REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

OREGON EPISCOPAL SCHOOL

June 30, 2021
(with Comparative Totals for the Year Ended June 30, 2020)

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Table of Contents

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Report of Independent Auditors

The Board of Trustees
Oregon Episcopal School

Report on the Financial Statements

We have audited the accompanying financial statements of Oregon Episcopal School (the School), which comprise the statement of financial position as of June 30, 2021, and the related statement of operating activities, statement of activities and changes in net assets, statement of functional expenses, and statement of 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 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 Oregon Episcopal School as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 2, as of and for the year ended June 30, 2021, Oregon Episcopal School adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited the School's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

Portland, Oregon
October 28, 2021

Oregon Episcopal School
Statements of Financial Position

ASSETS

	June 30, 2021	June 30, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 19,334,407	$ 25,575,215
Accounts receivable, net	1,339,382	11,422
Pledges receivable, net	1,614,490	2,143,015
Prepaid expenses and other current assets	789,621	780,485
Total current assets	23,077,900	28,510,137
LONG-TERM PLEDGES RECEIVABLE, NET	2,088,585	3,133,740
INVESTMENTS	35,703,127	30,889,567
LAND, BUILDINGS, AND EQUIPMENT, NET	52,679,248	41,058,851
Total assets	$ 113,548,860	$ 103,592,295

See accompanying notes.

LIABILITIES AND NET ASSETS

	June 30, 2021	June 30, 2020
CURRENT LIABILITIES		
Accounts payable	$ 945,940	$ 436,181
Accrued expenses	1,053,960	209,303
Accrued salaries and related expenses	3,148,113	2,595,112
Unearned tuition and revenues	17,935,242	18,541,010
Current portion of bonds payable, net of issuance costs	570,252	428,340
Total current liabilities	23,653,507	22,209,946
INTEREST RATE SWAP LIABILITY	-	2,061,883
NOTES PAYABLE	-	1,000,000
BONDS PAYABLE, net of current portion and issuance costs	12,930,643	10,503,765
Total liabilities	36,584,150	35,775,594
NET ASSETS		
Without donor restrictions		
Undesignated	42,188,982	25,537,494
Board-designated	18,606,176	17,827,053
Total without donor restrictions	60,795,158	43,364,547
With donor restrictions		
Purpose and time restricted	9,099,816	17,581,392
Perpetual in nature	7,069,736	6,870,762
Total with donor restrictions	16,169,552	24,452,154
Total net assets	76,964,710	67,816,701
Total liabilities and net assets	$ 113,548,860	$ 103,592,295

Oregon Episcopal School
Statements of Operating Activities
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING ACTIVITIES				
Revenues and support				
Tuition and fees	$ 29,225,159	$ -	$ 29,225,159	$ 29,237,907
Less financial aid grants	(3,289,721)	-	(3,289,721)	(3,148,243)
Tuition and fees, net	25,935,438	-	25,935,438	26,089,664
Return on investments and cash equivalents, net	27,792	-	27,792	319,265
Endowment earnings appropriations	817,000	-	817,000	790,000
Contributions and support for operations	1,195,599	55,798	1,251,397	1,546,980
Auxiliary services	1,037,731	-	1,037,731	1,491,600
Other operating revenue	3,625,156	-	3,625,156	-
Release of restrictions	11,342,906	(11,342,906)	-	-
Total revenue and support	43,981,622	(11,287,108)	32,694,514	30,237,509
EXPENSES				
Program services	23,269,964	-	23,269,964	23,340,779
Supporting services				
General administrative	4,374,380	-	4,374,380	4,549,372
Fundraising	1,479,215	-	1,479,215	1,603,969
Total support services	5,853,595	-	5,853,595	6,153,341
Total expenses	29,123,559	-	29,123,559	29,494,120
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	$ 14,858,063	$ (11,287,108)	$ 3,570,955	$ 743,389

See accompanying notes.

