THE GESU SCHOOL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

WIPFLI LLP
CPAs and Consultants

THE GESU SCHOOL, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 19

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Gesu School, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Gesu School, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gesu School, Inc. as of June 30, 2018 and 2017, 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.

Wipfli LLP

Philadelphia, Pennsylvania
October 10, 2018

THE GESU SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30, 2018	JUNE 30, 2017
ASSETS		
Cash and cash equivalents	$ 4,037,014	$ 3,534,824
Investments		
Marketable securities	19,902,003	19,249,161
Other	72,209	71,034
Tuition receivable, net of allowance for doubtful accounts of $25,000 and $37,585 in 2018 and 2017, respectively	23,203	13,402
Unconditional promises to give, net of allowance for doubtful accounts of $300,000 and $0 in 2018 and 2017, respectively	378,215	627,873
Other receivables	-	1,800
Prepaid expenses	36,386	34,138
Property and equipment, net	6,030,378	6,188,995
Property held for future development	115,000	-
TOTAL ASSETS	$ 30,594,408	$ 29,721,227
LIABILITIES		
Accounts payable and accrued expenses	$ 412,938	$ 416,885
Deferred revenue	45,932	25,227
Loan payable	4,916	7,147
Total Liabilities	463,786	449,259
NET ASSETS		
Unrestricted	19,215,733	19,021,311
Temporarily restricted	4,787,081	4,122,849
Permanently restricted	6,127,808	6,127,808
Total Net Assets	30,130,622	29,271,968
TOTAL LIABILITIES AND NET ASSETS	$ 30,594,408	$ 29,721,227

The accompanying Notes are an integral part of these financial statements.

THE GESU SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 1,970,451	$ 2,151,861	$ -	$ 4,122,312
Tuition and registration fees, net of scholarships and discounts	690,718	-	-	690,718
Interest and dividend income	267,865	183,475	-	451,340
Endowment return used for operations	619,073	218,570	-	837,643
Other	31,801	-	-	31,801
Net assets released from restriction	2,041,654	(2,041,654)	-	-
Total Public Support and Revenues	5,621,562	512,252	-	6,133,814
EXPENSES				
School and related programs	3,795,703	-	-	3,795,703
Management and general	1,033,325	-	-	1,033,325
Fundraising	519,963	-	-	519,963
Total Expenses	5,348,991	-	-	5,348,991
Excess of Public Support and Revenues Over Expenses	272,571	512,252	-	784,823
Unrealized and realized gain (loss) on investments, net of endowment return used for operations	(78,149)	151,980	-	73,831
CHANGE IN NET ASSETS	194,422	664,232	-	858,654
NET ASSETS - BEGINNING OF YEAR	19,021,311	4,122,849	6,127,808	29,271,968
NET ASSETS - END OF YEAR	$ 19,215,733	$ 4,787,081	$ 6,127,808	$ 30,130,622

THE GESU SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 1,905,121	$ 2,057,411	$ 143,185	$ 4,105,717
Tuition and registration fees, net of scholarships and discounts	569,115	-	-	569,115
Interest and dividend income	197,343	127,164	-	324,507
Endowment return used for operations	609,479	193,256	-	802,735
Other	34,495	-	-	34,495
Net assets released from restriction	2,107,332	(2,107,332)	-	-
Total Public Support and Revenues	5,422,885	270,499	143,185	5,836,569
EXPENSES				
School and related programs	3,687,661	-	-	3,687,661
Management and general	706,143	-	-	706,143
Fundraising	552,894	-	-	552,894
Total Expenses	4,946,698	-	-	4,946,698
Excess of Public Support and Revenues Over Expenses	476,187	270,499	143,185	889,871
Unrealized and realized gain (loss) on investments, net of endowment return used for operations	743,551	678,619	-	1,422,170
Transfer of net assets	4,061	(4,061)	-	-
CHANGE IN NET ASSETS	1,223,799	945,057	143,185	2,312,041
NET ASSETS - BEGINNING OF YEAR	17,797,512	3,177,792	5,984,623	26,959,927
NET ASSETS - END OF YEAR	$ 19,021,311	$ 4,122,849	$ 6,127,808	$ 29,271,968

