

**THE CLARKE SCHOOL FOR THE DEAF  
d/b/a CLARKE SCHOOLS FOR HEARING AND  
SPEECH, CLARKE PENNSYLVANIA, INC. AND  
CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

***CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022***

***WITH CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE***

**THE CLARKE SCHOOL FOR THE DEAF  
d/b/a CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.  
CONSOLIDATED FINANCIAL STATEMENTS**

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## MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Clarke School for the Deaf d/b/a Clarke Schools for  
Hearing and Speech, Clarke Pennsylvania, Inc. and  
Clarke School for Hearing and Speech Florida, Inc.

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the accompanying consolidated financial statements of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech ("Clarke Schools"), Clarke Pennsylvania, Inc. ("Clarke PA") and Clarke School for Hearing and Speech Florida, Inc. ("Clarke FL") (all nonprofit organizations, collectively referred to as "Clarke"), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc. as of June 30, 2022, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### *Basis for Opinion*

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance pertains to Clarke School for Hearing and Speech Florida, Inc., an affiliated entity included within these consolidated financial statements. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance for Clarke School for Hearing and Speech Florida, Inc. is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2022, on our consideration of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc.'s internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

We have previously audited The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc.'s 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Myquel Bevilacqua Holistic, P.C.*

Holyoke, Massachusetts  
October 29, 2022

**THE CLARKE SCHOOL FOR THE DEAF  
D/B/A CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

*ASSETS*

	2022	2021
Cash	\$ 2,902,101	\$ 2,321,775
Accounts receivable, net	747,934	1,180,432
Contributions receivable, net	381,677	93,956
Grants receivable, net	34,638	384,817
Prepaid expenses and deposits	296,910	321,103
Investments	26,866,673	27,333,478
Beneficial interest in trusts held by third parties	3,216,650	4,149,657
Land, property and equipment, net	1,062,094	1,140,678
<b>Total assets</b>	<b>\$ 35,508,677</b>	<b>\$ 36,925,896</b>

*LIABILITIES AND NET ASSETS*

Accounts payable	\$ 84,538	\$ 143,912
Accrued expenses	937,125	776,817
Deferred revenue	389,250	44,167
Borrowings under line of credit	391,000	782,000
Annuities and unitrust obligations	127,626	123,439
Long-term debt	-	2,147,407
Total liabilities	1,929,539	4,017,742
<b>Net assets</b>		
Without donor restrictions	3,444,446	1,420,361
With donor restrictions	30,134,692	31,487,793
Total net assets	33,579,138	32,908,154
<b>Total liabilities and net assets</b>	<b>\$ 35,508,677</b>	<b>\$ 36,925,896</b>

The accompanying notes are an integral part of these consolidated financial statements.