Oregon Episcopal School
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	$ 14,858,063	$ (11,287,108)	$ 3,570,955	$ 743,389
NON-OPERATING ACTIVITIES				
Investing activities				
Non-operating investment return, net	2,994,836	2,502,285	5,497,121	1,658,164
Less endowment earnings appropriations	(373,234)	(443,766)	(817,000)	(790,000)
Loss on disposals	(324,894)	-	(324,894)	(117,848)
Change in net assets from non-operating investing activities	2,296,708	2,058,519	4,355,227	750,316
Financing activities				
Endowment and quasi-endowment contributions	-	129,110	129,110	49,739
Capital campaign contributions	-	691,247	691,247	2,519,088
Change in the discount on pledges receivable	-	125,630	125,630	376,704
Capital campaign expenses	(44,404)	-	(44,404)	(37,386)
Uncollected pledges expense	(13,639)	-	(13,639)	(75,105)
Change in value of interest rate swap agreement	333,883	-	333,883	(541,894)
Change in net assets from non-operating financing activities	275,840	945,987	1,221,827	2,291,146
Total change in net assets	17,430,611	(8,282,602)	9,148,009	3,784,851
NET ASSETS, beginning of year	43,364,547	24,452,154	67,816,701	64,031,850
NET ASSETS, end of year	$ 60,795,158	$ 16,169,552	$ 76,964,710	$ 67,816,701

Oregon Episcopal School
Statement of Functional Expenses – June 30, 2021

	Program Services						
	Educational Services	Auxiliary Services	Total Program	General Administrative	Fundraising	2021 Total	2020 Total
Salaries	$ 12,769,279	$ 823,303	$ 13,592,582	$ 1,897,423	$ 881,789	$ 16,371,794	$ 16,137,640
Payroll taxes and benefits	4,421,897	285,103	4,707,000	657,062	305,356	5,669,418	5,172,535
Total salaries and related expenses	17,191,176	1,108,406	18,299,582	2,554,485	1,187,145	22,041,212	21,310,175
Programs, supplies, and materials	1,139,727	586,761	1,726,488	45,555	5,047	1,777,090	2,571,359
Property services	823,813	214,476	1,038,289	33,257	10,641	1,082,187	1,011,422
Professional growth and development	122,216	1,242	123,458	17,686	7,836	148,980	242,654
Professional services	37,225	303	37,528	328,102	27,111	392,741	370,010
Other expenses	164,664	44,015	208,679	1,357,441	222,508	1,788,628	2,227,079
Total expenses before depreciation and amortization	19,478,821	1,955,203	21,434,024	4,336,526	1,460,288	27,230,838	27,732,699
Depreciation and amortization	1,457,396	378,544	1,835,940	37,854	18,927	1,892,721	1,761,421
Total expenses	$ 20,936,217	$ 2,333,747	$ 23,269,964	$ 4,374,380	$ 1,479,215	$ 29,123,559	$ 29,494,120

See accompanying notes.

	Years Ended June 30, 2021	Years Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,148,009	$ 3,784,851
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Less noncash items		
Depreciation and amortization	1,892,721	1,761,421
Write off of pledges receivable	48,360	82,129
Noncash change in allowance for uncollectible pledges	(34,721)	(17,024)
Noncash change in discount on pledges	(125,630)	(376,704)
Net gain on investments	(5,478,258)	(1,490,401)
Net loss on disposals	324,894	117,848
Noncash change in value of interest rate swap agreement	(333,883)	541,894
Amortization of bond issuance costs	4,145	21,659
Endowment return, other than gain/loss considered non-operating	(22,780)	(177,525)
Contributions restricted for endowment	(129,110)	(49,739)
Contributions provided for non-operating financing activities	-	(2,000,238)
Pledges received, net	(669,054)	-
Appropriations from endowment for operations	817,000	790,000
Cash provided by changes in operating assets and liabilities:		
Accounts receivable	(1,327,960)	77,170
Prepaid expenses and other assets	(9,136)	78,760
Accounts payable	509,759	(179,186)
Accrued expenses	844,657	100,229
Accrued salaries and related expenses	553,001	363,955
Unearned tuition and revenues	(605,768)	(1,687,858)
Net cash provided by operating activities	5,406,246	1,741,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings, and equipment	(13,838,012)	(2,118,321)
Purchases of investments	(15,638,201)	(42,366,343)
Net proceeds from the sale of investments	16,325,679	42,343,401
Appropriations from endowment for operations	(817,000)	(790,000)
Net cash used in investing activities	(13,967,534)	(2,931,263)

