



Consolidated Financial Statements

Milton Academy

June 30, 2023 and 2022



MILTON ACADEMY

Consolidated Financial Statements

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Independent Auditors' Report

To the Board of Trustees
Milton Academy
Milton, Massachusetts

Opinion

We have audited the consolidated financial statements of Milton Academy (the "Academy"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Academy as of June 30, 2023 and 2022, and the changes in its consolidated net assets and its consolidated 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Academy 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Academy'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy'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.

Maya Heyman McCann P.C.

Boston, Massachusetts
September 25, 2023

MILTON ACADEMY

Consolidated Statements of Financial Position

	<i>June 30,</i>	
	2023	2022
Assets		
Cash and cash equivalents	\$ 15,754,108	\$ 7,750,527
Restricted cash	9,386,861	-
Accounts and notes receivable, net of allowance for doubtful accounts of \$73,950 and \$94,457 at June 30, 2023 and 2022, respectively	261,996	444,453
Prepays and other assets	3,814,772	2,795,091
Contributions receivable, net	7,030,246	7,750,210
Investments and trusts	397,820,755	394,172,478
Property, plant and equipment, net	<u>80,650,227</u>	<u>70,592,849</u>
Total assets	<u>\$ 514,718,965</u>	<u>\$ 483,505,608</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,295,201	\$ 7,557,734
Construction payable	3,650,788	493,069
Student deposits and deferred revenue	5,846,218	1,449,411
Other liabilities	2,575,484	2,118,601
Bonds payable, net	<u>67,784,927</u>	<u>60,083,413</u>
Total liabilities	<u>86,152,618</u>	<u>71,702,228</u>
Net assets:		
Without donor restrictions	64,669,511	62,334,046
With donor restrictions	<u>363,896,836</u>	<u>349,469,334</u>
Total net assets	<u>428,566,347</u>	<u>411,803,380</u>
Total liabilities and net assets	<u>\$ 514,718,965</u>	<u>\$ 483,505,608</u>

MILTON ACADEMY

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30,

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating activities:				
Revenues and support:				
Tuition and fees (net of discount of \$16,632,879 and \$15,606,838 in 2023 and 2022, respectively)	\$ 45,978,894	\$ -	\$ 45,978,894	\$ 44,646,822
Contributions	6,870,963	8,086,342	14,957,305	14,661,905
Change in split-interest agreements	-	(202,080)	(202,080)	(260,266)
Investment return (loss)	2,708,783	25,636,920	28,345,703	(16,304,405)
Auxiliary and other income	2,266,600	205,000	2,471,600	1,830,764
Net assets released from restrictions	19,298,680	(19,298,680)	-	-
Total revenues and support	77,123,920	14,427,502	91,551,422	44,574,820
Expenses:				
Instructional programs	34,986,883	-	34,986,883	31,548,769
Special and summer programs	2,951,857	-	2,951,857	2,992,920
Management and general	15,085,590	-	15,085,590	18,205,966
Fundraising expenses	3,956,501	-	3,956,501	3,217,222
Buildings and grounds	9,130,627	-	9,130,627	7,846,836
Depreciation and disposals	7,165,910	-	7,165,910	6,732,124
Interest expense	1,511,087	-	1,511,087	1,521,423
Total expenses	74,788,455	-	74,788,455	72,065,260
Total change in net assets	2,335,465	14,427,502	16,762,967	(27,490,440)
Net assets, beginning	62,334,046	349,469,334	411,803,380	439,293,820
Net assets, ending	\$ 64,669,511	\$ 363,896,836	\$ 428,566,347	\$ 411,803,380

