

**The Awty International School**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2023 and 2022

# The Awty International School

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## Independent Auditors' Report

To the Board of Trustees of  
The Awty International School:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of The Awty International School, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of The Awty International School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Awty International School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Awty International School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Awty International School'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.

*Blazek & Vetterling*

November 6, 2023

# The Awty International School

## Consolidated Statements of Financial Position as of June 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 56,632,267	\$ 51,180,069
Tuition and fees receivable, net	75,464	61,377
Textbook and uniform inventory	379,057	211,469
Prepaid expenses and other assets	984,066	963,280
Contributions receivable, net (Note 3)	5,458,935	7,443,201
Investments (Note 4)	50,038,269	36,882,039
Cash loan proceeds for capital projects		25,827,749
Property and equipment, net (Note 5)	<u>115,206,858</u>	<u>93,389,927</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 228,774,916</u></b>	<b><u>\$ 215,959,111</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 833,370	\$ 734,999
Construction payable	2,300,449	3,477,597
Accrued expenses	2,158,823	2,519,928
Deferred tuition and fees	42,998,040	35,547,158
Refundable advance	175,000	
Notes payable, net (Note 6)	<u>63,206,649</u>	<u>63,837,968</u>
Total liabilities	<u>111,672,331</u>	<u>106,117,650</u>
Commitments (Notes 2 and 11)		
Net assets:		
Without donor restrictions (Notes 7 and 9)	113,081,646	95,768,800
With donor restrictions (Note 8)	<u>4,020,939</u>	<u>14,072,661</u>
Total net assets	<u>117,102,585</u>	<u>109,841,461</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 228,774,916</u></b>	<b><u>\$ 215,959,111</u></b>

*See accompanying notes to consolidated financial statements.*

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# The Awty International School

## Consolidated Statement of Activities for the year ended June 30, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Tuition and fees	\$ 53,233,675		\$ 53,233,675
Auxiliary service fees	1,173,324		1,173,324
Other program service fees	3,598,034		3,598,034
Contributions:			
Government		\$ 74,880	74,880
Other	899,318	1,132,912	2,032,230
Fundraising events	929,348		929,348
Direct donor benefit costs	(197,087)		(197,087)
Net investment return	2,882,478		2,882,478
Loss on disposal of property and equipment	(271,710)		(271,710)
Other	60,992		60,992
	<u>62,308,372</u>	<u>1,207,792</u>	<u>63,516,164</u>
<b>Total revenue</b>			
Net assets released from restrictions:			
Program expenditures	539,490	(539,490)	
Expiration of time restrictions	311,368	(311,368)	
Capital campaign expenditures	10,408,656	(10,408,656)	
	<u>73,567,886</u>	<u>(10,051,722)</u>	<u>63,516,164</u>
<b>Total</b>			
<b>EXPENSES:</b>			
Instructional and student activities	50,752,650		50,752,650
Management and general	4,102,286		4,102,286
Fundraising	1,400,104		1,400,104
	<u>56,255,040</u>		<u>56,255,040</u>
<b>Total expenses</b>			
<b>CHANGES IN NET ASSETS</b>	17,312,846	(10,051,722)	7,261,124
Net assets, beginning of year	<u>95,768,800</u>	<u>14,072,661</u>	<u>109,841,461</u>
Net assets, end of year	<u>\$ 113,081,646</u>	<u>\$ 4,020,939</u>	<u>\$ 117,102,585</u>