Oregon Episcopal School
Statements of Cash Flows

	Years Ended June 30, 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on note payable	$ (1,000,000)	$ -
Payment on bonds payable	(11,187,897)	(430,000)
Payment on interest rate swap liability	(1,728,000)	-
Proceeds from bonds payable	13,752,542	-
Cash collected on pledges, net of expenses	2,354,725	2,767,302
Cash collected on contributions to endowment fund	129,110	49,739
Net cash provided by financing activities	2,320,480	2,387,041
CHANGE IN CASH AND CASH EQUIVALENTS	(6,240,808)	1,197,019
CASH AND CASH EQUIVALENTS, beginning of year	25,575,215	24,378,196
CASH AND CASH EQUIVALENTS, end of year	$ 19,334,407	$ 25,575,215
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 385,157	$ 495,292

See accompanying notes.

Note 1 – Organization

General

Oregon Episcopal School (OES or the School) is an independent day and boarding school originally founded in 1869 as St. Helen's Hall by Bishop Benjamin Wistar Morris. The School occupies a 59-acre campus, enrolling approximately 870 students in Pre-K through 12th grade. Offering a true liberal arts curriculum, the School has small classes that provide intimate learning environments that allow teachers to instill in each student a love for learning and the joy of discovery. The School has an innovative curriculum, competitive athletics, and a commitment to service. As the oldest Episcopal school west of the Rockies, OES values developing the spirit as well as the mind. Though steeped in Episcopal heritage and tradition, the School welcomes students of all beliefs.

The School is a member of and accredited by the Northwest Association of Independent Schools and is registered with the State of Oregon. The School is also a member of the National Association of Independent Schools and the National Association of Episcopal Schools.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the School. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support including gifts without restrictions and those gifts designated by the Board of Trustees (the Board) to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not yet placed in service; endowment, annuity, and life income gifts; pledges; investment returns on "true" endowment funds; and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

Also included in this category are net assets subject to donor-imposed restrictions to be maintained in perpetuity by the School, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment and providing loans to students) and that only the income be made available for program operations. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of time or purpose restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures, and equipment) are reported in net assets with donor restrictions. When the long-lived assets are placed in service, the School reflects the expiration of the donor-imposed restriction as a reclassification included in the net assets released from restrictions.

The School considers contributions for capital investments in plant and contributions for endowment to be non-operating contributions.

Recently adopted standards
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014 09). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current Generally Accepted Accounting Principles (GAAP) and replace it with a principle-based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also issued ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12, and ASU No. 2016-20, all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2019 for non-public companies. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The School adopted this standard as of July 1, 2020 using the modified retrospective approach. Adoption of ASU 2014-09 resulted in no significant changes in the presentation of the financial statements. The adoption has minimal impact on overall change in net assets or net cash from operating activities.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition
Tuition and fees are recognized as revenue during the term of instruction as performance obligations associated with the delivery of educational services are met. Prepaid tuition and enrollment deposits are deferred to the appropriate school year. Revenue from auxiliary services are recorded in the period earned. Contributions in cash are recorded as revenues in the period received, in accordance with donor-imposed restrictions. Unconditional promises to give are recorded at fair value as receivables and as revenues in the period the promise is received, in accordance with donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is when the barrier to entitlement has been overcome and a right of return no longer exists. An allowance for doubtful contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution, and current aging of contributions receivable.

Cash and cash equivalents
Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less other than those held in the School's investment portfolio and subject to its investment policy.

Accounts and pledges receivable and allowance for doubtful accounts
Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential uncollectible pledges and past due tuition payments. The adequacy of the allowance is based upon management's evaluation of the quality, character, and inherent risks in the various receivable categories. It is the School's policy to charge off uncollectible accounts receivable management determines will not be collected. The accounts receivable allowance totaled $2,402 and $3,251 at June 30, 2021 and 2020, respectively. See Note 4 for pledges receivable allowance disclosures.

Other long-term commitments
The School has employment contracts with numerous employees, but only one long-term contract that extends to June 30, 2022. Terms of the agreement include compensation, benefits, and an annual bonus based upon achievement of specific objectives as agreed upon with the Board of Trustees.