MILTON ACADEMY

Consolidated Statement of Activities and Changes in Net Assets

	<i>Year Ended June 30, 2022</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 \$15,606,838)	\$ 44,646,822	\$ -	\$ 44,646,822
Contributions	6,766,984	7,894,921	14,661,905
Change in split-interest agreements	-	(260,266)	(260,266)
Investment return (loss)	(2,326,121)	(13,978,284)	(16,304,405)
Auxiliary and other income (loss)	1,879,363	(48,599)	1,830,764
Net assets released from restrictions	17,069,756	(17,069,756)	-
Total revenues and support	68,036,804	(23,461,984)	44,574,820
Expenses:			
Instructional programs	31,548,769	-	31,548,769
Special and summer programs	2,992,920	-	2,992,920
Management and general	18,205,966	-	18,205,966
Fundraising expenses	3,217,222	-	3,217,222
Buildings and grounds	7,846,836	-	7,846,836
Depreciation and disposals	6,732,124	-	6,732,124
Interest expense	1,521,423	-	1,521,423
Total expenses	72,065,260	-	72,065,260
Total change in net assets	(4,028,456)	(23,461,984)	(27,490,440)
Net assets, beginning	66,362,502	372,931,318	439,293,820
Net assets, ending	\$ 62,334,046	\$ 349,469,334	\$ 411,803,380

MILTON ACADEMY

Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 16,762,967	\$ (27,490,440)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation expense	7,165,910	6,592,328
Amortization of bond premium	(209,328)	(244,216)
Amortization of bond issuance costs	70,732	57,351
Realized and unrealized (gain) loss, net	(26,950,257)	16,670,172
Change in bad debt reserves	(9,366)	(28,310)
Endowment contributions	(2,288,253)	(3,050,286)
Contributions restricted for plant	(4,308,518)	(4,443,434)
Loss on retirement of property, plant and equipment	-	139,796
Changes in:		
Accounts and notes receivable	191,823	118,774
Contributions receivable	719,964	2,853,325
Prepays and other assets	(1,019,681)	196,548
Accounts payable and accrued expenses	(1,282,033)	102,316
Other liabilities	456,883	(14,216)
Student deposits and deferred revenue	4,396,807	(232,919)
	<u>(6,302,350)</u>	<u>(8,773,211)</u>
Net cash used in operating activities	(6,302,350)	(8,773,211)
Cash flows from investing activities:		
Investment in property, plant and equipment, net	(14,065,569)	(14,880,646)
Proceeds from sale of investments	104,368,599	151,400,586
Purchase of investments	(81,066,619)	(140,455,126)
	<u>9,236,411</u>	<u>(3,935,186)</u>
Net cash provided by (used in) investing activities	9,236,411	(3,935,186)
Cash flows from financing activities:		
Bond issuance costs	(25,751)	-
Proceeds from bonds payable, net of issuance costs funded	9,406,361	-
Payments on bonds payable	(1,521,000)	(1,020,000)
Investment in plant	4,308,518	4,443,434
Investment in endowment	2,288,253	3,050,286
	<u>14,456,381</u>	<u>6,473,720</u>
Net cash provided by financing activities	14,456,381	6,473,720
Net increase (decrease) in cash and cash equivalents	17,390,442	(6,234,677)
Cash, cash equivalents, and restricted cash beginning	7,750,527	13,985,204
Cash, cash equivalents, and restricted cash ending	\$ <u>25,140,969</u>	\$ <u>7,750,527</u>
Supplemental disclosures:		
Cash paid during the year for interest	\$ <u>1,667,229</u>	\$ <u>1,724,938</u>
Property, plant, and equipment purchases included in construction payable	\$ <u>3,650,788</u>	\$ <u>493,069</u>
Bond issuance costs funded with bonds payable	\$ <u>113,139</u>	\$ <u>-</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 semester 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.

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.

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 bond financing restricted for construction. Restricted cash is subject to like risks as indicated with cash and cash equivalents.

MILTON ACADEMY

Notes to Consolidated Financial Statements

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

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 2023 and 2022, 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 changes in net assets and consist 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.

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.

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Notes to Consolidated Financial Statements

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

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 and changes in net assets.

Student Deposits and Deferred Revenue

Student deposits and deferred revenue 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).

Other Liabilities

Other liabilities primary relate to obligations under a variety of charitable gift annuity agreements. Under these agreements, the Academy receives assets with agreement to pay a donor and named beneficiaries a fixed amount per year for the life of the annuitants with the difference at the outset being considered 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 \$1,898,991 and \$1,998,410 at June 30, 2023 and 2022, respectively.

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 contracts; 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's 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 or the date of receipt if 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 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 with donor restrictions with such amounts released from restriction as expended on the related assets that are required to be acquired with the contribution.

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 consolidated statements of activities and changes in net assets. 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)

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.