*See accompanying notes to consolidated financial statements.*

## The Awty International School

### Consolidated Statement of Activities for the year ended June 30, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Tuition and fees	\$ 50,439,634		\$ 50,439,634
Auxiliary service fees	1,100,712		1,100,712
Other program service fees	2,813,737		2,813,737
Contributions:			
Government		\$ 2,004,719	2,004,719
Other	877,622	2,688,595	3,566,217
Loss on valuation of contributions receivable		(584,984)	(584,984)
Fundraising events	776,320	228,733	1,005,053
Direct donor benefit costs	(165,458)		(165,458)
Net investment return	(1,346,010)		(1,346,010)
Loss on disposal of property and equipment	(239,118)		(239,118)
Other	<u>128,275</u>		<u>128,275</u>
Total revenue	54,385,714	4,337,063	58,722,777
Net assets released from restrictions:			
Program expenditures	2,173,398	(2,173,398)	
Expiration of time restrictions	253,000	(253,000)	
Capital campaign expenditures	<u>311,068</u>	<u>(311,068)</u>	
Total	<u>57,123,180</u>	<u>1,599,597</u>	<u>58,722,777</u>
<b>EXPENSES:</b>			
Instructional and student activities	45,647,657		45,647,657
Management and general	4,327,296		4,327,296
Fundraising	<u>1,388,923</u>		<u>1,388,923</u>
Total expenses	<u>51,363,876</u>		<u>51,363,876</u>
<b>CHANGES IN NET ASSETS</b>	5,759,304	1,599,597	7,358,901
Net assets, beginning of year	<u>90,009,496</u>	<u>12,473,064</u>	<u>102,482,560</u>
Net assets, end of year	<u>\$ 95,768,800</u>	<u>\$ 14,072,661</u>	<u>\$ 109,841,461</u>

*See accompanying notes to consolidated financial statements.*

# The Awty International School

## Consolidated Statements of Cash Flows for the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 7,261,124	\$ 7,358,901
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,800,573	3,706,780
Amortization of debt issuance costs	12,493	12,493
Contributions restricted for capital projects	(610,455)	(2,531,366)
Net realized and unrealized (gain) loss on investments	(1,160,271)	1,735,033
Loss on disposal of property and equipment	271,710	239,118
Loss on valuation of contributions receivable		584,984
Changes in operating assets and liabilities:		
Tuition and fees receivable	(14,087)	(50,541)
Textbook and uniform inventory	(167,588)	3,850
Prepaid expenses and other assets	(20,786)	210,103
Contributions receivable	597,866	99,327
Accounts payable and accrued expenses	(262,734)	67,415
Deferred tuition and fees	7,450,882	(1,558,537)
Refundable advance	<u>175,000</u>	<u>                    </u>
Net cash provided by operating activities	<u>18,333,727</u>	<u>9,877,560</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	14,150,234	19,930,647
Purchases of investments	(35,641,776)	(20,921,697)
Change in money market mutual funds held as investments	9,495,583	(2,084,421)
Purchases of property and equipment	<u>(28,066,362)</u>	<u>(21,053,223)</u>
Net cash used by investing activities	<u>(40,062,321)</u>	<u>(24,128,694)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for capital projects	1,996,855	2,319,792
Principal repayments of notes payable	<u>(643,812)</u>	<u>(398,477)</u>
Net cash provided by financing activities	<u>1,353,043</u>	<u>1,921,315</u>
<b>NET CHANGE IN CASH</b>	<b>(20,375,551)</b>	<b>(12,329,819)</b>
Cash, beginning of year	<u>77,007,818</u>	<u>89,337,637</u>
Cash, end of year	<u>\$ 56,632,267</u>	<u>\$ 77,007,818</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 56,632,267	\$ 51,180,069
Cash loan proceeds for capital projects	<u>                    </u>	<u>25,827,749</u>
Total cash	<u>\$ 56,632,267</u>	<u>\$ 77,007,818</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$1,151,954	\$1,159,334

*See accompanying notes to consolidated financial statements.*



## The Awty International School

### Consolidated Statement of Functional Expenses for the year ended June 30, 2023

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<u>EXPENSES</u>	<u>INSTRUCTIONAL AND STUDENT ACTIVITIES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related costs	\$ 33,347,787	\$ 2,579,558	\$ 1,002,205	\$ 36,929,550
Depreciation	4,565,759	207,972	26,842	4,800,573
Travel and transportation services	2,527,889	42,990		2,570,879
Utilities and maintenance	2,276,705	110,132	13,385	2,400,222
Cafeteria services	2,042,683			2,042,683
Educational materials and student activities	1,661,616			1,661,616
Conferences and meetings	800,191	228,023	153,058	1,181,272
Office expense, printing and postage	637,772	388,537	79,048	1,105,357
Professional fees and contract services	761,622	313,220	17,457	1,092,299
Technology and communications	733,938	68,245	6,961	809,144
Insurance	470,423	20,659	2,666	493,748
Cost of goods sold	456,042			456,042
Interest and fees	269,018	89,290		358,308
Memberships, dues and subscriptions	193,752	13,437	5,789	212,978
Promotional expenses			92,693	92,693
Other	<u>7,453</u>	<u>40,223</u>		<u>47,676</u>
Total expenses	<u>\$ 50,752,650</u>	<u>\$ 4,102,286</u>	<u>\$ 1,400,104</u>	56,255,040
Direct donor benefit costs				<u>197,087</u>
Total				<u>\$ 56,452,127</u>

