THE GESU SCHOOL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

THE GESU SCHOOL, INC.

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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 statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year 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 of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2015, and the changes in its net assets, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2014 and for the year then ended, were audited by Elko & Associates Ltd, who merged with Wipfli LLP as of January 1, 2015, and whose report dated November 14, 2014, expressed an unmodified opinion on those statements. As discussed in Note A, the financial statements as of June 30, 2014 and for the year then ended included the accounts of the Gesu Institute.

Wipfli LLP

Media, Pennsylvania
October 9, 2015

THE GESU SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30, 2015	JUNE 30, 2014
ASSETS		
Cash and cash equivalents	$ 1,975,660	$ 1,552,928
Investments		
Marketable securities	17,807,727	18,644,439
Other	101,091	249,486
Tuition receivable, net of allowance for doubtful accounts of $39,765 and $16,725 in 2015 and 2014, respectively	58,985	71,014
Unconditional promises to give, net	591,168	851,029
Other receivables	18,671	26,533
Prepaid expenses	28,111	3,250
Property and equipment, net	6,316,828	6,449,412
TOTAL ASSETS	$ 26,898,241	$ 27,848,091
LIABILITIES		
Line of credit	$ -	$ 475,000
Accounts payable and accrued expenses	441,742	463,781
Deferred revenue	13,623	38,127
Loan payable	11,156	-
Total Liabilities	466,521	976,908
NET ASSETS		
Unrestricted	17,559,244	17,850,813
Temporarily restricted	3,948,003	4,203,747
Permanently restricted	4,924,473	4,816,623
Total Net Assets	26,431,720	26,871,183
TOTAL LIABILITIES AND NET ASSETS	$ 26,898,241	$ 27,848,091

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

THE GESU SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 2,161,104	$ 1,357,820	$ 107,850	$ 3,626,774
Tuition and registration fees, net of scholarships and discounts	642,495	-	-	642,495
Interest and dividend income	137,350	69,181	-	206,531
Endowment return used for operations	881,530	172,746	-	1,054,276
Other	25,213	-	-	25,213
Net assets released from restriction	1,665,780	(1,665,780)	-	-
Total Public Support and Revenues	5,513,472	(66,033)	107,850	5,555,289
EXPENSES				
School and related programs	3,527,352	-	-	3,527,352
Management and general	701,759	-	-	701,759
Fundraising	650,899	-	-	650,899
Total Expenses	4,880,010	-	-	4,880,010
Excess of Public Support and Revenues Over Expenses	633,462	(66,033)	107,850	675,279
Unrealized and realized loss on investments, net of endowment return used for operations	(921,742)	(193,000)	-	(1,114,742)
Transfer of net assets	(3,289)	3,289	-	-
CHANGE IN NET ASSETS	(291,569)	(255,744)	107,850	(439,463)
NET ASSETS - BEGINNING OF YEAR	17,850,813	4,203,747	4,816,623	26,871,183
NET ASSETS - END OF YEAR	$ 17,559,244	$ 3,948,003	$ 4,924,473	$ 26,431,720

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

THE GESU SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 2,401,632	$ 1,039,571	$ 105,752	$ 3,546,955
Tuition and registration fees, net of scholarships and discounts	641,043	-	-	641,043
Interest and dividend income	266,044	145,272	-	411,316
Endowment return used for operations	628,701	138,059	-	766,760
Other	33,639	-	-	33,639
Net assets released from restriction	1,559,732	(1,559,732)	-	-
Total Public Support and Revenues	5,530,791	(236,830)	105,752	5,399,713
EXPENSES				
School and related programs	3,520,480	-	-	3,520,480
Management and general	701,276	-	-	701,276
Fundraising	668,362	-	-	668,362
Total Expenses	4,890,118	-	-	4,890,118
Excess of Public Support and Revenues Over Expenses	640,673	(236,830)	105,752	509,595
Unrealized and realized gains on investments, net of endowment return used for operations	902,227	697,897	-	1,600,124
CHANGE IN NET ASSETS	1,542,900	461,067	105,752	2,109,719
NET ASSETS - BEGINNING OF YEAR	16,307,913	3,742,680	4,710,871	24,761,464
NET ASSETS - END OF YEAR	$ 17,850,813	$ 4,203,747	$ 4,816,623	$ 26,871,183

