, net	<u>\$ 10,603,535</u>	<u>\$ 16,262,301</u>
Amounts due in:		
Less than one year	\$ 5,209,355	\$ 6,218,783
One to five years	6,841,633	11,504,145
More than five years	<u>-</u>	<u>251,018</u>
Total	<u>\$ 12,050,988</u>	<u>\$ 17,973,946</u>

There were no conditional pledges as of June 30, 2021 and 2020.

One contribution amounted to approximately 25% and 30% of contributions receivable as of June 30, 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements

Note 4 - Fair Values of Financial Instruments

Fair values of financial instruments were as follows at June 30:

	2021			
	Level 1	Level 2	Investments Measured at NAV	Total
Assets:				
Pooled endowment:				
Global equity securities	\$ 40,567,747	\$ -	\$ 138,456,411	\$ 179,024,158
Short-term investment funds	31,555,755	-	-	31,555,755
Trust investments	-	2,706,179	-	2,706,179
Absolute return	-	-	21,759,720	21,759,720
Hedged equities	-	-	51,125,486	51,125,486
Real estate partnerships	-	-	7,996,140	7,996,140
Multi asset	-	-	6,963,059	6,963,059
Natural resources	-	-	4,070,585	4,070,585
Credit funds	-	-	11,890,677	11,890,677
Private equity debt	-	-	33,668,455	33,668,455
Private equity and venture capital	-	-	68,690,842	68,690,842
Pooled income and cash equivalents	-	-	2,337,054	2,337,054
Total assets at fair value	\$ 72,123,502	\$ 2,706,179	\$ 346,958,429	\$ 421,788,110
2020				
	Level 1	Level 2	Investments Measured at NAV	Total
Assets:				
Pooled endowment:				
Global equity securities	\$ 40,931,175	\$ -	\$ 93,550,488	\$ 134,481,663
Short-term investment funds	29,850,667	-	-	29,850,667
Trust investments	-	2,429,102	-	2,429,102
Absolute return	-	-	13,824,155	13,824,155
Hedged equities	-	-	69,660,433	69,660,433
Real estate partnerships	-	-	7,675,481	7,675,481
Multi asset	-	-	9,921,157	9,921,157
Private equity debt	-	-	24,128,606	24,128,606
Private equity and venture capital	-	-	54,766,299	54,766,299
Pooled income and cash equivalents	-	-	2,216,735	2,216,735
Total assets at fair value	\$ 70,781,842	\$ 2,429,102	\$ 275,743,354	\$ 348,954,298

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 4 - Fair Values of Financial Instruments (Continued)

Investment return includes non-endowment investment earnings as well as other income of \$1,117,412 and \$822,152 for the years ended June 30, 2021 and 2020, respectively, that was earned on cash and cash equivalents.

The assets held under trust investments are part of an irrevocable perpetual trust which is held by an independent donor-appointed trustee. The underlying investments include equity and fixed income securities and equivalents using Level 1 and Level 2 inputs notwithstanding this being considered a Level 3 measurement item given that the Academy's interest is in the trust.

Management did not consider Level 3 activity significant and thus has not included detailed disclosures.

Management has no intention or plans to liquidate any NAV practical expedient investments other than NAV per share. Future commitments under various investment vehicles amounted to approximately \$99,600,000 at June 30, 2021.

The liquidity of the Academy's investments are as follows at June 30, 2021:

<i>Redemption Frequency</i>	<i>Fair Value</i>
Daily	\$ 54,398,013
Weekly	16,276,719
Monthly	90,774,158
Quarterly	119,181,609
Illiquid	<u>141,157,611</u>
Total investments	\$ <u>421,788,110</u>

Note 5 - Property, Plant and Equipment

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

	2021	2020
Land	\$ 511,310	\$ 511,310
Land improvements	8,861,704	8,742,544
Buildings and improvements	143,861,683	138,350,789
Equipment	10,615,829	10,452,658
Construction in progress	<u>6,044,438</u>	<u>2,653,572</u>
	169,894,964	160,710,873
Less: accumulated depreciation	<u>107,067,904</u>	<u>102,107,590</u>
	\$ <u>62,827,060</u>	\$ <u>58,603,283</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 5 - Property, Plant and Equipment (Continued)

The Academy retired property, plant and equipment with costs of \$1,265,109 and \$1,320,881, and recognized a loss on disposal of \$95,470 and \$132,465, during the years ended June 30, 2021 and 2020, respectively, which is recorded in depreciation and disposals in the consolidated statements of activities and changes in net assets.