Subsequent Events

The Academy has evaluated subsequent events through September 25, 2023, the date the consolidated financial statements were issued. Management has determined that no events subsequent to year end required adjustment or disclosure to the consolidated financial statements.

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:

	2023	2022
Financial assets available to meet general expenditures over the next 12 months (rounded):		
Cash and cash equivalents	\$ 15,754,000	\$ 7,751,000
Investments not encumbered by donor or Board restriction	386,000	7,148,000
Accounts receivable, net	262,000	444,000
Contributions for general expenditures due in one year or less	670,000	879,000
Endowment spending rate distribution and appropriations	<u>16,471,000</u>	<u>15,652,000</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 33,543,000</u>	<u>\$ 31,874,000</u>

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Notes to Consolidated Financial Statements

Note 2 - Liquidity of Financial Resources (Continued)

The Academy has approximately \$48,400,000 of board designated funds and \$4,200,000 of trustee reserve funds at June 30, 2023 which could be spent on operations upon approval by the Board of Trustees of the Academy. As of June 30, 2022, the Academy has approximately \$47,700,000 of board designated funds and \$4,700,000 of trustee reserve funds which could be spent on operations upon approval by the Board of Trustees of the Academy.

Note 3 - Contributions Receivable

Contributions receivable are as follows at June 30:

	2023	2022
Contributions for:		
Endowment	\$ 2,847,947	\$ 4,533,158
Construction of facilities	3,486,905	2,618,737
Unrestricted	<u>1,946,459</u>	<u>1,750,520</u>
	8,281,311	8,902,415
Less allowance for unfulfilled pledges	606,174	606,800
Less present value discount	<u>644,891</u>	<u>545,405</u>
Contributions receivable, net	<u>\$ 7,030,246</u>	<u>\$ 7,750,210</u>
Amounts due in:		
Less than one year	\$ 4,353,224	\$ 4,832,852
One to five years	<u>3,928,087</u>	<u>4,069,563</u>
Total	<u>\$ 8,281,311</u>	<u>\$ 8,902,415</u>

There were no conditional pledges as of June 30, 2023 and 2022.

One contribution amounted to approximately 20% of contributions receivable as of June 30, 2022.

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Notes to Consolidated Financial Statements

Note 4 - Fair Values of Investments and Trusts

Investments and trusts were as follows at June 30:

	2023			
	Level 1	Level 2	Investments Measured at NAV	Total
Assets:				
Pooled endowment:				
Global equity securities	\$ 38,465,628	\$ -	\$ 96,812,995	\$ 135,278,623
Short-term investments	4,703,963	-	-	4,703,963
Trust investments	-	2,442,474	-	2,442,474
Absolute return	-	-	25,934,507	25,934,507
Hedged equities	-	-	57,418,141	57,418,141
Real estate partnerships	-	-	23,493,444	23,493,444
Multi asset	-	-	4,587,724	4,587,724
Natural resources	-	-	5,052,342	5,052,342
Credit funds	-	-	12,181,185	12,181,185
Private equity debt	-	-	29,298,955	29,298,955
Private equity and venture capital	-	-	95,604,509	95,604,509
Pooled income and cash equivalents	-	-	1,824,888	1,824,888
	<u>-</u>	<u>-</u>	<u>1,824,888</u>	<u>1,824,888</u>
Total assets at fair value	\$ 43,169,591	\$ 2,442,474	\$ 352,208,690	\$ 397,820,755
	<u>\$ 43,169,591</u>	<u>\$ 2,442,474</u>	<u>\$ 352,208,690</u>	<u>\$ 397,820,755</u>
2022				
	Level 1	Level 2	Investments Measured at NAV	Total
Assets:				
Pooled endowment:				
Global equity securities	\$ 45,462,502	\$ -	\$ 86,183,500	\$ 131,646,002
Short-term investments	19,823,945	-	-	19,823,945
Trust investments	-	2,332,841	-	2,332,841
Absolute return	-	-	34,309,765	34,309,765
Hedged equities	-	-	52,334,599	52,334,599
Real estate partnerships	-	-	20,279,570	20,279,570
Multi asset	-	-	5,494,460	5,494,460
Natural resources	-	-	7,620,482	7,620,482
Credit funds	-	-	11,206,129	11,206,129
Private equity debt	-	-	30,185,865	30,185,865
Private equity and venture capital	-	-	77,001,701	77,001,701
Pooled income and cash equivalents	-	-	1,937,119	1,937,119
	<u>-</u>	<u>-</u>	<u>1,937,119</u>	<u>1,937,119</u>
Total assets at fair value	\$ 65,286,447	\$ 2,332,841	\$ 326,553,190	\$ 394,172,478
	<u>\$ 65,286,447</u>	<u>\$ 2,332,841</u>	<u>\$ 326,553,190</u>	<u>\$ 394,172,478</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 4 - Fair Values of Investments and Trusts (Continued)