**THE CLARKE SCHOOL FOR THE DEAF  
D/B/A CLARKE SCHOOLS FOR HEARING, SPEECH AND CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, gains and other support:</b>				
School tuition and fees	\$ 6,099,157	\$ -	\$ 6,099,157	\$ 6,252,586
Early intervention	657,580	-	657,580	646,196
Mainstream	1,953,071	-	1,953,071	2,080,892
Hearing center	632,811	-	632,811	560,761
Other	<u>63,990</u>	<u>-</u>	<u>63,990</u>	<u>107,641</u>
Total program revenue	<u>9,406,609</u>	<u>-</u>	<u>9,406,609</u>	<u>9,648,076</u>
Contributions, bequests and sponsorships	755,720	5,455,568	6,211,288	1,158,698
Interest and dividend income, net	761	886,002	886,763	561,727
Trust income	252,844	-	252,844	108,612
Grant income	696,179	636,103	1,332,282	211,405
Other income - employee retention credit	-	-	-	2,096,143
Other income	154,984	-	154,984	5,580
Endowment return used in operations	716,263	(716,263)	-	-
Net assets released from restrictions	<u>2,035,706</u>	<u>(2,035,706)</u>	<u>-</u>	<u>-</u>
Total other revenue and gains	<u>4,612,457</u>	<u>4,225,704</u>	<u>8,838,161</u>	<u>4,142,165</u>
Total revenue, gains and other support	<u>14,019,066</u>	<u>4,225,704</u>	<u>18,244,770</u>	<u>13,790,241</u>
<b>Expenses:</b>				
School	6,288,406	-	6,288,406	6,338,946
Early intervention	1,797,435	-	1,797,435	1,745,068
Mainstream	1,860,020	-	1,860,020	1,854,292
Hearing center	560,378	-	560,378	562,475
Other	<u>50,235</u>	<u>-</u>	<u>50,235</u>	<u>253,895</u>
Total program expenses	<u>10,556,474</u>	<u>-</u>	<u>10,556,474</u>	<u>10,754,676</u>
Administrative	2,873,198	-	2,873,198	2,580,725
Fundraising	<u>710,049</u>	<u>-</u>	<u>710,049</u>	<u>723,281</u>
Total expenses	<u>14,139,721</u>	<u>-</u>	<u>14,139,721</u>	<u>14,058,682</u>
<b>Change in net assets from operations</b>	<u>(120,655)</u>	<u>4,225,704</u>	<u>4,105,049</u>	<u>(268,441)</u>
<b>Other changes</b>				
Net realized and unrealized (losses) gains on investments	(2,667)	(4,624,959)	(4,627,626)	5,213,313
Net change in beneficial interest in trusts held by third parties	-	(933,007)	(933,007)	782,768
Actuarial loss on annuities and unitrusts	-	(20,839)	(20,839)	(21,334)
Gain on extinguishment of debt - Paycheck Protection Program	<u>2,147,407</u>	<u>-</u>	<u>2,147,407</u>	<u>-</u>
Total other changes	<u>2,144,740</u>	<u>(5,578,805)</u>	<u>(3,434,065)</u>	<u>5,974,747</u>
<b>Change in net assets</b>	2,024,085	(1,353,101)	670,984	5,706,306
<b>Net assets, beginning of year</b>	<u>1,420,361</u>	<u>31,487,793</u>	<u>32,908,154</u>	<u>27,201,848</u>
<b>Net assets, end of year</b>	<u>\$ 3,444,446</u>	<u>\$ 30,134,692</u>	<u>\$ 33,579,138</u>	<u>\$ 32,908,154</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE CLARKE SCHOOL FOR THE DEAF  
D/B/A CLARKE SCHOOLS FOR HEARING, SPEECH AND CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Programs					Total program	Administrative	Fundraising	Total
	School	Early Intervention	Mainstream	Hearing Center	Other				
<b>Expenses:</b>									
Salaries	\$ 4,260,016	\$ 1,256,285	\$ 1,414,129	\$ 320,862	\$ 29,362	\$ 7,280,654	\$ 1,620,054	\$ 495,152	\$ 9,395,860
Benefits and taxes	819,864	241,847	294,167	67,011	(6,912)	1,415,977	294,041	84,938	1,794,956
Occupancy	551,826	127,072	33,644	12,340	6,421	731,303	113,607	17,194	862,104
Depreciation	108,041	15,663	3,577	40,712	75	168,068	42,318	-	210,386
Other	1,483	499	1,096	13,714	23	16,815	82,126	19,467	118,408
Professional fees	86,285	46,356	1,534	1,565	13,118	148,858	327,037	2,797	478,692
Outside contractors	124,016	34,614	16,520	60,063	944	236,157	91,170	28,960	356,287
Travel and transportation	1,829	11,189	73,218	90	589	86,915	30,437	7,209	124,561
Utilities	70,566	11,962	3,718	13,326	480	100,052	13,550	827	114,429
Telecommunications	37,399	8,857	6,733	3,128	682	56,799	16,486	3,793	77,078
Supplies and equipment	166,643	21,664	14,081	20,543	3,077	226,008	103,006	3,146	332,160
Printing	1,744	63	32	260	-	2,099	696	4,399	7,194
Postage and shipping	2,121	1,553	122	197	-	3,993	6,133	3,409	13,535
Dues and subscriptions	28,571	3,012	1,784	1,180	426	34,973	80,351	38,758	154,082
Professional development	18,078	325	742	99	2,035	21,279	13,005	-	34,284
Interest	-	-	-	-	-	-	39,181	-	39,181
Bad debt expense (recovery)	9,924	16,474	(5,077)	5,288	(85)	26,524	-	-	26,524
<b>Total expenses</b>	<b>\$ 6,288,406</b>	<b>\$ 1,797,435</b>	<b>\$ 1,860,020</b>	<b>\$ 560,378</b>	<b>\$ 50,235</b>	<b>\$ 10,556,474</b>	<b>\$ 2,873,198</b>	<b>\$ 710,049</b>	<b>\$ 14,139,721</b>

The accompanying notes are an integral part of these consolidated financial statements.