Note 6 - Line of Credit

During 2020, the Academy obtained an unsecured line of credit in the amount of \$10,000,000 that expires in February 2025. All advances under this agreement bear interest at a variable rate as elected by the Academy as either 1) the London Inter-Bank Offer Rate (“LIBOR”) plus 75 basis points or 2) Federal Prime Rate. The interest rate was 1.05% and .93% as of June 30, 2021 and 2020, respectively. The line of credit was drawn during the year ended June 30, 2020 due to uncertainties related to the COVID-19 pandemic. The full amount was repaid prior to June 2021.

Note 7 - Bonds Payable

During 2020, the Academy refinanced and replaced the entirety of its previously held bonds payable with a combination of a private bank placement and public debt. The Academy incurred a loss in the amount of \$1,718,643 for the year ended June 30, 2020 associated with the refinancing. As part of the Series 2020D bond financing, an additional \$10,000,000 became available in March 2021. Of this amount, approximately \$6,000,000 is included as restricted cash on the consolidated statements of financial position ending June 30, 2021. The Academy is required to maintain \$6,500,000 in cash deposits with the bank holding its private placement which is tested semi-annually on May 31 and November 30.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 7 - Bonds Payable (Continued)

Bonds payable consist of the following at June 30:

	2021	2020
Massachusetts Development Finance Agency Series A, 2020, maturities are due from March 1, 2022 through 2028. Interest rates are fixed at 5%.	\$ 8,195,000	\$ 8,195,000
Century Bank Series B, 2020 - private placement maturities are due from September 1, 2022 through 2035. Interest rates are fixed at 2.16%.	24,082,000	24,082,000
Century Bank Series C, 2020 - private placement maturities are due from March 1, 2037 through 2043. Interest rates are fixed at 3.61%.	13,857,900	13,857,900
Century Bank Series D, 2020 - private placement maturities are due from September 1, 2035 through 2046. Interest rates are fixed at 2.40%.	<u>15,000,000</u>	<u>5,000,000</u>
Bonds payable, gross	61,134,900	51,134,900
Unamortized premium, net	1,395,522	1,581,592
Unamortized bond issuance costs, net	<u>(1,240,144)</u>	<u>(1,319,796)</u>
Bonds payable, net	<u>\$ 61,290,278</u>	<u>\$ 51,396,696</u>

Scheduled maturities of the bonds payable are as follows for the fiscal years ending June 30:

2022	\$ 1,020,000
2023	1,521,000
2024	1,581,000
2025	1,644,000
2026	1,716,000
Thereafter	<u>53,652,900</u>
Total payments	<u>\$ 61,134,900</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 8 - Mountain School

The accounts of the Mountain School are consolidated in the accompanying consolidated financial statements. Certain financial information for the Mountain School is presented below as of June 30:

	2021	2020
Net assets without donor restrictions:		
Unrestricted	\$ 1,523,775	\$ 1,526,457
Designated for endowment	<u>7,900,982</u>	<u>6,209,445</u>
Total net assets without donor restrictions	<u>9,424,757</u>	<u>7,735,902</u>
Net assets with donor restrictions:		
Accumulated unspent gains	2,753,912	2,053,145
Endowment corpus	885,328	885,328
Purpose restricted gift - construction	300,828	-
Restricted for pledges	<u>18,298</u>	<u>15,615</u>
Total net assets with donor restrictions	<u>3,958,366</u>	<u>2,954,088</u>
Total net assets	<u>\$ 13,383,123</u>	<u>\$ 10,689,990</u>