THE GESU SCHOOL, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (439,463)	$ 2,109,719
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	249,289	241,869
Provision for uncollectible tuition	23,040	70,000
Write-off of uncollectible contributions	10,000	-
Unrealized and realized loss (gains) on investments	60,466	(2,366,884)
Restricted contributions	(107,850)	(105,752)
(Increase) decrease in assets		
Tuition receivable	(11,011)	(67,453)
Unconditional promises to give	249,861	896,864
Other receivables	7,862	(20,208)
Prepaid expenses	(24,861)	(3,250)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(22,039)	56,289
Deferred revenue	(24,504)	6,052
Net Cash Provided by (Used in) Operating Activities	(29,210)	817,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(105,549)	(72,717)
Purchases of investments	(4,636,674)	(1,692,166)
Proceeds from sale of investments	5,561,315	800,761
Net Cash Provided by (Used in) Investing Activities	819,092	(964,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit	(475,000)	125,000
Restricted contributions	107,850	105,752
Net Cash Provided by (Used in) Financing Activities	(367,150)	230,752
NET CHANGE IN CASH AND CASH EQUIVALENTS	422,732	83,876
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,552,928	1,469,052
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,975,660	$ 1,552,928
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash was paid during the years for:		
Interest	$ 2,829	$ 3,042
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Asset acquired by assumption of debt	$ 11,156	$ -

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, 2015 AND 2014

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 kindergarten through eighth grade. The School 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.

During fiscal 2015, the Gesu Institute, an inactive affiliate of the Organization that was previously included in the consolidated financial statements of the Organization, merged with and into the Organization. Additionally, during fiscal 2015, the Gesu Scholarship Fund, an affiliate of the Organization, merged with and into the Organization contributing approximately $200 of net assets. The net assets of the Gesu Scholarship Fund were approximately $200 as of June 30, 2014 and the change in its net assets was a decrease of approximately $76,000 related to scholarship expenditures for the year ended June 30, 2014; this activity is not included in these financial statements.

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 of America 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, 2015 AND 2014

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

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. During fiscal year 2014, the Organization increased tuition rates to be more reflective of the actual cost per student. Total scholarships and discounts netted against gross tuition were approximately $3,490,000 and $3,430,000 for the years ended June 30, 2015 and 2014, 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.

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 for fiscal years 2012, 2013, and 2014 are subject to examination, generally for three years after they were filed.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE C - Investments

The Organization's investments consist of the following as of June 30, 2015 and 2014:

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.

Vanguard - common stock: Holdings consist of shares of common stock of a financial services company.

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. During the year ended June 30, 2015, the sale of the fund's assets was approved by the Trustees of the fund and they expect the fund to close during 2016.

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 has a maturity date of December 31, 2015 however the fund managers are in the process of working on an amendment to extend the term past that date.

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, 2015 and 2014:

	Cost	Fair Value	Unfunded Commitments	Redemption Frequency
2015				
CMS Private REIT Fund, LP	$ 50,682	$ 96,387	$ -	ineligible
CMS/Winston Equity Partners II, LP	148,140	4,704	31,860	ineligible
Total	$ 198,822	$ 101,091		
2014				
CMS Private REIT Fund, LP	$ 217,171	$ 233,270	$ -	ineligible
CMS/Winston Equity Partners II, LP	148,140	16,216	31,860	ineligible
Total	$ 365,311	$ 249,486		

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.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE C - Investments - continued

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

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Miller Investment Management -				
mutual funds	$ 14,180,051	$ 16,177,846	$ 14,311,920	$ 17,043,051
Vanguard -				
mutual funds	1,624,477	1,619,329	1,569,915	1,601,388
common stock	10,152	10,552	-	-
Total	$ 15,814,680	$ 17,807,727	$ 15,881,835	$ 18,644,439

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 consolidated 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.