*See accompanying notes to consolidated financial statements.*

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## The Awty International School

### Consolidated Statement of Functional Expenses for the year ended June 30, 2022

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<u>EXPENSES</u>	<u>INSTRUCTIONAL AND STUDENT ACTIVITIES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related costs	\$ 31,108,070	\$ 2,736,654	\$ 982,507	\$ 34,827,231
Depreciation	3,493,087	189,266	24,427	3,706,780
Travel and transportation services	1,843,271	4,659		1,847,930
Utilities and maintenance	2,054,795	111,335	14,368	2,180,498
Cafeteria services	1,885,365			1,885,365
Educational materials and student activities	1,465,633			1,465,633
Conferences and meetings	582,822	95,475	83,684	761,981
Office expense, printing and postage	671,807	335,132	57,958	1,064,897
Professional fees and contract services	585,181	515,517	116,571	1,217,269
Technology and communications	589,996	57,743	8,997	656,736
Insurance	439,828	22,946	2,962	465,736
Cost of goods sold	453,134			453,134
Interest and fees	312,128	161,090		473,218
Memberships, dues and subscriptions	157,939	11,485	6,995	176,419
Promotional expenses		2,600	90,422	93,022
Other	<u>4,601</u>	<u>83,394</u>	<u>32</u>	<u>88,027</u>
Total expenses	<u>\$ 45,647,657</u>	<u>\$ 4,327,296</u>	<u>\$ 1,388,923</u>	51,363,876
Direct donor benefit costs				<u>165,458</u>
Total				<u>\$ 51,529,334</u>

*See accompanying notes to consolidated financial statements.*

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## The Awty International School

Notes to Consolidated Financial Statements for the years ended June 30, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – The Awty International School (Awty) is a private day school that provides instruction to both American and international students in Houston, Texas. Awty’s enrollment for the 2022-2023 academic year was approximately 1,788 students in preschool through 12<sup>th</sup> grade. Founded in 1956, the purpose of Awty is to inspire learners through academic excellence, cultural diversity and multilingual fluency for a life of global impact. Awty provides a challenging education, leading to either the International Baccalaureate or the French Baccalauréate. Within a friendly and nurturing environment, which encourages learning and the pursuit of excellence, Awty celebrates linguistic, cultural and international diversity and seeks to maximize the potential in all of our students as they grow to become responsible world citizens.

7502 Old Katy Road Company (Old Katy) was incorporated in May 2002 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of Old Katy.

1495 POP, Inc. (POP) was incorporated in May 2004 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of POP.

1110 NPO LLC (NPO) is a limited liability company formed in May 2014 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of NPO.

Basis of consolidation – The accompanying financial statements include the consolidated activities of Awty, Old Katy, POP and NPO (collectively the School). Significant intercompany balances and transactions have been eliminated in consolidation.

Federal income tax status – Awty, Old Katy and POP are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Awty is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii). Old Katy and POP are classified as Type I supporting organizations under §509(a)(3). NPO is a pass-through entity and is disregarded for tax purposes.

Cash includes demand deposits which exceed the federally insured limit per depositor per institution. Cash held in investment accounts is excluded from cash for purposes of cash flows.

Textbook and uniform inventory is reported at net realizable value.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of receivable balances each period.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. The School computes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years for furniture, fixtures, and equipment and 3 to 30 years for buildings and improvements.

Debt issuance costs are amortized as interest expense over the repayment period of the associated debt. Unamortized debt issuance costs are reported as a direct reduction of the related debt.