THE GESU SCHOOL, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 858,654	$ 2,312,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	316,371	301,799
(Recovery of) provision for uncollectible tuition	(12,585)	11,585
Change in reserve for uncollectible promises to give	300,000	-
Unrealized and realized gain on investments	(911,474)	(2,224,905)
Restricted contributions	-	(143,185)
(Increase) decrease in assets		
Tuition receivable	2,784	16,297
Unconditional promises to give	(50,342)	(233,215)
Other receivables	1,800	586
Prepaid expenses	(2,248)	(2,637)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(3,947)	17,957
Deferred revenue	20,705	(2,031)
Net Cash Provided by Operating Activities	519,718	54,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including property held for future development	(272,754)	(236,880)
Purchases of investments	(4,846,982)	(3,052,254)
Proceeds from sale of investments	5,104,439	3,957,658
Net Cash Provided by (Used in) Investing Activities	(15,297)	668,524
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions	-	143,185
Principal payments on loan payable	(2,231)	(2,131)
Net Cash Provided by (Used in) Financing Activities	(2,231)	141,054
NET CHANGE IN CASH AND CASH EQUIVALENTS	502,190	863,870
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,534,824	2,670,954
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,037,014	$ 3,534,824
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash was paid during the years for:		
Interest	$ 596	$ 433

The accompanying Notes are an integral part of these financial statements.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A - Background and Organization

The Gesu School, Inc. (the "Organization"), a Pennsylvania non-profit corporation, was founded in June 1993. The Gesu School, Inc. is a private, full-time, twenty-classroom elementary school to educate children from pre-kindergarten through eighth grade. The Organization follows the curriculum used by Catholic elementary schools in the Archdiocese of Philadelphia, Pennsylvania. The Organization also conducts an after-school care program for children enrolled in the school.

NOTE B - Summary of Significant Accounting Policies

Basis of Presentation - The Organization reports information regarding its financial position and activities in three net asset categories according to externally (donor) imposed restrictions.

Unrestricted net assets are not restricted by donors.

Temporarily restricted net assets are primarily restricted for time, capital expenditures and educational programs.

Permanently restricted net assets contain donor-imposed restrictions requiring that the principal be invested in perpetuity and investment income be used to support the Organization's activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, discount on pledges receivable, useful lives of depreciable assets, fair value of alternative investments, and the fair value of the lease on the school building.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash and cash equivalents include unrestricted cash in checking and money market accounts held by banks and custodial investment firms.

Investments - Investments in equity and bond mutual funds are reported at fair value in the statements of financial position. Other investments in partnership interests and private funds without readily determinable fair values are reported at fair value based on net asset value (NAV) in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets.

Tuition Receivable - Tuition receivable consists of amounts due from enrolled students. Management reviews the collectability of these receivables at year-end and determines an appropriate allowance for doubtful accounts. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to tuition receivable.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE B - Summary of Significant Accounting Policies - continued

Property and Equipment - Substantially all of the Organization's property and equipment have been contributed and recorded at the related fair market value at the date of contribution. Purchased property and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $1,500 and expense lesser amounts. Depreciation is provided over the estimated useful lives of the applicable asset using the straight-line method. Leasehold improvements are amortized over the lesser of the length of related lease terms or the estimated useful lives of the assets.

	Years
Buildings and leasehold improvements	15 to 39
Office furniture and equipment	5 to 7

Property Held for Future Development – During fiscal year 2018, the Organization purchased a property located across from the Organization's existing facility. The intent is to demolish the building and use the land for future development, therefore no provision has been made to record depreciation.

Deferred Revenue - Deferred revenue represents tuition and registration fees collected from students that pertain to the next fiscal year.

Scholarships and Discounts - Tuition and registration fees are recorded gross at the Organization's normal tuition rates for all students. Scholarships given on the basis of financial need are netted against gross tuition and fees for reporting in the statements of activities. Total scholarships and discounts netted against gross tuition were approximately $3,600,000 and $3,400,000 for the years ended June 30, 2018 and 2017, respectively.