Bond issuance costs
Bond issuance costs include underwriter and legal fees, printing costs, and other expenses associated with the June 30, 2015 and 2021 bond offerings (Note 8). Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct reduction from the carrying amount of that debt liability. Amortization is calculated using the straight-line method, which approximates the effective interest method, over the term of the bond.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments
Investments with readily determinable market values are stated at fair value based on quoted market prices. Alternative investments, which are not readily marketable, are carried at estimated fair value as provided by investment managers. The School reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Investments acquired by gift are recorded at fair value on the date received by the School. Investments are adjusted to fair value through recognition of unrealized gains or losses. Investment returns on endowment assets are recognized as investment income within net assets with donor restrictions until appropriated for spending by the Board of Trustees.

Land, buildings, and equipment
Purchased land, buildings, and equipment are recorded at cost, and those received by donations are capitalized at their estimated fair values on the date received. All assets with a useful life of greater than one year and a cost greater than $5,000 are capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings, facilities, and improvements	8 – 50 years
Furniture, equipment, and other fixed assets	3 – 10 years
Vehicles	3 – 8 years

The School uses the direct expensing method to account for planned major maintenance activities.

Federal income taxes
The School is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income. Unrelated business income tax is insignificant and no tax provision has been made in the accompanying financial statements.

The School recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The School had no unrecognized tax benefits at June 30, 2021 and 2020. The School recognizes interest accrued and penalties related to unrecognized tax benefits, if any, as an administrative expense. During the years ended June 30, 2021 and 2020, the School recognized no interest and penalties.

The School is exempt from filing the IRS Form 990 due to its religious affiliation. Unrelated business income tax returns are filed annually in the U.S. federal and Oregon state jurisdictions.

Unearned tuition and revenues
Unearned tuition and revenues represent school tuition deposits and payments received in fiscal years 2021 and 2020, but related to fiscal years 2022 and 2021, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and grants
The School recognizes contributions and grants when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurement performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met in accordance with ASU 2018-08.

All contributions and grants are considered to be available for OES's unrestricted use unless specifically restricted by the donor. Contributions and grants restricted by the donor are recorded as net assets with donor restrictions. When the restrictions are satisfied, the restricted amounts are released to net assets without donor restrictions.

Contributed services
A substantial number of corporations and volunteers have donated significant amounts of time and services to the School's operations and to its fundraising campaigns. However, unless such contributions meet the criteria promulgated by accounting principles generally accepted in the United States of America (U.S. GAAP) which include professional services and services required to construct a fixed asset, they are not reflected in the accompanying financial statements.

Derivative instruments
Interest rate swap contracts are reported at fair value. The gain or loss on the effective portion of the hedge is included as an expense on the statements of non-operating activities. In connection with the School's 2021 bond issuance (see Note 8) the interest rate swap contracts were terminated during the year ended June 30, 2021.

Concentration of credit risk
Financial instruments which potentially subject the School to concentrations of credit risk consist of cash, long-term investments, student accounts receivable and pledges receivable. The School has established guidelines relative to diversification and maturities in its investment portfolio that seek to maintain safety and liquidity. At times, amounts in the individual investment portfolio accounts and the operating bank accounts are in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protector Corporation (SIPC) insurance limits.

Credit risk concentration with respect to tuition and pledges receivable is limited due to the number of students and donors involved. The School monitors its exposure for credit losses and maintains allowances for anticipated losses.

Related-party transactions
Contributions from members of the Board of Trustees totaled approximately $205,000 and $193,000 for the years ended June 30, 2021 and 2020, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Functional allocation of expenses
The costs of the School's various activities and programs have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services, and auxiliary activities benefited based on various methods, including categories based on time expended, and estimated or actual usage. Auxiliary activities include the School's extended care programs, summer camp, dining, school store, and transportation.

Use of estimates
The preparation of financial statements in conformity with U.S. GAAP 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.

Prior year summarized information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for the School for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent events
Subsequent events are events or transactions that occur after the date of the statement of financial position but before financial statements are available to be issued. The School recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The School's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before financial statements are available to be issued.

The School's management has evaluated subsequent events through October 28, 2021, the date on which the financial statements were available to be issued.