Net asset classification – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Tuition and Fees

*Tuition and fees* are derived from providing education services to students and are recognized ratably over time as those services are provided. All performance obligations related to tuition and fees are satisfied within the academic year, which is contained within the fiscal year. Financial aid reduces the amount of consideration the School expects to be entitled to receive, and the tuition and fees are presented net of financial aid of \$2,543,467 in 2023 and \$2,570,855 in 2022. Tuition and fees include tuition paid by the French government of \$57,346 in 2023 and \$90,588 in 2022.

Tuition and fees are due in accordance with the payment plan selected in the executed tuition contract, all of which are due within the academic year. As a practical expedient, the School considers application, registration, and building fees, as well as financing fees associated with payment plans, to be immaterial and accordingly, they are not disaggregated from tuition and fees.

An allowance is provided when it is probable balances may not be collected in full as there has been an adverse change in the family's ability to pay. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of the period are determined using a customer-by-customer analysis of receivable balances each period. The allowance for uncollectable tuition and fees receivable is \$21,505 and \$129,552 at June 30, 2023 and 2022, respectively. Tuition and fees receivable net of allowance represent non-interest-bearing balances reported at net realizable value. Tuition and fees receivable are \$75,464, \$61,377, and \$10,836 at June 30, 2023, 2022, and 2021, respectively. Tuition and fees collected in advance are reported as deferred tuition and fees. At June 30, 2023, 2022, and 2021, deferred tuition and fees are \$42,998,040, \$35,547,158, and \$37,105,695, respectively. All deferred tuition and fees are expected to be recognized in the following fiscal year.

*Auxiliary and other program service fees* are derived from bookstore sales, bus fees, and from optional extracurricular programs. Bookstore sales are recognized at a point in time when goods are provided to the students. All other fees are recognized ratably over time as those services are provided to the students. Bookstore fees are due when the goods are provided to the student. Bus fees and extracurricular program fees are due prior to services being provided. All performance obligations related to auxiliary and other program service fees are satisfied within the academic year, which is contained within the fiscal year.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the School is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Fundraising events revenue includes elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefit costs represent the costs of goods and services provided to event attendees. Amounts received in advance are reported as refundable advances.

Functional allocation of expenses – Expenses are reported by their functional classification. Instructional and student activities are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of buildings and improvements and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 56,632,267	\$ 77,007,818
Tuition and fees receivable, net	75,464	61,377
Contributions receivable, net	5,458,935	7,443,201
Investments	<u>50,038,269</u>	<u>36,882,039</u>
Total financial assets	112,204,935	121,394,435
Less financial assets not available for general expenditure:		
Restricted or designated assets for capital projects	(4,617,717)	(31,831,866)
Board-designated endowment assets	(26,728,986)	(25,118,558)
Donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>(968,819)</u>	<u>(1,139,636)</u>
Total financial assets available for general expenditure	<u>\$ 79,889,413</u>	<u>\$ 63,304,375</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Awty considers all expenditures related to its ongoing mission, as well as the conduct of services undertaken to support those activities, to be general expenditures. Financial assets related to the capital campaign are not considered available for general expenditures although they are expected to be used in 2023.

As part of Awty’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Awty maintains a \$3.5 million line of credit. Additionally, Awty’s Board of Trustees has designated a portion of its net assets without donor restrictions as a board-designated endowment. These funds are invested for long-term appreciation and current income but remain available to be spent at the Board of Trustees’ discretion.

In fiscal years 2023 and 2022, respectively, Awty recognized approximately \$75,000 and \$2 million of government contributions under the Emergency Assistance to Nonpublic Schools through the U. S. Department of Education. Awty was required to use the funds for eligible expenses. Government awards require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by Awty with the terms of the agreement. Management believes such allowances, if any, would not be material to Awty’s financial position or changes in net assets.

### NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2023</u>	<u>2022</u>
Restricted or designated capital campaign contributions receivable	\$ 4,948,275	\$ 6,497,773
Operating contributions receivable	<u>864,251</u>	<u>1,470,769</u>
Total contributions receivable	5,812,526	7,968,542
Allowance for uncollectible contributions receivable	(267,359)	(497,690)
Discount to net present value at 0.10% to 4.00%	<u>(86,232)</u>	<u>(27,651)</u>
Contributions receivable, net	<u>\$ 5,458,935</u>	<u>\$ 7,443,201</u>

Contributions receivable at June 30, 2023 are expected to be collected as follows:

2024	\$ 3,062,464
2025	1,183,643
2026	736,055
2027	482,099
2028	341,123
Thereafter	<u>7,142</u>
Total contributions receivable	<u>\$ 5,812,526</u>

*Concentration* – At June 30, 2023, approximately 37% of contributions receivable are due from two donors. At June 30, 2022, approximately 38% of contributions receivable are due from two donors. During 2022, approximately 36% of other contribution revenue recognized is from two donors.

## NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability. The School held no Level 3 assets at June 30, 2023 or 2022.

Investments that have no readily determinable fair value but qualify to be measured at their net asset value per share or its equivalent as a practical expedient (NAV-PE) are not required to be assigned to one of the levels of the fair value hierarchy.

Assets measured at fair value at June 30, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Fixed income:				
Corporate bonds and notes		\$ 14,073,673		\$ 14,073,673
U. S. Treasury securities	\$ 9,380,553			9,380,553
U. S. Government securities		3,169,255		3,169,255
Mutual funds	2,508,344			2,508,344
Equity securities:				
Exchange-traded funds	11,138,560			11,138,560
Mutual funds	4,071,834			4,071,834
Common stock	3,420,340			3,420,340
Other mutual funds	1,476,360			1,476,360
Money market mutual funds	550,993			550,993
Alternative investment in multi-strategy fund (a)			\$ 147,312	147,312
Other		101,045		101,045
Total assets measured at fair value	<u>\$ 32,546,984</u>	<u>\$ 17,343,973</u>	<u>\$ 147,312</u>	<u>\$ 50,038,269</u>

Assets measured at fair value at June 30, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Fixed income:				
Corporate bonds and notes		\$ 10,545,214		\$ 10,545,214
U. S. Treasury securities	\$ 7,318,014			7,318,014
U. S. Government securities		2,539,730		2,539,730
Mutual funds	354,942			354,942
Equity securities:				
Exchange-traded funds	2,211,935			2,211,935
Mutual funds	1,573,401			1,573,401
Common stock	2,047,970			2,047,970
Money market mutual funds	10,046,576			10,046,576
Alternative investment in multi-strategy fund (a)			\$ 143,212	143,212
Other		101,045		101,045
Total assets measured at fair value	<u>\$ 23,552,838</u>	<u>\$ 13,185,989</u>	<u>\$ 143,212</u>	<u>\$ 36,882,039</u>

- (a) The primary investment objective of the fund is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments. The fund's secondary objective is to provide capital appreciation with less volatility than that of equity markets. Redemptions from the fund may be made on the last day of each calendar quarter, with a redemption notice of 65 calendar days prior to the redemption day. Redemptions during any calendar quarter are limited to 20% of the fund's net assets.

Valuation methods used for assets measured at fair value are as follows:

- *Corporate bonds and notes* and *U. S. Government securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Mutual funds* are valued at the published net asset value of shares held.
- *Exchange-traded funds* and *common stock* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Alternative investment* is valued at net asset value per share as a practical expedient to determine the fair value of investments that do not have a readily determinable fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.



## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 14,139,756	\$ 14,139,756
Buildings and improvements	116,148,477	80,166,333
Furniture, fixtures, and equipment	8,109,994	11,433,999
Construction in progress	<u>14,813,286</u>	<u>29,973,066</u>
Total property and equipment, at cost	153,211,513	135,713,154
Accumulated depreciation	<u>(38,004,655)</u>	<u>(42,323,227)</u>
Property and equipment, net	<u>\$ 115,206,858</u>	<u>\$ 93,389,927</u>