Public Support - Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in the second subsequent year and thereafter are recorded at the present value of their net realizable value, using an appropriate discount rate applicable to the years in which the promises are expected to be received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions and investments are reported as unrestricted net assets unless they are either temporarily or permanently restricted as specified by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Allocation of Functional Expenses - The costs of providing the Organization's programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE B - Summary of Significant Accounting Policies - continued

Tax Status - The Organization is a qualified public charity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Tax filings are subject to audit by various taxing authorities. Open periods subject to audit are generally the previous three years of tax returns filed.

Recently Issued Accounting Standards - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Organization's year ending June 30, 2020. The Organization is currently evaluating the impact of the provisions of ASC 606.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“Update”). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU No. 2016-14 is effective for the Organization's year ending June 30, 2019. The Organization is currently evaluating the impact of the provisions of this Update.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a transaction is conditional. ASU No. 2018-08 is effective for the Organization's year ending June 30, 2020. The Organization is currently evaluating the impact of the provisions of these amendments in this Update.

NOTE C - Investments

The Organization's investments consist of the following as of June 30, 2018 and 2017:

Miller Investment Management - mutual funds: Holdings consist of shares of equity and bond mutual funds.

Vanguard - mutual funds: Holdings consist of shares of bond mutual funds.

CMS Private REIT Fund, LP: The fund's initial objective was to provide investors with current annual cash flow starting at approximately 6% with the acquisition of an asset, growing to 8% to 10% over the life of the fund, and an overall net internal rate of return in the range of 12% to 14% by acquiring a diversified portfolio of stable, high quality multifamily real estate properties. As of December 28, 2017, the fund managers dissolved the Fund and the Organization received its final distribution.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE C - Investments - continued

CMS/Winston Equity Partners II, LP: The fund's objective was to make controlled (or investor-controlled) investments in companies with defensible market positions and underlying organic potential. The fund intended to target opportunities to invest between $3 million and $10 million in companies that were projected by the fund to generate a compound internal rate of return in excess of 30%. The fund, which was set to expire on December 31, 2018, was extended by the fund managers for one additional year; and is expected to close by December 31, 2019, with the expectation that a sale of the remaining assets will occur during 2019.

The following table includes a comparison of investment cost and fair value and additional disclosures for the CMS Private REIT Fund and the CMS/Winston Equity Partner's II Fund whose fair values are estimated using net asset value (NAV) as of June 30, 2018 and 2017:

	Cost	Fair Value	Unfunded Commitments	Redemption Frequency
2018				
CMS/Winston Equity Partners II, LP	$ 148,140	$ 72,209	$ 2,760	ineligible
2017				
CMS Private REIT Fund, LP	$ 50,682	$ 10,933	$ -	ineligible
CMS/Winston Equity Partners II, LP	148,140	60,101	2,760	ineligible
Total	$ 198,822	$ 71,034		

The CMS Winston Equity Partners II, LP has stated that it does not anticipate the need to call additional capital from investors and is in the process of liquidating its holdings.

A comparison of investment cost and fair values is as follows for marketable securities reported at fair value as of June 30:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Miller Investment Management - mutual funds	$ 16,855,465	$ 19,902,003	$ 14,603,200	$ 17,555,124
Vanguard - mutual funds	-	-	1,696,163	1,694,037
Total	$ 16,855,465	$ 19,902,003	$ 16,299,363	$ 19,249,161

These investments are exposed to various risks such as market volatility, interest rate and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE D - Fair Value Measurements

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. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

NOTE D - Fair Value Measurements - continued

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

The following tables set forth by level, within the fair value hierarchy, the Organization's financial instruments measured at fair value:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	$ 7,495,217	$ -	$ -	$ 7,495,217
Fixed income	7,420,025	-	-	7,420,025
International equity	4,986,761	-	-	4,986,761
Total investments in the fair value hierarchy	$ 19,902,003	$ -	$ -	19,902,003
Investments measured at NAV				72,209
Total investments at fair value				$ 19,974,212

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	$ 7,231,148	$ -	$ -	$ 7,231,148
Fixed income	7,079,663	-	-	7,079,663
International equity	4,938,350	-	-	4,938,350
Total investments in the fair value hierarchy	$ 19,249,161	$ -	$ -	19,249,161
Investments measured at NAV				71,034
Total investments at fair value				$ 19,320,195

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE D - Fair Value Measurements - continued

The following provides a brief description of the types of financial instruments the Organization holds and the methodology for estimating fair value.