**THE CLARKE SCHOOL FOR THE DEAF  
D/B/A CLARKE SCHOOLS FOR HEARING, SPEECH AND CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	Programs					Total program	Administrative	Fundraising	Total
	School	Early Intervention	Mainstream	Hearing Center	Other				
<b>Expenses:</b>									
Salaries	\$ 4,223,936	\$ 1,195,177	\$ 1,443,104	\$ 327,871	\$ 148,590	\$ 7,338,678	\$ 1,476,665	\$ 517,824	\$ 9,333,167
Benefits and taxes	881,410	228,653	247,190	76,728	31,867	1,465,848	307,135	97,402	1,870,385
Occupancy	559,090	135,305	33,166	18,088	9,761	755,410	66,523	17,070	839,003
Depreciation	98,678	10,003	3,636	41,390	7,433	161,140	38,101	1,406	200,647
Other	1,160	118	1,069	8,990	146	11,483	22,176	51,760	85,419
Professional fees	128,267	44,137	2,658	1,349	14,989	191,400	254,137	-	445,537
Outside contractors	109,574	12,103	20,739	54,292	27,599	224,307	91,728	1,265	317,300
Travel and transportation	1,263	6,598	34,243	5	4	42,113	4,805	690	47,608
Utilities	52,567	9,624	3,425	9,960	2,566	78,142	10,176	1,042	89,360
Telecommunications	52,346	14,708	8,102	4,952	1,229	81,337	23,512	5,006	109,855
Supplies and equipment	179,090	27,057	15,544	15,963	8,646	246,300	131,409	3,893	381,602
Printing	2,166	379	297	235	36	3,113	1,287	2,355	6,755
Postage and shipping	3,554	1,304	283	88	211	5,440	6,314	2,315	14,069
Dues and subscriptions	22,001	9,133	867	329	900	33,230	80,105	21,253	134,588
Professional development	26,916	1,308	4,128	129	85	32,566	21,614	-	54,180
Interest	-	-	-	-	-	-	45,038	-	45,038
Bad debt expense (recovery)	(3,072)	49,461	35,841	2,106	(167)	84,169	-	-	84,169
<b>Total expenses</b>	<b>\$ 6,338,946</b>	<b>\$ 1,745,068</b>	<b>\$ 1,854,292</b>	<b>\$ 562,475</b>	<b>\$ 253,895</b>	<b>\$ 10,754,676</b>	<b>\$ 2,580,725</b>	<b>\$ 723,281</b>	<b>\$ 14,058,682</b>

The accompanying notes are an integral part of these consolidated financial statements.

**THE CLARKE SCHOOL FOR THE DEAF  
D/B/A CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.  
AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 670,984	\$ 5,706,306
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	210,386	200,647
Contributions restricted to permanent endowment	(5,288,351)	(3,600)
Contributions of beneficial interest in trusts held by third parties	-	(71,982)
Net realized and unrealized losses (gains) on investments	4,627,626	(5,212,667)
Net change in beneficial interest in trusts held by third parties	933,007	(782,768)
Receipt of donated securities	(15,652)	(28,176)
Proceeds for the sale of donated securities	15,680	27,530
Gain on extinguishment of debt	(2,147,407)	-
Net changes in operating assets and liabilities:		
Accounts receivable	432,498	(93,607)
Contributions receivable	(287,721)	(39,013)
Grants receivable	350,179	163,489
Prepaid expenses and deposits	24,193	(200,978)
Accounts payable	(59,374)	89,244
Accrued expenses	160,308	159,721
Deferred revenue	345,083	(968)
Net cash (used in) operating activities	<u>(28,561)</u>	<u>(86,822)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	22,918,287	920,399
Purchase of investments	(27,079,136)	(622,566)
Purchases of equipment	(131,802)	(41,541)
Net cash (used in) provided by investing activities	<u>(4,292,651)</u>	<u>256,292</u>
<b>Cash flows from financing activities</b>		
Contributions restricted to permanent endowment	5,288,351	3,600
Change in annuities and unitrust obligations	4,187	(3,696)
(Repayments) borrowings under line of credit	(391,000)	782,000
Net cash provided by financing activities	<u>4,901,538</u>	<u>781,904</u>
<b>Net increase in cash</b>	580,326	951,374
<b>Cash, beginning of year</b>	<u>2,321,775</u>	<u>1,370,401</u>
<b>Cash, end of year</b>	<u>\$ 2,902,101</u>	<u>\$ 2,321,775</u>
<b>Noncash transactions</b>		
Interest paid	36,916	-

The accompanying notes are an integral part of these consolidated financial statements.