Investment return includes non-endowment investment earnings as well as other income of \$355,000 and \$317,000 for the years ended June 30, 2023 and 2022, 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 \$111,900,000 at June 30, 2023.

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

<i>Redemption Frequency</i>	<i>2023 Fair Value</i>	<i>2022 Fair Value</i>
Daily	\$ 62,661,474	\$ 80,955,378
Monthly	89,449,903	99,378,995
Quarterly	97,456,314	80,777,263
Illiquid	<u>148,253,064</u>	<u>133,060,842</u>
Total Investments	<u>\$ 397,820,755</u>	<u>\$ 394,172,478</u>

Note 5 - Property, Plant and Equipment

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

	<i>2023</i>	<i>2022</i>
Land	\$ 1,085,310	\$ 1,085,310
Land improvements	9,396,410	9,209,076
Buildings and improvements	153,590,257	153,271,073
Equipment	11,427,397	11,022,396
Leasehold Improvements	231,535	-
Construction in progress	<u>17,815,393</u>	<u>5,903,355</u>
	193,546,302	180,491,210
Less: accumulated depreciation	<u>112,896,075</u>	<u>109,898,361</u>
	<u>\$ 80,650,227</u>	<u>\$ 70,592,849</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 \$4,168,196 and \$3,889,482, and recognized a loss on disposal of \$0 and \$127,611, during the years ended June 30, 2023 and 2022, respectively, which is recorded in depreciation and disposals in the consolidated statements of activities and changes in net assets. The Academy also wrote off \$12,185 from construction in progress on June 30, 2022, which is recorded in depreciation and disposals in the consolidated statements of activities and changes in net assets.

Note 6 - Line of Credit

The Academy has 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 of SOFR plus 86 basis points. The interest rate was 5.96% and 2.21% as of June 30, 2023 and 2022, respectively. No amounts were outstanding under the line of credit at June 30, 2023 and 2022.

Note 7 - Bonds Payable

Bonds payable consist of the following at June 30:

	2023	2022
Massachusetts Development Finance Agency Series A, 2020, maturities are due from March 1, 2022 through 2028. Interest rates are fixed at 5%.	\$ 6,135,000	\$ 7,195,000
Eastern Bank Series B, 2020 - private placement maturities are due from September 1, 2022 through 2035. Interest rates are fixed at 2.16%.	23,641,000	24,082,000
Eastern 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
Eastern Bank Series D, 2020 - private placement maturities are due from September 1, 2035 through 2046. Interest rates are fixed at 2.40%.	14,960,000	14,980,000
Eastern Bank Series 2023 - private placement maturities are due from July 1, 2023 through 2033. Interest rates are fixed at 3.81%.	<u>9,500,000</u>	<u>-</u>
Bonds payable, gross	68,093,900	60,114,900
Unamortized premium, net	941,978	1,151,306
Unamortized bond issuance costs, net	<u>(1,250,951)</u>	<u>(1,182,793)</u>
Bonds payable, net	\$ <u>67,784,927</u>	\$ <u>60,083,413</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 7 - Bonds Payable (Continued)

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

2024	\$	2,373,989
2025		2,469,128
2026		2,573,573
2027		2,677,293
2028		2,786,749
Thereafter		<u>55,213,168</u>
Total payments	\$	<u>68,093,900</u>

The Academy is required to maintain \$7,500,000 in cash deposits at Eastern Bank which is tested semi-annually on May 31 and November 30.