Mutual Funds - These mutual funds invest in publicly traded fixed income and equity securities and have readily available market prices.

Limited Partnerships - The limited partnerships are interests in private equity and REIT funds, representing the Organization's ownership interest in the net asset value (NAV) of the respective partnership. Investments held by the partnerships consist of marketable securities as well as securities and real estate investments that do not have readily determinable fair values. The fair values of the investments held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the general partner taking into consideration, among other things, the cost of the investments, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the investments relate.

NOTE E - Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30:

	2018	2017
Receivable in less than one year	$ 456,523	$ 390,528
Receivable in one to five years	228,280	247,799
Total unconditional promises to give	684,803	638,327
Less: Allowance for uncollectible promises to give	(300,000)	-
Less: Effect of discount to net present value	(6,588)	(10,454)
Unconditional promises to give, net	$ 378,215	$ 627,873

Unconditional promises to give that are due beyond one year are discounted using a discount rate of 2.25%.

NOTE F - Property and Equipment, net

Property and equipment consist of the following as of June 30:

	2018	2017
Building and leasehold improvements	$ 9,968,417	$ 9,915,692
Furniture and fixtures	210,515	210,515
School equipment and computers	1,065,154	960,125
Library and reference books	19,300	19,300
	11,263,386	11,105,632
Less accumulated depreciation and amortization	(5,233,008)	(4,916,637)
Total	$ 6,030,378	$ 6,188,995

NOTE F - Property and Equipment, net - continued

The Organization receives use of its school facilities from St. Joseph's Preparatory School under a lease agreement that expires on May 31, 2055. Under this agreement, the Organization is required to pay a nominal amount of rent; however, it is required to pay for all repairs and maintenance of the facility and for utilities. The value of the leased building over the term of the lease is $1,850,000 and is included in building and leasehold improvements, and is being amortized over the estimated useful life of the facilities, which is less than the term of the lease. Accumulated amortization related to the contributed value of the leased building was $620,621 and $573,185 as of June 30, 2018 and 2017, respectively.

Depreciation and amortization expense was $316,371 and $301,799 for the years ended June 30, 2018 and 2017, respectively.

NOTE G - Loan Payable

The Organization entered into an automobile loan agreement in June 2015 for $11,156, payable in 60 monthly installments of $214, principal and interest at 4.99%, commencing July 2015, through June 2020.

The future annual principal payments under this loan agreement as of June 30, 2018 are as follows:

Year Ending June 30,	
2019	$ 2,374
2020	2,542
Total	$ 4,916

NOTE H - Unrestricted Net Assets

The Organization's Board of Trustees has approved that a portion of the unrestricted net assets be directed into a board-designated endowment. Investment earnings from the board-designated endowment are reinvested but are available for distribution at the discretion of the Board of Trustees. Investment earnings from the board-designated endowment are recorded as increases in unrestricted net assets. The board-designated endowment totaled $13,262,822 and $13,073,106 at June 30, 2018 and 2017, respectively, and is included in the unrestricted net assets balance as of June 30, 2018 and 2017.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE I - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2018	2017
Accumulated earnings on permanently restricted endowment in excess of spending policy	$ 2,568,364	$ 2,232,909
After-school program	34,565	-
Chapel	5,000	-
Counseling program	210,000	-
Building for Tomorrow campaign	-	9,899
Future value of leased building	1,229,379	1,276,815
Graduate counselor expenses	211,803	278,327
Multi-year unconditional promises to give and other time restricted contributions	490,825	248,707
Neighborhood Special Needs program	3,796	3,796
Student scholarships	19,114	19,626
Symposium	10,000	-
Technology	1,425	52,770
Youngest Scholars program	2,810	-
Total	$ 4,787,081	$ 4,122,849