**THE CLARKE SCHOOL FOR THE DEAF**  
**d/b/a CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.**  
**AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**1. NATURE OF BUSINESS:**

The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech ("Clarke Schools" or "Clarke"), headquartered in Northampton, Massachusetts, is a not-for-profit organization that provides children who are deaf and hard of hearing with the listening, learning and spoken language skills they need to succeed. Clarke Schools operates early intervention, preschool, K-8 school, mainstream support services and audiological and evaluative services for deaf and hard of hearing children and their families, and also offers training and professional development to individuals working with deaf and hard of hearing children. Clarke Schools has five campuses on the east coast and serves children nationally and internationally.

Clarke Pennsylvania, Inc. ("Clarke PA") was incorporated on September 21, 2001 under Pennsylvania not-for-profit law. Clarke PA provides educational programs, diagnostic therapy and support services for children who are deaf and hard of hearing and their families in the eastern Pennsylvania and Tri-State area. Clarke PA began operations in fiscal year 2002.

The Clarke School for Hearing and Speech Florida, Inc. ("Clarke FL") was incorporated on January 11, 2017 under Florida not-for-profit law. Clarke FL provides educational programs, diagnostic therapy and support services for children who are deaf and hard of hearing and their families in the Jacksonville area of Florida. Clarke FL began operations in fiscal year 2018.

These are collectively referred to as "Clarke".

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of presentation**

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Statements of financial position that sequences assets and liabilities based upon their relative liquidity are presented.

**Principles of consolidation**

The consolidated financial statements include the accounts of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Comparative financial information**

The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Clarke's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**THE CLARKE SCHOOL FOR THE DEAF**  
**d/b/a CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.**  
**AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Net assets**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Clarke, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that they be maintained permanently by Clarke. Generally, the donors of these assets permit Clarke to use all or part of the income earned on any related investments for general or specific purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Realized and unrealized gains and losses on restricted purpose gifts are reported as net assets with donor restrictions in accordance with donor stipulations and Massachusetts law.

**Functional allocation of expenses**

The costs of providing Clarke's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In some cases, common expenses are incurred which support the work performed under more than one program and/or contract. Accordingly, certain costs including payroll and related expenses, are allocated based on time records. Depreciation and occupancy costs have been allocated based on usage of space and estimates made by management.

**Revenue and receivables**

Contributions, including unconditional promises to give, are initially recognized as revenues in the year received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk and duration involved. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset class without donor restrictions. Contributions received with donor-imposed restrictions that are not met in the same year as received are reported as revenues of the net asset class with donor restrictions. A release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Accretion of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Revenue and receivables (continued)**

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset class without donor restrictions. Contributions of cash or other assets with donor stipulations to be used to acquire land, buildings and equipment are reported as revenues of the net asset class with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Sponsorship and grant income is initially recognized as revenues in the year it is received. Sponsorships and grants received with time restrictions that are met in the same year as received are reported as revenues of the net asset class without donor restrictions. Sponsorship and grants received with donor-imposed restrictions that are not met in the same year as received are reported as revenues of the net asset class with donor restrictions. A release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Clarke's Massachusetts preschool and K8 programs are subject to the regulations and tuition rate formulas of the Massachusetts Operational Services Division. Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by Clarke for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under the Operational Services Division's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and are reported as accounts payable. There were no such amounts in excess of these limits at June 30, 2022 and 2021.

Clarke's Florida school program tuition is assisted by state funds. Florida tuition revenue derived from state funds totaled \$477,000 and \$423,000 for the years ended June 30, 2022 and 2021, respectively.

Clarke's Florida early intervention program is assisted by state funds. Florida service revenue derived from state funds totaled \$290,115 and \$249,700 for the years ended June 30, 2022 and 2021, respectively.