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:

	2023	2022
Net assets without donor restrictions:		
Unrestricted	\$ 1,495,275	\$ 1,441,873
Designated for endowment	<u>6,517,480</u>	<u>6,891,332</u>
Total net assets without donor restrictions	<u>8,012,755</u>	<u>8,333,205</u>
Net assets with donor restrictions:		
Accumulated unspent gains	2,639,144	2,498,187
Endowment corpus	1,131,138	1,131,138
Purpose restricted gift - construction	300,828	300,828
Restricted for pledges	<u>20,038</u>	<u>100,200</u>
Total net assets with donor restrictions	<u>4,091,148</u>	<u>4,030,353</u>
Total net assets	<u>\$ 12,103,903</u>	<u>\$ 12,363,558</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 9 - Functional Classification of Expenses

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

	2023				
	<i>Instruction and Auxiliary</i>	<i>Special and Summer</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 28,519,183	\$ 2,026,392	\$ 9,339,137	\$ 3,097,121	\$ 42,981,833
Facilities and related expenses	5,053,347	83,907	1,423,758	34,604	6,595,616
Academic programs	2,128,682	48,188	763,571	305,734	3,246,175
Contract services and office expense	5,294,126	258,668	2,026,423	313,374	7,892,591
Professional fees and services	198,913	121,646	2,718,727	155,960	3,195,246
Depreciation	5,665,568	71,659	1,387,191	41,492	7,165,910
Interest	1,194,707	15,111	292,519	8,750	1,511,087
Other	1,011,559	504,362	581,498	102,578	2,199,997
Total expenses	<u>\$ 49,066,085</u>	<u>\$ 3,129,933</u>	<u>\$ 18,532,824</u>	<u>\$ 4,059,613</u>	<u>\$ 74,788,455</u>

	2022				
	<i>Instruction and Auxiliary</i>	<i>Special and Summer</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 27,144,572	\$ 1,660,523	\$ 9,528,884	\$ 2,650,570	\$ 40,984,549
Facilities and related expenses	4,104,526	64,475	1,390,862	43,931	5,603,794
Academic programs	4,927,211	27,493	979,391	176,454	6,110,549
Contract services and office expense	3,390,776	181,127	2,197,060	213,616	5,982,579
Professional fees and services	104,690	124,606	3,023,897	237,465	3,490,658
Depreciation	5,322,731	67,315	1,303,101	38,977	6,732,124
Interest	1,202,880	15,214	294,520	8,809	1,521,423
Other	608,384	444,534	560,732	25,934	1,639,584
Total expenses	<u>\$ 46,805,770</u>	<u>\$ 2,585,287</u>	<u>\$ 19,278,447</u>	<u>\$ 3,395,756</u>	<u>\$ 72,065,260</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

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:

	2023		
	<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	\$ 47,689,477	\$ 331,852,934	\$ 379,542,411
Contributions/additions	-	3,856,503	3,856,503
Investment gain, net	2,133,872	25,533,516	27,667,388
Expenditures:			
Spend policy release	14,738,858	(14,738,858)	-
Other releases	-	(2,600,000)	(2,600,000)
Other expenditures	(540,181)	-	(540,181)
Amounts appropriated for expenditure for operations	<u>(15,651,816)</u>	<u>-</u>	<u>(15,651,816)</u>
Change in endowment assets and those functioning as endowment assets	<u>680,733</u>	<u>12,051,161</u>	<u>12,731,894</u>
Endowment assets and those functioning as endowment assets, at end of year	<u>\$ 48,370,210</u>	<u>\$ 343,904,095</u>	<u>\$ 392,274,305</u>

MILTON ACADEMY

Notes to Consolidated Financial Statements

Note 10 - Endowment (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets, at beginning of year	\$ 52,581,905	\$ 355,053,903	\$ 407,635,808
Contributions/additions	-	5,600,409	5,600,409
Investment loss, net	(2,689,358)	(13,688,923)	(16,378,281)
Expenditures:			
Spend policy release	12,512,455	(12,512,455)	-
Other releases	-	(2,600,000)	(2,600,000)
Other expenditures	(327,593)	-	(327,593)
Amounts appropriated for expenditure for operations	(14,387,932)	-	(14,387,932)
Change in endowment assets and those functioning as endowment assets	(4,892,428)	(23,200,969)	(28,093,397)
Endowment assets and those functioning as endowment assets, at end of year	\$ 47,689,477	\$ 331,852,934	\$ 379,542,411