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 GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE D - Fair Value Measurements - continued

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

	June 30, 2015		
	Level 1	Level 3	Total
Common stock - financial services	$ 10,552	-	$ 10,552
Mutual funds			
Equity	7,962,835	$ -	7,962,835
Fixed income	5,841,452	-	5,841,452
International equity	3,992,888	-	3,992,888
Limited partnerships	-	101,091	101,091
	$ 17,807,727	$ 101,091	$ 17,908,818

	June 30, 2014		
	Level 1	Level 3	Total
Mutual funds			
Equity	$ 8,979,896	$ -	$ 8,979,896
Fixed income	6,249,783	-	6,249,783
International equity	3,414,760	-	3,414,760
Limited partnerships	-	249,486	249,486
	$ 18,644,439	$ 249,486	$ 18,893,925

The following table summarizes the changes in fair value of the Organization's Level 3 financial instruments for the years ended June 30:

	2015	2014
Balance, beginning of year	$ 249,486	$ 262,221
Sales	(240,282)	(34,002)
Unrealized and realized gains	91,887	21,267
Balance, end of year	$ 101,091	$ 249,486

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE D - Fair Value Measurements - continued

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

Common Stock - The common stock represents an investment in shares of a company traded on a national exchange and is valued at the closing price reported in the active market in which the individual security is traded.

Mutual Funds - These mutual funds invest in publicly traded fixed income and equity securities and have readily available market prices. The Organization evaluates these items as Level 1 inputs.

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. These investments are evaluated as Level 3 inputs. Quantitative information about the significant unobservable inputs is not available for these funds.

NOTE E - Unconditional Promises to Give

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

	2015	2014
Receivable in less than one year	$ 305,146	$ 365,098
Receivable in one to five years	297,000	497,934
Total unconditional promises to give	602,146	863,032
Less: Effect of discount to net present value	(10,978)	(12,003)
Unconditional promises to give, net	$ 591,168	$ 851,029

No allowance for uncollectible promises to give has been recorded as of June 30, 2015 and 2014 as uncollectible promises to give are expected by management to be insignificant. Unconditional promises to give that are due beyond one year are discounted using a discount rate of 2.25%.

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE F - Property and Equipment, net

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

	2015	2014
Building and leasehold improvements	$ 9,685,179	$ 9,616,968
Furniture and fixtures	206,417	206,417
School equipment and computers	744,714	697,724
Library and reference books	19,300	19,300
	10,655,610	10,540,409
Less accumulated depreciation and amortization	(4,338,782)	(4,090,997)
Total	$ 6,316,828	$ 6,449,412

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 $478,313 and $430,877 as of June 30, 2015 and 2014, respectively.

Depreciation and amortization expense was $249,289 and $241,869 for the years ended June 30, 2015 and 2014, 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, 2015 are as follows:

Year Ending June 30,	
2016	$ 1,879
2017	2,149
2018	2,259
2019	2,374
2020	2,495
Total	$ 11,156

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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 $12,546,273 and $13,330,665 at June 30, 2015 and 2014, respectively, and is included in the unrestricted net assets balance as of June 30, 2015 and 2014.

NOTE I - Temporarily Restricted Net Assets

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

	2015	2014
Accumulated earnings on permanently restricted endowment in excess of spending policy	$ 1,654,428	$ 1,774,958
After-school program	33,361	69,422
Building for Tomorrow campaign	9,899	9,899
Future value of leased building	1,371,687	1,419,123
GEM program	19,660	40,910
Multi-year unconditional promises to give and other time restricted contributions	639,169	724,397
Neighborhood Special Needs program	3,796	4,971
Off-site program	7,903	7,903
Playground equipment	72,436	-
Student scholarships	118,128	116,027
Writing program	-	20,000
YET program	17,536	16,137
Total	$ 3,948,003	$ 4,203,747

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

	2015	2014
Appropriation of endowment assets for expenditures	$ 172,746	$ 138,059
After-school program	41,061	35,099
Athletics program	-	11,010
Building for Tomorrow campaign	-	5,927
GEM program	21,250	22,003
Multi-year unconditional promises to give	215,653	382,979
Neighborhood Special Needs program	1,175	-
Playground equipment	2,424	-
Science program	500	1,000
Student scholarships	1,030,259	773,000
Technology purchases	50,000	4,500
Use of leased building	47,436	47,436
Writing program	20,000	20,000
YET program	47,101	78,394
Youngest Scholars program	16,175	40,325
Total	$ 1,665,780	$ 1,559,732

THE GESU SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE J - Permanently Restricted Net Assets

Net assets were permanently restricted at June 30, 2015 and 2014 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. $4,824,473 and $4,716,623, 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 of America, 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.