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the years ended June 30:

	2018	2017
Appropriation of endowment assets for expenditures	$ 218,570	$ 193,256
After-school program	-	7,500
Athletics program	-	11,000
Building for Tomorrow campaign	9,898	-
GEM program	2,500	10,000
Graduate counselor expenses	66,524	64,590
Multi-year unconditional promises to give	12,000	79,222
Music program	21,000	20,000
Roof resurfacing	-	186,900
Science program	2,500	7,638
Student scholarships	1,459,383	1,368,039
Summer School program	425	-
Technology	116,728	15,000
Use of leased building	47,436	47,436
Writing program	20,000	20,000
YET program	17,500	35,751
Youngest Scholars program	47,190	41,000
Total	$ 2,041,654	$ 2,107,332

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE J - Permanently Restricted Net Assets

Net assets were permanently restricted at June 30, 2018 and 2017 as follows:

a. $100,000 and $100,000, respectively, Edwin L. Knetzger Teaching Prize endowment established by an Organization trustee. Investment earnings from the teaching prize endowment are available to provide an annual award to a Gesu School teacher and are recorded as an increase in unrestricted net assets if the teaching prize is provided before the end of the fiscal year or as an increase in temporarily restricted net assets if not.

b. $6,027,808 and $6,027,808, respectively, scholarship endowment established by various contributors. Investment earnings from the scholarship endowment are available to provide scholarships to children attending the School and are recorded as an increase in unrestricted net assets if the scholarships are provided before the end of the fiscal year or as an increase in temporarily restricted net assets if not.

NOTE K - Endowment Fund

As required by accounting principles generally accepted in the United States, 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.

The Organization's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments.

<u>Interpretation of Relevant Law</u>

The Organization interprets the Commonwealth of Pennsylvania Act 141 (Act 141) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the Organization's spending policy.

<u>Funds with Deficiencies</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. As of June 30, 2018 and 2017, there were no funds with deficiencies. When applicable, these deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Over time, these may reverse due to appreciation of the underlying investments.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE K - Endowment Fund - continued

Endowment Investment and Spending

The Organization has an investment committee which oversees the investment advisors' investment of endowment assets to protect the future purchasing power of the principal of the endowed funds and provide a source of income to support the activities of the Organization.

Investment returns through June 30, 2018 have averaged an annual rate of return of 7.7% for the last five years. The return objective is to produce an average rate of return sufficient to preserve the purchasing power of the endowment after withdrawals are taken. Actual returns in any given year may vary from this amount.

The investment committee determines spending of the Organization's permanently restricted net assets in its investment portfolio within the parameters of Act 141 (between 2% to 7% of endowment value). For each of the years ended June 30, 2018 and 2017, the investment committee determined the spending rate to be 4.25% of donor-restricted and board-designated endowment funds in its investment portfolio, based on the investment portfolio's fair value determined quarterly on the last trading day of each calendar quarter and averaged over the 12 quarters through March 31 of the previous fiscal year.

Strategies Employed for Achieving Objectives

The investment objectives for the endowment require disciplined and consistent management that accommodates all those events which are relevant, reasonable, and probable. The management of the endowment should ensure a total return (yield plus capital appreciation) sufficient to preserve and enhance, in real dollar terms, the principal funds endowed net of withdrawals to support the Organization over the long term.

Investments of endowed funds are diversified so as to maximize expected returns while controlling risk. Within agreed upon parameters, investment managers have complete investment discretion based on the expectation that the assets of the fund will be invested with care, skill, prudence and diligence.