Clarke's New York preschool program is subject to the State of New York prospectively determined rates. Tuition is reported at the estimated net realizable amounts under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the services are rendered and adjusted in future periods as final settlements are determined.

Tuition income is recognized as revenue when earned throughout Clarke's school year. Student deposits along with advance payments for tuition related to the next fiscal year have been deferred and will be reported as unrestricted revenue in the year in which the semester is completed.

Clarke's Massachusetts early intervention programs are subject to the policies and procedures of the Massachusetts Early Intervention Operational Standards which is governed by the Massachusetts Department of Public Health. Clarke contracts with early intervention agency providers for coordination and pays a respective agency fee for such service. Revenues are recorded net of the agency fee.

In addition, a portion of Clarke's revenue is derived from cities, towns and counties of New York, Pennsylvania, and Florida. It is subject to the review of the rate-setting agencies and negotiated contracts in those states.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Revenue and receivables (continued)**

Clarke's revenue is generated from the following types of arrangements at June 30:

	<u>2022</u>	<u>2021</u>
School tuition and fees	\$ 6,099,157	\$ 6,252,586
Early intervention	657,580	646,196
Mainstream	1,953,071	2,080,892
Hearing center	632,811	560,761
Other	63,990	107,641
Total program revenue	<u>9,406,609</u>	<u>9,648,076</u>
Contributions, bequests and sponsorships*	6,211,288	1,158,698
Interest and dividend income, net *	886,763	561,727
Trust income*	252,844	108,612
Grant income*	1,332,282	211,405
Other income* - employee retention credit	-	2,096,143
Other income *	154,984	5,580
Total other revenue and gains	<u>8,838,161</u>	<u>4,142,165</u>
Total revenue	<u>\$ 18,244,770</u>	<u>\$ 13,790,241</u>

\*This revenue category is not subject to ASU Topic 606.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual student account balances and considering the individual's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is generally considered past due if any portion is outstanding for more than thirty days, however, accounts involving third party insurance companies and public agencies are often normally collectible beyond that normal limit. The allowance for doubtful accounts was \$34,528 and \$21,890 as of June 30, 2022 and 2021, respectively.

**Contributions and grants receivable**

Contributions and grants are recognized when unconditionally promised to or received by Clarke. Clarke distinguishes between contributions and grants received for each net asset category in accordance with grant agreements, donor-imposed restrictions or implied time restrictions for long-term pledges. Receivables are recorded after being discounted to the anticipated net present value of the future cash flows. On a periodic basis, Clarke evaluates its receivables and establishes an allowance for uncollectible pledges and grants. No allowance was deemed necessary by management as of June 30, 2022 and 2021.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Investments including endowments**

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 7). Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Dividend and interest income are accrued when earned. For the years ended June 30, 2022 and 2021, interest and dividend income was reported net of investment advisory fees of approximately \$47,000 and \$15,000, respectively.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the consolidated financial statements.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the "Massachusetts Uniform Prudent Management of Institutional Funds Act" statute, which was effective June 2009 ("MUPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Trustees (the "Board") of Clarke interpreted MUPMIFA, as adopted by the Commonwealth of Massachusetts, 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, Clarke classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, Clarke considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the funds, the purpose of Clarke and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Clarke, and the investment policies of Clarke.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions. There were two funds with a combined fair value of \$4,552,984 and original endowment gift value of \$5,101,571 that were underwater at June 30, 2022 by \$548,587. At June 30, 2021 there were no cumulative losses on the investments of donor restricted endowment funds.

MUPMIFA allows prudent appropriation of the total return on donor restricted general endowment funds taking into consideration Clarke's long and short-term needs, present and anticipated financial requirements, expected future total return on its investments, price level trends and general economic conditions. The Board has authorized a spending policy for its general endowment where Clarke may avail up to 5%, after fees, of a twelve quarter average market value of these funds as of March 31<sup>st</sup> preceding the fiscal year.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Investments including endowments (continued)**

This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and provide a predictable flow of funds to support operations. This approach emphasizes total return which consists of current yield (interest and dividends) as well as appreciation (realized and unrealized gains). For the years ended June 30, 2022 and 2021, Clarke utilized \$716,263 and \$767,610, respectively, of this return available for spending from its general endowment.