Interpretation of Relevant Law

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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. These charges totaled $3,289 as of June 30, 2015. As of June 30, 2014, there were no deficiencies in the "historic dollar value" of donor-restricted endowment funds. 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.

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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, 2015 have averaged an annual rate of return of 9.37% since the Organization began to have invested endowment assets in April 1998. The return objective is to maintain this performance as measured over three to five-year investment performance periods.

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 the years ended June 30, 2015 and 2014, the investment committee determined the spending rate for each of the years to be 5.0% of donor-restricted and 5% - 2015 and 5.25% - 2014 of 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. The Organization also appropriated an additional $250,000 draw from its board-designated endowment funds for the year ended June 30, 2015.

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	
	2015	2014
Money market funds	8 %	7 %
Equity mutual funds	61	61
Bond mutual funds	30	31
Limited partnerships	1	1
	100 %	100 %

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NOTE K - Endowment Fund - continued

Endowment Fund Activity

Endowment net assets composition by type of fund at June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,289)	$ 1,654,428	$ 4,924,473	$ 6,575,612
Board-designated endowment funds	12,546,273	-	-	12,546,273
Total funds	$ 12,542,984	$ 1,654,428	$ 4,924,473	$ 19,121,885

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 13,330,665	$ 1,774,958	$ 4,816,623	$ 19,922,246
Investment return				
Interest and dividends	137,350	69,181	-	206,531
Unrealized and realized losses	(40,212)	(20,254)	-	(60,466)
Net investment return	97,138	48,927	-	146,065
Appropriation of endowment assets for expenditure (draw)	(881,530)	(172,746)	-	(1,054,276)
Contributions	-	-	107,850	107,850
Other changes				
Deficiencies in historical value	(3,289)	3,289	-	-
Endowment net assets, end of year	$ 12,542,984	$ 1,654,428	$ 4,924,473	$ 19,121,885

Endowment net assets composition by type of fund at June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,774,958	$ 4,816,623	$ 6,591,581
Board-designated endowment funds	13,330,665	-	-	13,330,665
Total funds	$ 13,330,665	$ 1,774,958	$ 4,816,623	$ 19,922,246

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NOTE K - Endowment Fund - continued

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 11,626,922	$ 931,789	$ 4,710,871	$ 17,269,582
Investment return				
Interest and dividends	266,044	145,272	-	411,316
Unrealized and realized gains	1,530,928	835,956	-	2,366,884
Net investment return	1,796,972	981,228	-	2,778,200
Appropriation of endowment assets for expenditure (draw)	(628,701)	(138,059)	-	(766,760)
Contributions	535,472	-	105,752	641,224
Endowment net assets, end of year	$ 13,330,665	$ 1,774,958	$ 4,816,623	$ 19,922,246

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% (2.25% effective rate at June 30, 2015), which was renewed on March 31, 2015 and is renewable annually. The line is secured by pledged investments of the Organization equal to $1,350,000. There were no outstanding borrowings against the line of credit at June 30, 2015. The Organization had $475,000 in outstanding borrowings against the line of credit at June 30, 2014.

Leases

The Organization leases school equipment and automobiles under operating leases expiring through 2017. Rental expense for the years ended June 30, 2015 and 2014 was $12,804 and $13,833, respectively.

Future minimum lease payments under these operating leases as of June 30, 2015 are:

Year Ending June 30,	
2016	$ 9,796
2017	7,356
2018	574
Total	$ 17,726

NOTE M - Financial Instruments - Concentration of Credit Risk

As of June 30, 2015 and 2014, 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, 2015 and 2014, the uninsured balances were approximately $1,719,000 and $1,364,000, 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.

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NOTE N - 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, 2015 and 2014 was $13,045 and $11,589, respectively.

NOTE O - Subsequent Events

The Organization evaluated its June 30, 2015 financial statements for subsequent events through October 9, 2015, 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.