Note 9 - Functional Classification of Expenses

Expenses presented by natural classification and function are as follows for the years ended June 30:

	2021				
	Instruction and Auxiliary	Special and Summer	Management and General	Fundraising	Total
Salaries and benefits	\$ 25,744,099	\$ 1,030,108	\$ 10,184,097	\$ 2,498,061	\$ 39,456,365
Facilities and related expenses	3,316,068	191,091	830,025	150,813	4,487,997
Academic programs	2,720,191	15,169	348,053	13,530	3,096,943
Contract services and office expense	5,484,917	72,157	1,799,432	191,435	7,547,941
Professional fees and services	263,997	99,359	2,905,745	197,179	3,466,280
Depreciation	4,918,084	62,255	1,182,830	62,254	6,225,423
Interest	1,175,524	14,880	282,721	14,880	1,488,005
Other	<u>276,979</u>	<u>392,750</u>	<u>360,877</u>	<u>7,387</u>	<u>1,037,993</u>
Total expenses	<u>\$ 43,899,859</u>	<u>\$ 1,877,769</u>	<u>\$ 17,893,780</u>	<u>\$ 3,135,539</u>	<u>\$ 66,806,947</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 9 - Functional Classification of Expenses (Continued)

	2020				
	<i>Instruction and Auxiliary</i>	<i>Special and Summer</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 25,304,403	\$ 1,209,347	\$ 8,377,429	\$ 2,933,144	\$ 37,824,323
Facilities and related expenses	3,346,637	73,512	1,642,396	37,165	5,099,710
Academic programs	3,991,796	56,220	265,894	102,480	4,416,390
Contract services and office expense	1,461,991	108,047	1,664,919	323,729	3,558,686
Professional fees and services	165,144	74,392	2,491,652	196,780	2,927,968
Depreciation	4,897,255	59,003	885,046	59,003	5,900,307
Interest	1,697,969	20,458	306,861	20,458	2,045,746
Other	1,973,338	306,874	530,476	121,572	2,932,260
Total expenses	\$ <u>42,838,533</u>	\$ <u>1,907,853</u>	\$ <u>16,164,673</u>	\$ <u>3,794,331</u>	\$ <u>64,705,390</u>

Note 10 - Endowment

The following represents required disclosures relative to the composition and activities of endowment and funds functioning as endowment for the years ended June 30:

	2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, at beginning of year	\$ 43,144,388	\$ 282,138,024	\$ 325,282,412
Contributions/additions	225,602	6,424,499	6,650,101
Investment return, net	11,275,233	78,187,715	89,462,948
Expenditures:			
Net releases	11,696,335	(11,696,335)	-
Amounts appropriated for expenditure for operations	<u>(13,759,653)</u>	<u>-</u>	<u>(13,759,653)</u>
Change in endowment assets and those functioning as endowment assets	<u>9,437,517</u>	<u>72,915,879</u>	<u>82,353,396</u>
Endowment assets and those functioning as endowment assets, at end of year	\$ <u>52,581,905</u>	\$ <u>355,053,903</u>	\$ <u>407,635,808</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 10 - Endowment (Continued)

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment assets and those functioning as endowment assets, at beginning of year	\$ 43,164,475	\$ 280,571,753	\$ 323,736,228
Contributions/additions	40,000	7,203,610	7,243,610
Reclassifications	(17,950)	17,950	-
Transfer out	781,949	(750,000)	31,949
	<u>803,999</u>	<u>6,471,560</u>	<u>7,275,559</u>
Investment return, net	482,161	6,383,227	6,865,388
Expenditures:			
Net releases	11,288,516	(11,288,516)	-
Amounts appropriated for expenditure for operations	(12,594,763)	-	(12,594,763)
Change in endowment assets and those functioning as endowment assets	<u>(20,087)</u>	<u>1,566,271</u>	<u>1,546,184</u>
Endowment assets and those functioning as endowment assets, at end of year	<u>\$ 43,144,388</u>	<u>\$ 282,138,024</u>	<u>\$ 325,282,412</u>