Clarke received an endowment gift in February 2022 that is accounted for separately from its general endowment. In accordance with the terms of the agreement, Clarke must draw down an annual amount equal to a minimum of 3% and a maximum of 6% of the entire market value of the investments, including the corpus and any accumulated appreciation. The funds are meant to be used for general operational expenses. There were no spending draws taken from this endowment for the year ended June 30, 2022.

**Beneficial interest in perpetual trusts**

Clarke has a beneficial interest in several perpetual trusts held by third party bank trustees for the benefit of various not-for-profit organizations including Clarke. The principal as well as annual gains or losses on the investments are restricted in perpetuity. The interest and dividend income generated by the investments are distributed each year to the beneficiaries and are reported as unrestricted trust income.

Clarke has recorded its percentage share of the fair value as permanently restricted net assets on the consolidated financial statements. Any changes are recognized in permanently restricted net assets.

**Split interest agreements**

Annuity obligations – Clarke receives an immediate contribution as well as remainder interest in the underlying investments from which income is currently being paid to annuitants. Actuarial methods are used to calculate that portion of the investment representing the annuity liability and that portion representing the gift. Investment income and benefit payments flow through the liability account. Assets held in investments totaled \$177,849 and \$236,932 as of June 30, 2022 and 2021, respectively, and are reported at fair market value in Clarke's consolidated statements of financial position. At the end of each fiscal year, the liability is adjusted to reflect the current present value of estimated cash flows to the beneficiaries using discount rates ranging from 6.1% to 9.1% as of June 30, 2022 and 2021, based on applicable mortality tables. Circumstances affecting these estimates can change the estimate of the liability in future periods. All annuity contracts are reported as net assets with donor restrictions.

Life income and unitrust obligations – these funds are subject to the restriction that the principal be invested and income be paid to the donor for their lifetime and/or be paid to another named beneficiary with Clarke retaining a remainder interest. This also includes irrevocable gifts of real estate subject to the restriction that donors are allowed to occupy the property for the remainder of their lives and that Clarke pay certain expenses required to maintain the property while occupied by the donors. Assets held in investments totaled \$187,990 and \$201,836 as of June 30, 2022 and 2021, respectively, and are reported at fair market value in Clarke's consolidated statements of financial position. All trust agreements are reported as net assets with donor restrictions.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Land, property and equipment**

Land, property and equipment are recorded at cost or estimated fair value, if received by donation, at the time such properties were received less accumulated depreciation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

	<u>Years</u>
Buildings	39
Improvements	3 – 20
Furnishings, vehicles, software and equipment	3 – 10

Expenditures for major improvements are capitalized and depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred. When an asset is sold or disposed of, the cost and accumulated depreciation is removed and any resulting gain or loss is included in the statement of activities. Clarke evaluated the carrying value of its long-lived assets and no impairment was recorded.

**Tax-exempt status**

Clarke Schools, Clarke PA and Clarke FL, were granted an exempt status under Internal Revenue Code (“IRC”) Section 501(a) as exempt organizations described under Internal Revenue Code Section 501(c)(3). Under IRC 501(a) Clarke is generally exempt from income taxes on related income. Clarke monitors its activities and it considers the potential for income taxes if any activities are not related to its exempt purpose.

**Uncertain tax positions**

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. Clarke’s tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2019.

**Forgivable loans - Paycheck Protection Program**

Clarke’s policy is to account for forgivable loans received through the Small Business Administration (“SBA”) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (“PPP”), as debt in accordance with Accounting Standards Codification (“ASC”) 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Organization is legally released from the liability by the SBA. The Organization was legally released from the liability and recorded a gain on the extinguishment of this debt during the year ended June 30, 2022 (see Note 10).

**Use of estimates**

The preparation of consolidated 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 consolidated assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of consolidated revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Recent accounting standards**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (Clarke) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. Clarke is not required to apply the new standard until the year ending June 30, 2023. In preparation of this standard, management has reviewed and evaluated all leases, reviewed its capitalization policy, and assessed the potential impact on any related financial covenants required by Clarke's financing arrangements.