## NOTE 6 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2023</u>	<u>2022</u>
Series 2020B loan agreement for \$49,700,000 with a bank issued by Arlington Higher Education Finance Corporation. The loan bears interest at 1.78% and payments are due in monthly installments through April 1, 2040. The proceeds are to be used to finance the construction of the Campus Center Project. The loan is unsecured.	\$ 49,461,834	\$ 49,700,000
Series 2020A loan agreement for \$15,300,000 with a bank issued by Arlington Higher Education Finance Corporation. The loan bears interest at 1.76% and payments are due in monthly installments through April 1, 2040. The proceeds were used to retire existing debt and fund the issuance of the Series 2020 debt. The loan is unsecured.	<u>14,080,041</u>	<u>14,485,687</u>
Total notes payable	63,541,875	64,185,687
Unamortized debt issuance costs	<u>(335,226)</u>	<u>(347,719)</u>
Notes payable, net	<u>\$ 63,206,649</u>	<u>\$ 63,837,968</u>

Interest expense totaled approximately \$282,000 in 2023 and \$312,000 in 2022. Interest expense includes amortization of debt issuance costs of approximately \$12,000 in 2023 and 2022. Interest of approximately \$883,000 and \$860,000 was capitalized in 2023 and 2022, respectively.

Principal payments are due as follows:

2024	\$ 1,856,393
2025	1,893,177
2026	1,927,541
2027	1,962,529
2028	1,995,447
Thereafter	<u>53,906,788</u>
Total notes payable	<u>\$ 63,541,875</u>

Line of credit – Awty maintains a \$3.5 million revolving line of credit with a bank. The note bears interest at Term SOFR plus .80% with interest due monthly. This line of credit expires on April 21, 2026. At June 30, 2023, there were no amounts outstanding under the line of credit.

#### **NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Property and equipment, net of related notes payable	\$ 52,000,209	\$ 55,379,708
Board-designated for general endowment	26,728,986	25,118,558
Undesignated	<u>34,352,451</u>	<u>15,270,534</u>
Total net assets without donor restrictions	<u>\$ 113,081,646</u>	<u>\$ 95,768,800</u>

The Board of Trustees does not have a specific policy in regard to establishing board-designated reserves or endowments. However, the Board of Trustees may designate excess cash flows for reserves or endowments.

#### **NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ 2,800,000	\$ 12,598,201
Student activities	763,747	774,900
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	<u>457,192</u>	<u>699,560</u>
Total net assets with donor restrictions	<u>\$ 4,020,939</u>	<u>\$ 14,072,661</u>

#### **NOTE 9 – ENDOWMENT FUNDS**

The School's endowment funds represent quasi-endowments established by its Board of Trustees to support the general needs of the School. Changes in endowment funds for the years ended June 30, 2023 and 2022 are as follows:

	WITHOUT DONOR RESTRICTIONS
Endowment net assets, June 30, 2021	\$ 8,269,198
Transfers	18,200,000
Net investment return	<u>(1,350,640)</u>
Endowment net assets, June 30, 2022	25,118,558
Net investment return	<u>1,610,428</u>
Endowment net assets, June 30, 2023	<u>\$ 26,728,986</u>

### Investment Policies and Strategy

Endowment funds are maintained in an investment account managed by an independent financial firm that follows guidance provided in an investment policy approved by the School's Board of Trustees. The funds are invested for the long term. The endowment fund is currently in an accumulation phase and therefore there have been no distributions in fiscal years 2023 and 2022. During this time, fund assets are invested to maximize total return while maintaining a reasonable level of risk.

### **NOTE 10 – EMPLOYEE BENEFIT PLAN**

*Retirement benefits* – Awty has a defined contribution, money purchase retirement plan covering full-time employees who have completed two years of continuous service. Awty contributed approximately \$974,000 and \$902,000 to the plan during 2023 and 2022, respectively.

*Health benefits* – Awty partially self insures health benefits for its employees. Under this plan, health benefit claims are the responsibility of Awty subject to a maximum per employee and in the aggregate limit based on the number of its employees currently covered. Awty maintains a stop-loss insurance policy that becomes effective when individual claims exceed \$125,000 per employee or when aggregate annual claims exceed \$4,600,000 in 2023 and 2022.

### **NOTE 11 – COMMITMENTS**

At June 30, 2023, the School had outstanding contractual commitments totaling approximately \$8 million related to construction of a new Campus Center.

### **NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 6, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.