Note 3 – Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	$ 11,962,310	$ 21,906,268
Accounts receivable, net	1,339,382	11,422
Operating investments	6,817,563	5,863,683
Pledges receivable	10,760	34,127
Distributions from assets held under beneficial interest in perpetual trust	16,250	20,541
Total financial assets available within one year	$ 20,146,265	$ 27,836,041

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As of June 30, 2021 and 2020 the board-designated endowment of $12,963,455 and $11,291,775, respectively, is subject to an annual spending rate of 3.0% to 4.0% annually as described in Note 14. Although OES does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 4 – Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when the promise is made. The School distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. As of June 30, the pledges receivable balances consisted of the following:

	2021	2020
Receivable in less than one year	$ 1,614,490	$ 2,143,015
Receivable in one to five years	2,389,711	3,595,217
Total pledges receivable	4,004,201	5,738,232
Less allowance for uncollectible pledges	(79,994)	(114,715)
Less discounts to present value	(221,132)	(346,762)
Pledges receivable, net	$ 3,703,075	$ 5,276,755

Note 5 – Investments

Investments are composed of the following at June 30:

	2021	2020
Cash and money market	$ 867,936	$ 1,139,228
Pooled equity funds	4,515,229	4,544,488
Pooled fixed income funds	2,165,538	-
Alternative investments	27,648,281	24,770,607
Perpetual trusts held by banks (Note 9)	449,919	380,056
Life insurance policy	56,224	55,188
Total investments	$ 35,703,127	$ 30,889,567

The School considers operating investment return to consist of the amount authorized for spending in the current year from endowment assets and returns on operating bank and investment accounts. All other investment return is considered non-operating. The line items reporting the non-operating investment return are as follows for the years ended June 30:

Note 5 – Investments (continued)

	2021	2020
Dividends and interest	$ 166,595	$ 270,318
Realized and unrealized gains	5,478,258	1,490,401
Investment fees	(147,732)	(102,555)
Total return on investments and cash equivalents	$ 5,497,121	$ 1,658,164

Note 6 – Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, accounting standards use a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation techniques
Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Interest-bearing cash – Includes money market funds valued at cost plus accrued interest, which approximates fair value.

Marketable securities – Includes equity and bond mutual funds valued at quoted market prices in active markets.

Nonmarketable investments – Includes hedge funds, private equity funds, and other non-publicly traded investments, valued using the Net Asset Value (NAV) provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. The investments are traded on a private market that is not active.

Beneficial interest in perpetual trusts – Valuation is derived from information provided by trustees, which include fair value of the trust assets, underlying investments, and the School's proportional share.

Note 6 – Fair Value Measurements (continued)

Interest rate swap liability – Valuation is derived from proprietary or other pricing models based on assumptions regarding past, present, and future market conditions.

Fair values measured on a recurring basis

Fair values of assets and liabilities measured on a recurring basis at June 30 were as follows:

	Fair Value Measurements as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Marketable securities				
Cash and money market	$ 867,935	$ -	$ -	$ 867,935
Emerging market stock fund	957,836	-	-	957,836
Fixed income fund	2,165,538	-	-	2,165,538
International stock fund	2,906,882	-	-	2,906,882
Income opportunity fund	650,511	-	-	650,511
Total marketable securities	7,548,702	-	-	7,548,702
Nonmarketable investments				
Other	-	-	56,225	56,225
Total nonmarketable investments	-	-	56,225	56,225
Beneficial interest in perpetual trusts	-	-	449,919	449,919
Investments measured at NAV practical expedient	-	-	-	27,648,281
Total financial assets	$ 7,548,702	$ -	$ 506,144	$ 35,703,127

Note 6 – Fair Value Measurements (continued)

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Marketable securities				
Cash and money market	$ 1,139,228	$ -	$ -	$ 1,139,228
Emerging market stock fund	869,130	-	-	869,130
International stock fund	3,061,064	-	-	3,061,064
Income opportunity fund	614,294	-	-	614,294
Total marketable securities	5,683,716	-	-	5,683,716
Nonmarketable investments				
Other	-	-	55,188	55,188
Total nonmarketable investments	-	-	55,188	55,188
Beneficial interest in perpetual trusts	-	-	380,056	380,056
Investments measured at NAV practical expedient				24,770,607
Total financial assets	$ 5,683,716	$ -	$ 435,244	$ 30,889,567
Liabilities at fair value:				
Interest rate swap liability	$ -	$ (2,061,883)	$ -	$ (2,061,883)
Total financial liabilities	$ -	$ (2,061,883)	$ -	$ (2,061,883)

Note 6 – Fair Value Measurements (continued)

The table below summarizes significant terms of the agreements with certain investment companies for the nonmarketable investments. There are no significant redemption restrictions or unfunded commitments on other types of investments.