Endowment

The Academy's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting standards, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Academy has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts as requiring the tracking 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, the Academy tracks in perpetuity: (a) the original value and subsequent gifts donated to the endowment, (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift, (c) the original net present value of restricted annuities and subsequent changes in amount due under the annuities.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 10 - Endowment (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

State law allows the Board of Trustees to appropriate a percentage of net asset appreciation as is prudent considering the Academy's long- and short-term needs, present and anticipated financial requirements, and expected total return on investments, price level trends, and general economic conditions. Allocations from investments to support operations are made using the total return method. Under the Academy's total return method, a spending rate to support operations of 4.45% was approved for 2021 and 2020. It is applied to a rolling twelve-quarter average fair value of the investments. Amounts appropriated under the spending policy were \$13,759,653 and \$12,594,700 for the years ended June 30, 2021 and 2020, respectively. During 2021, the Mountain School was appropriated \$359,177 and the Academy was appropriated \$13,400,476. Investments excluded from the calculation of the spending policy include the trustee reserves and certain non-endowment gifts. Budgeted appropriations for the year ending June 30, 2022 are \$13,982,100.

Fund with Deficiencies

From time-to-time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Academy to retain as a fund of perpetual duration. The Academy has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Funds with deficiencies are as follows at June 30:

	2021	2020
Fair value of underwater endowment fund	\$ 741,188	\$ 3,997,072
Original endowment gift amount	<u>750,214</u>	<u>4,116,610</u>
Deficiencies of underwater endowment fund	\$ <u>(9,026)</u>	\$ <u>(119,538)</u>

Strategies Employed for Achieving Objectives

The Academy's investment portfolio is managed for the long term to meet cash flow and funding requirements. The goal is to attain maximum return consistent with acceptable and agreed upon levels of risk while at least covering the spending policy plus inflation. The Academy 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). The Academy targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Academy seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 11 - Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following at June 30:

	2021	2020
Net investment in land, buildings and equipment	\$ 1,536,782	\$ 7,206,586
Board-designated	52,581,905	43,144,388
Trustee reserve fund	5,051,837	4,787,090
Operating	<u>7,191,978</u>	<u>4,538,841</u>
Net assets without donor restrictions	<u>\$ 66,362,502</u>	<u>\$ 59,676,905</u>

Net Assets With Donor Restrictions

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

Accumulated endowment unspent gains – These amounts represent unappropriated gains on corpus endowment investments.

Endowment corpus – These amounts represent gifts provided to the Academy, held in perpetuity as donor restricted endowment investments.

Purpose restricted gifts – Amounts received with donor restrictions, which have not yet been expended for their designated purposes.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 11 - Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

The following represents net assets with donor restrictions as of June 30:

	2021	2020
Accumulated endowment unspent gains:		
Academic	\$ 106,852,517	\$ 75,679,792
Scholarship	48,329,198	30,718,506
Library	26,198,109	20,052,712
General purpose	17,011,161	8,575,109
Construction	2,032,565	1,319,499
Multiple use	1,937,192	620,454
Pending designation	932,988	283,048
	<u>203,293,730</u>	<u>137,249,120</u>
Endowment corpus:		
Academic	59,380,082	58,001,822
Scholarship	48,823,245	46,341,785
Library	7,035,906	7,035,606
General purpose	27,700,864	25,385,767
Construction	1,795,323	1,770,073
Multiple use	4,681,449	4,260,547
Pending designation	2,343,304	2,093,304
	<u>151,760,173</u>	<u>144,888,904</u>
Total endowment funds	<u>355,053,903</u>	<u>282,138,024</u>
Purpose restricted gifts:		
Academic	423,816	540,523
Annuity	1,908,449	1,700,023
Construction	3,743,825	703,151
Contribution receivable	4,278,583	6,611,907
General purpose	397,306	592,789
Pending designation	510,484	1,841,002
Scholarship	290,000	140,000
Contributions receivable - endowment corpus	6,324,952	9,650,394
	<u>6,324,952</u>	<u>9,650,394</u>
Total donor-restricted net assets	<u>\$ 372,931,318</u>	<u>\$ 303,917,813</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 11 - Net Assets (Continued)