The asset allocation, consistent with the return objective, consisted of the following at June 30:

	% of assets	
	2018	2017
Money market funds	12 %	12 %
Equity mutual funds	54	54
Bond mutual funds	33	33
Limited partnerships	1	1
	100 %	100 %

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE K - Endowment Fund - continued

Endowment Fund Activity

Endowment net assets composition by type of fund at June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,568,364	$ 6,127,808	$ 8,696,172
Board-designated endowment funds	13,262,822	-	-	13,262,822
Total funds	$ 13,262,822	$ 2,568,364	$ 6,127,808	$ 21,958,994

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 13,073,106	$ 2,232,909	$ 6,127,808	$ 21,433,823
Investment return				
Interest and dividends	267,865	183,475	-	451,340
Unrealized and realized gains	540,924	370,550	-	911,474
Net investment return	808,789	554,025	-	1,362,814
Appropriation of endowment assets for expenditure (draw)	(619,073)	(218,570)	-	(837,643)
Endowment net assets, end of year	$ 13,262,822	$ 2,568,364	$ 6,127,808	$ 21,958,994

Endowment net assets composition by type of fund at June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,232,909	$ 6,127,808	$ 8,360,717
Board-designated endowment funds	13,073,106	-	-	13,073,106
Total funds	$ 13,073,106	$ 2,232,909	$ 6,127,808	$ 21,433,823

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE K - Endowment Fund - continued

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 12,121,051	$ 1,431,187	$ 5,984,623	$ 19,536,861
Investment return				
Interest and dividends	197,343	127,164	-	324,507
Unrealized and realized gains	1,353,030	871,875	-	2,224,905
Net investment return	1,550,373	999,039	-	2,549,412
Appropriation of endowment assets for expenditure (draw)	(609,479)	(193,256)	-	(802,735)
Contributions	7,100	-	143,185	150,285
Other changes				
Deficiencies in historical value	4,061	(4,061)	-	-
Endowment net assets, end of year	$ 13,073,106	$ 2,232,909	$ 6,127,808	$ 21,433,823

NOTE L - Commitments and Contingencies

Line of Credit

The Organization has a line of credit with a financial institution which provides for borrowings up to $1,000,000 and bears interest at a floating interest rate at prime less 1% (4% effective rate at June 30, 2018), which has been extended through May 30, 2019 and is renewable annually. The line is secured by pledged cash of the Organization equal to $1,350,000. There were no outstanding borrowings against the line of credit at June 30, 2018 and 2017.

Leases

The Organization leases school equipment under operating leases expiring through 2022. Rental expense for the years ended June 30, 2018 and 2017 was $11,470 and $9,722, respectively.

Future minimum lease payments under these operating leases as of June 30, 2018 are:

Year Ending June 30,	
2019	$ 11,242
2020	11,242
2021	11,242
2022	4,201
2023	510
Total	$ 38,437

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE M - Financial Instruments - Concentration of Credit Risk

As of June 30, 2018 and 2017, the Organization held financial instruments which potentially subject it to concentrations of credit risk. The financial instruments consist primarily of checking and money market accounts in excess of federally insured limits. As of June 30, 2018 and 2017, the uninsured balances were approximately $3,806,000 and $3,281,000, respectively. The Organization has not experienced any losses in such financial instruments. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE N - Related Party

During the fiscal year 2017, the Gesu School Scholarship #1 LLC, a Pennsylvania limited liability company (the "Company") was formed and organized exclusively to participate in the Pennsylvania Educational Improvement/Opportunity Scholarship Tax Credit Programs and earn Educational Improvement Tax Credits (EITC) and/or the Opportunity Scholarship Tax Credits (OSTC) from the Commonwealth of Pennsylvania. The Company is expected to make charitable scholarship donations in the future to the Organization. The Organization is providing management services to the Company. There were no transactions between the Organization and the Company during fiscal years 2018 and 2017.

NOTE O - Employee Retirement Plan

All full-time employees who have one year of service and have attained the age of 21 are eligible to participate in the Organization's defined contribution retirement plan. Pension expense for the years ended June 30, 2018 and 2017 was $10,145 and $10,622, respectively.

NOTE P - Subsequent Events

The Organization evaluated its June 30, 2018 financial statements for subsequent events through October 10, 2018, the date the financial statements were available to be issued. The Organization is not aware of any subsequent event which would require recognition or disclosure in the financial statements.