Asset Class	Fair Value	Remaining Life	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds (a)	$ 142,604	Open ended		Quarterly with 60 days notice, 20% of investor's capital; full liquidation takes five quarters of periodic withdrawals.	One year lock-up (ownership is older than one year).
Private equity funds (b)	$ 1,324,949	Lives ending from 2021 to 2027 with possible extensions	$ 234,543	No redemptions.	From not applicable to not allowed.
Other (c)	$ 28,590,499	Lives ending from 2024 to 2028 with possible extensions	$ 255,557	No redemptions.	From not applicable to not allowed.
Total	$ 30,058,052		$ 490,100		

(a) Hedge fund strategy relates to commercial and residential mortgages, mortgage related securities, and interest rates.
(b) Private equity funds strategies are investing in buyouts and middle market investments.
(c) Various other funds investing in a range of equity, preferred equity, office, industrial, retail, multi-family, mezzanine, and other.

Note 7 – Land, Buildings, and Equipment

A summary of land, buildings, and equipment is as follows as of June 30:

	2021	2020
Land	$ 1,543,709	$ 1,543,709
Buildings and facilities	70,606,172	55,212,718
Vehicles	981,811	951,625
Furniture and equipment	3,151,619	3,152,732
Other fixed assets	153,993	208,993
Construction in progress	458,021	2,390,321
	76,895,325	63,460,098
Less accumulated depreciation	(24,216,077)	(22,401,247)
Land, buildings, and equipment, net	$ 52,679,248	$ 41,058,851

Note 8 – Bonds Payable, Notes Payable and Interest Rate Swaps

Bonds payable

On January 27, 2021, the School refinanced all outstanding loans, bonds and swaps into two series of Oregon Facilities Authority bonds dated January 1, 2021. The Bonds were purchased by First Republic Lending Corporation, with a $5,000,000 revolving credit facility provided until January 27, 2022 by First Republic Bank.

The 2021 Series A Bonds were issued in the amount of $10,250,000 with a fifteen year maturity and a fixed interest rate of 2.35%. The 2021 Series A Bonds are payable monthly on a level debt service that amortizes the full principal by January 1, 2036. The Series B Bonds are drawdown bonds authorized up to $7,850,000 with a maturity of January 1, 2051 and a fixed interest rate of 2.6%. At initial issuance, $3,691,541 was drawn down from Series B, leaving $4,158,459 available for drawdown by the School prior to January 27, 2022. Payments on the Series B Bonds are interest only until January 27, 2022 after which monthly payments of principal and interest will be scheduled by the bank to fully amortize the Bonds by maturity. As of issuance of these financial statements, the $5,000,000 revolving credit facility has not been drawn down.

The 2021 Series A Bonds refinanced bonds issued in 2015 to refinance bonds issued in 2004 for construction projects. The 2021 Series B Bonds refinanced bonds issued in 2015 for construction of the Lower School Building, and a loan for the purchase of a house at 7295 SW Ridgemont. Any further drawdowns taken will be to finance construction of the Athletic Center.

Note 8 – Bonds Payable, Notes Payable and Interest Rate Swaps (continued)

The Bonds have the benefit of a security interest in the School's gross receipts, accounts, and pledges receivable. The bond documents contain restrictive covenants that, among other things, require the achievement of certain financial ratios.

Minimum bond principal payments are as follows:

For the year ended June 30,	2022	$ 656,411
	2023	779,026
	2024	797,176
	2025	817,964
	2026	838,173
	Thereafter	9,796,999
	Total minimal principal payments	$ 13,685,749
	Less unamortized issuance costs	$ (184,854)
	Total bonds payable, net	$ 13,500,895

Notes payable
On December 7, 2018, the School entered into a term loan in the amount of $1,000,000. Interest is due monthly and accrues at an annual rate of 3.60%. The entire $1,000,000 principal balance of the note was due on December 7, 2021; however, the School paid the balance in full during the year ended June 30, 2021.

Interest rate swaps
To minimize the effect of the changes in the variable rate, the School had entered into two interest rate swap agreements. In connection with the 2021 bond issuance noted above, the School terminated its interest rate swap agreements.