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the restricted purpose, or by occurrence of other events specified by donors, as follows at June 30:

	2021	2020
Spending policy releases:		
Academic	\$ 5,543,736	\$ 5,740,005
Scholarships	3,295,714	2,947,039
Library	1,306,541	1,308,686
General purpose	1,271,676	1,029,439
Construction	136,866	128,687
Multiple use	141,802	134,660
Subtotal	<u>11,696,335</u>	<u>11,288,516</u>
Satisfaction of operating purpose restrictions:		
Academic	115,184	118,240
Construction	1,394,912	2,000,244
Operations	898,139	789,465
Subtotal	<u>2,408,235</u>	<u>2,907,949</u>
Total releases	<u>\$ 14,104,570</u>	<u>\$ 14,196,465</u>

Note 12 - Retirement Plan

The Academy has a qualified Contributory Retirement Plan (the "Plan") for eligible full-time academic, administrative and service personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. During 2021, the Plan was amended. In accordance with the amendment, the Academy has the ability to make both a discretionary non elective contribution and a discretionary matching contribution equal to a uniform or dollar amount of participants' elective deferrals. Each year, the Academy will determine the formula for the non elective and discretionary matching contributions. The Academy's expense under the Plan was \$1,651,003 and \$2,067,887 for the years ended June 30, 2021 and 2020, respectively.

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 12 - Retirement Plan (Continued)

The Academy also has a non-qualified 457(b) plan for top administrators of the Academy. Elective deferrals may be made by eligible employees to the plan up to the maximum amount as permitted by law. On an annual basis, the Academy contributes the maximum amount on behalf of one of its top administrators. The Academy's expense under this plan was \$19,500 and \$19,000 for the years ended June 30, 2021 and 2020, respectively. In addition, the Academy contributes to a 457(f) program for one of its top administrators. Employer contributions totaled \$141,990 for the years ended June 30, 2021 and 2020. The Academy has recorded an asset and corresponding liability for approximately \$580,802 and \$622,000 as of June 30, 2021 and 2020, respectively, which is included in prepaids and other assets and accounts payable and accrued expenses, respectively, on the consolidated statements of financial position.

Note 13 - Commitments and Contingencies

Legal

In conducting its activities, the Academy, from time-to-time, is subject to various claims and matters that arise in the ordinary course of business and also has claims against others. In management's opinion, the ultimate resolution of such claims would not have a material effect on the financial position of the Academy.

Employment Agreement

The Academy has a long-term employment agreement with its Head of School that stipulates a variety of business terms typical in the education sector.

Other

The Academy has a long-term food service agreement with one vendor. The Academy is committed to make purchases from this vendor through June 30, 2023, or unless terminated by either party under the terms of the agreement.

The Academy has a long-term bus agreement with one vendor. The Academy is committed to use the services of this vendor through June 30, 2022, or unless terminated by either party under the terms of the agreement. The Academy also has a cleaning contract with two vendors for services through July 31, 2022.

The impact of COVID-19 is still evolving and the effects of the pandemic could impact future operating results. The lower and middle school program conducted in-person learning five days per week, with minimal disruptions through fiscal year 2021; the high school day students returned in person in October 2020; and boarding students returned to campus in January 2021. The Academy offered any student the opportunity to learn remotely. COVID-19 therefore resulted in lower tuition and fees, lower instructional program expense, and higher management and general expenses (e.g testing) during the year ended June 30, 2021.

It is anticipated the entire 2021-2022 academic year will be held on site; all divisions opened as planned in September 2021.