Endowment

The Academy's endowment consists of approximately 400 individual funds established for a variety of purposes. The 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, and (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 2023 and 2022 and is applied to a rolling twelve-quarter average fair value of the investments. Amounts released under the spending policy were \$15,651,816 and \$14,387,932 for the years ended June 30, 2023 and 2022, respectively. During 2023, the Mountain School received \$466,771 and the Academy received \$15,185,045. Board designated funds are included in the calculation. In addition to the amounts released under the spending policy, the Academy additionally released \$2,600,000 for library construction, which was approved by the donor. Management expects to consume these funds for this purpose in future periods. Investments excluded from the calculation of the spending policy include the trustee reserves and certain non-endowment gifts. Budgeted releases for the year ending June 30, 2024 are \$16,471,000.

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:

	2023	2022
Fair value of underwater endowment fund	\$ 1,431,602	\$ 1,894,917
Original endowment gift amount	<u>1,508,337</u>	<u>2,009,319</u>
Deficiencies of underwater endowment fund	\$ <u>(76,735)</u>	\$ <u>(114,402)</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:

	2023	2022
Net operating and investment in land, buildings and equipment	\$ 12,092,354	\$ 9,921,576
Board-designated	48,370,210	47,689,477
Trustee reserve fund	<u>4,206,947</u>	<u>4,722,993</u>
Net assets without donor restrictions	<u>\$ 64,669,511</u>	<u>\$ 62,334,046</u>

The Board of Trustees has established a Trustee Reserve Fund for the purpose of providing relief to the Academy. Additions and removals from these reserves are approved by the Board of Trustees.

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:

	2023	2022
Accumulated endowment unspent gains:		
Academic	\$ 102,129,579	\$ 97,099,778
Scholarship	44,006,793	41,068,014
Library	19,216,722	21,192,085
General purpose	13,423,352	11,748,814
Construction	1,854,210	1,744,902
Multiple use	1,729,315	1,495,880
Pending designation	<u>261,282</u>	<u>218,232</u>
	<u>182,621,253</u>	<u>174,567,705</u>
Endowment corpus:		
Academic	67,301,544	66,651,952
Scholarship	52,316,198	50,853,369
Library	7,037,105	7,037,005
General purpose	27,741,223	25,881,131
Construction	1,830,323	1,805,323
Multiple use	4,681,449	4,681,449
Pending designation	<u>375,000</u>	<u>375,000</u>
	<u>161,282,842</u>	<u>157,285,229</u>
Total endowment funds	<u>343,904,095</u>	<u>331,852,934</u>
Purpose restricted gifts:		
Academic	737,566	680,744
Annuity	1,009,613	1,199,268
Construction	10,713,314	7,410,674
Contribution receivable	4,632,155	3,899,399
Pending designation	102,002	220,504
Scholarship	400,000	355,000
Contributions receivable - endowment corpus	<u>2,398,091</u>	<u>3,850,811</u>
Total donor-restricted net assets	<u>\$ 363,896,836</u>	<u>\$ 349,469,334</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:

	2023	2022
Spending policy releases:		
Academic	\$ 7,477,539	\$ 6,295,810
Scholarships	4,062,738	3,598,185
Library	1,406,845	1,270,469
General purpose	1,389,756	1,019,323
Construction	162,490	140,568
Multiple use	<u>239,490</u>	<u>188,100</u>
Subtotal	<u>14,738,858</u>	<u>12,512,455</u>
Satisfaction of operating purpose restrictions:		
Academic	251,455	373,892
Construction	3,837,385	3,529,529
Operations	90,982	508,880
Scholarship	<u>380,000</u>	<u>145,000</u>
Subtotal	<u>4,559,822</u>	<u>4,557,301</u>
Total releases	<u>\$ 19,298,680</u>	<u>\$ 17,069,756</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 and allows for 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 \$2,328,580 and \$2,217,634 for the years ended June 30, 2023 and 2022, 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 \$22,500 and \$19,500 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022. The Academy has recorded an asset and corresponding liability for this plan of \$599,504 and \$526,251 as of June 30, 2023 and 2022, 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, 2027, 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, 2027, 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 June 30, 2025. The contract is eligible to be terminated under certain circumstances as more fully described under the terms of the agreement.