Note 9 – Split Interest Agreements

Beneficial interest in perpetual trusts
The School is one of the beneficiaries of two perpetual trusts, administered by third-party trustees. The School's share of the fair value of the trusts totaled $449,919 and $380,056 at June 30, 2021 and 2020, respectively. The School received distributions totaling $16,250 and $15,000 for 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, changes to the value of the trust were losses (gains) of $(69,863) and $16,867, respectively, net of distributions and are included in non-operating investment return in the statements of activities and changes in net assets.

Note 10 – Benefit Plans

403(b) defined contribution retirement plan
The School maintains a 403(b) defined contribution retirement plan (the Plan) on behalf of employees who have reached the age of 21 and will complete 1,000 hours of service during the defined 12-month period. The School's contributions to the Plan are based on a match of the employee's contribution, up to a maximum of 7.5% of the employee's compensation. Contributions for the years ended June 30, 2021 and 2020 were $1,028,985 and $1,000,094, respectively.

457(b) deferred compensation plan
The School sponsors a 457(b) deferred compensation plan for senior administrators. Investments are owned by the School and managed individually by the participant. Contributions fully vest upon severance from employment or upon April 1 of the calendar year following the calendar year in which the participant is age 70 ½. Until such time, plan assets are subject to the claim of the School's creditors. At June 30, 2021, the School recorded an asset in the amount of $389,629 and an associated liability in the amount of $389,629. At June 30, 2020, the School recorded an asset in the amount of $238,764 and an associated liability in the amount of $238,764. The asset and liability are recorded in prepaid expenses and other current assets and accrued expenses, respectively, on the statements of financial position.

457(f) deferred compensation plan
The School sponsors a 457(f) deferred compensation plan for one employee. Contributions are subject to substantial risk of forfeiture by the employee through June 30, 2022. Until such time, plan assets are subject to the claim of the School's creditors. The employer's contributions are intended to provide additional matching contributions that cannot be made to the participant under the employer's qualified plan because of the application of Code Section 401(a)(17). The liability due to the plan was $119,629 and $116,564 as of June 30, 2021 and 2020, respectively.

Note 11 – Net Assets Without Donor Restrictions – Board-Designated

The Board of Trustees designated net assets without donor restrictions for the following specific purposes as of June 30:

	2021	2020
Designated for property reserves	$ 943,821	$ 742,653
Designated for operating reserves	4,698,900	4,740,199
Designated for capital campaign	-	1,052,426
Designated for quasi-endowment (Note 14)	12,963,455	11,291,775
Total net assets without donor restrictions – board-designated	$ 18,606,176	$ 17,827,053

Note 12 – Net Assets with Donor Restrictions

Purpose and time restrictions

Net assets with donor restrictions contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the School. These net assets are available for the following specific purposes, or time restrictions have been placed on the use of the funds as noted in the following schedule at June 30:

	2021	2020
Purpose restriction		
Support of program activities	$ 28,393	$ 89,036
Capital campaign	221,700	10,631,287
Unappropriated accumulated earnings on endowments	8,793,498	6,805,881
	9,043,591	17,526,204
Time restriction		
Life insurance policy	56,225	55,188
Net assets with donor restrictions – purpose and time restricted	$ 9,099,816	$ 17,581,392

Perpetual in nature

Net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity, and consist of the following at June 30:

	2021	2020
Faculty salaries	$ 496,597	$ 496,597
Scholarships and financial aid	4,261,854	4,137,779
Professional growth and development	285,835	285,835
General endowment	1,331,032	1,331,032
Facilities	25,000	25,000
Programs	219,499	214,463
Beneficial interest in perpetual trusts (Note 9)	449,919	380,056
Net assets with donor restrictions – perpetual in nature	$ 7,069,736	$ 6,870,762

Note 13 – Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified were as follows at June 30:

	2021	2020
Support of program activities	$ 116,442	$ 27,809
Capital improvement projects	11,226,464	-
Application of spending policy to endowments	443,766	427,205
	$ 11,786,672	$ 455,014

Note 14 – Endowments

The School's endowments consist of 74 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Trustees of the School has reviewed the Oregon State Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the School classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the School and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the School
- The investment policies of the School

Note 14 – Endowments (continued)

As of June 30, 2021, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 15,413,315	$ 15,413,315
Board-designated quasi-endowment funds	12,963,455	-	12,963,455
Endowment net assets	$ 12,963,455	$ 15,413,315	$ 28,376,770

Reconciliation of endowment net assets to total assets perpetual in nature:	
Endowment net assets	$ 15,413,315
Perpetual trusts (Note 9)	449,919
Less: Unappropriated accumulated earnings on endowments (Note 12)	(8,793,498)
Total perpetual in nature net assets	$ 7,069,736

As of June 30, 2020, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 13,296,587	$ 13,296,587
Board designated quasi-endowment funds	11,291,775	-	11,291,775
Endowment net assets	$ 11,291,775	$ 13,296,587	$ 24,588,362

Reconciliation of endowment net assets to total assets perpetual in nature:	
Endowment net assets	$ 13,296,587
Perpetual trusts (Note 9)	380,056
Less: Unappropriated accumulated earnings on endowments (Note 12)	(6,805,881)
Total perpetual in nature net assets	$ 6,870,762

Note 14 – Endowments (continued)

Changes to endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2020	$ 11,291,775	$ 13,296,587	$ 24,588,362
Endowment investment return			
Interest and dividends, net of investment expenses	(2,717)	(3,231)	(5,948)
Realized and unrealized gains	2,047,631	2,434,615	4,482,246
Total endowment investment return	2,044,914	2,431,384	4,476,298
Contributions received	-	129,110	129,110
Appropriation of endowment for expenditures	(373,234)	(443,766)	(817,000)
Endowment net assets June 30, 2021	$ 12,963,455	$ 15,413,315	$ 28,376,770

Changes to endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2019	$ 11,047,622	$ 12,961,523	$ 24,009,145
Endowment investment return			
Interest and dividends, net of investment expenses	48,420	57,018	105,438
Realized and unrealized gains	557,528	656,512	1,214,040
Total endowment investment return	605,948	713,530	1,319,478
Contributions received	1,000	48,739	49,739
Appropriation of endowment for expenditures	(362,795)	(427,205)	(790,000)
Endowment net assets June 30, 2020	$ 11,291,775	$ 13,296,587	$ 24,588,362

Note 14 – Endowments (continued)

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the School to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions restricted in perpetuity and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in net assets with donor restrictions. There were no deficiencies of this nature as of June 30, 2021 and 2020.

Return objectives and risk parameters
The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the total return of a weighted average benchmark based on the endowment's asset allocation while assuming a moderate level of investment risk. Actual returns in any given year may vary.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield, such as interest and dividends. The School targets a diversified asset allocation that places a greater emphasis on equity based and absolute return investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
The School has a history of appropriating for distribution each year between 3.0% and 5.5% of its endowment fund's average fair value over the prior 12 quarters preceding the end of the fiscal year in which the distribution is planned. Multiple criteria are used to determine spending within UPMIFA rules, including the preservation of the endowment fund, economic conditions, and other resources of the institution. In establishing this policy, the School considered the long-term expected return on its endowment. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of 3.0% to 4.0% annually after its planned payouts. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 – Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the School's operations.

The School transitioned its students to online learning and almost all of its employees to remote work in mid-March of 2020. On campus operations resumed at a minimal level for summer programs in July 2020. From September 2020 until March 2021, the school remained primarily in online learning, with students allowed for occasional cohort meetings on campus. In March 2021, all students returned in hybrid schedules, partially on, partially off, campus. In recognition of substantial expense savings in remote learning, the Board of Trustees granted a discretionary credit to 20-21 families totaling $1,971,581.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act was signed into law and later updated by the American Rescue Plan Act of 2021. The School received approximately $3,000,000 of refundable tax credits as a result of available government relief programs under the CARES Act. In addition, approximately $423,000 of expenses of the school qualified for reimbursement under the Emergency Assistance to Non-Public Schools program of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.

As of issuance, the School has resumed most programming. Economic impacts of the pandemic continue to be a concern for the School's administration. The continuing need for social distancing and cohorting of unvaccinated students under the age of 12, combined with labor shortages and supply chain disruption have created uncertainty about financial impacts. As of the date of issuance, financial impacts have not been negative. However, the duration and intensity of the pandemic is uncertain and it may influence future student enrollment, operating expenses, donor decisions, and investment performance.

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