**3. EMPLOYEE RETENTION CREDIT:**

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020 (part of the Consolidated Appropriations Act of 2021), made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including modifying and extending the Employee Retention Credit (ERC), for six months through June 30, 2021. The American Rescue Plan Act of 2021 which was enacted in March 2021, then extended the ERC through December 31, 2021. The infrastructure bill signed in November 2021 eliminated the ERC for the quarter ended December 31, 2021. The ERC can be taken retroactively, for qualifying wages paid after March 12, 2020. The law now allows employers who received PPP loans to claim the ERC, if eligible, for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.

Employers are allowed a refundable tax credit against employer Social Security tax equal to 50 percent of wages paid after March 12, 2020, up to \$10,000 in wages per employee to December 31, 2020. Management determined that qualified wages incurred during this time would be used to obtain forgiveness for the PPP loan.

Employers are allowed a refundable tax credit against employer Social Security tax equal to 70 percent of wages paid after January 1, 2021, up to \$10,000 in wages per employee per calendar quarter in 2021. Clarke applied for employee retention tax credits for the quarter ended March 31, 2021, and received a refund of approximately \$1,107,000. For the quarter ended June 30, 2021, Clarke received direct credits of approximately \$228,000 which were applied against payroll taxes, and a refund of approximately \$601,000, which was received in August 2021, and was included in accounts receivable on the statement of financial position as of June 30, 2021. Employee retention tax credits were included in other income for the year ended June 30, 2021. Management determined that Clarke does not qualify for the ERC for the quarter ended September 30, 2021.

**4. CONTRIBUTIONS RECEIVABLE:**

Contributions receivable consisted of the following components at June 30th:

	2022	2021
Due within one year or less	\$ 374,460	\$ 93,956
Due within one to five years	7,500	-
Total contributions receivable	381,960	93,956
Less: present value discount	(283)	-
Contributions receivable, net	\$ 381,677	\$ 93,956

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**4. CONTRIBUTIONS RECEIVABLE: (CONTINUED)**

The fair value of long-term contributions receivable was estimated by discounting future cash flows using a risk-free rate of return ranging from 3.92% to 4.01% during the year ended June 30, 2022. There were no long-term contributions receivable at year end June 30, 2021.

**5. GRANTS RECEIVABLE:**

Grants receivable consist of amounts due from private donors, states or federal agencies, based on the terms of the related grant agreements.

Grants receivable consist of the following at June 30th:

	<b>2022</b>	<b>2021</b>
Due within one year or less	\$ 34,638	\$ 384,817
Due within one to five years	-	-
Total grants receivable	34,638	384,817
Less: present value discount	-	-
Grants receivable, net	\$ 34,638	\$ 384,817

There were no long-term grants receivable at year end June 30, 2022 and 2021.

**6. ENDOWMENTS:**

Endowments by net asset class and type at June 30, 2022 and 2021 consist of:

	<b>Board Designated Without Donor Restrictions</b>	<b>Net Asset with Donor Restrictions</b>		<b>Total</b>
		<b>Time or Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	
<b>June 30, 2022</b>				
Board designated funds	\$ 772,759	\$ -	\$ -	\$ 772,759
Donor restricted endowment	-	800,733	18,521,304	19,322,037
Total endowment funds	\$ 772,759	\$ 800,733	\$ 18,521,304	\$ 20,094,796
<b>June 30, 2021</b>				
Board designated funds	\$ 836,249	\$ -	\$ -	\$ 836,249
Donor restricted endowment	-	4,226,935	13,232,953	17,459,888
Total endowment funds	\$ 836,249	\$ 4,226,935	\$ 13,232,953	\$ 18,296,137

As of July 1, 2020, amounts were reclassified between net assets without donor restrictions and net assets without donor restrictions that are board designated. This relates to managements analysis of investment holdings and agreements between Clarke and donors.

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**6. ENDOWMENTS: (CONTINUED)**

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2022 and 2021:

	Net Assets Without Donor Restrictions	Net Asset with Donor Restrictions		Total
		Time or Purpose Restricted	Restricted in Perpetuity	
Endowments - June 30, 2020	\$ 628,024	\$ 1,132,045	\$ 13,127,782	\$ 14,887,851
Investment income	17,042	351,955	-	368,997
Realized and unrealized gains	191,183	3,510,545	-	3,701,728
Contributions - cash	-	-	3,600	3,600
Transfer of cash	-	-	101,571	101,571
Endowment return used in operations	-	(767,610)	-	(767,610)
Endowments - June 30, 2021	836,249	4,226,935	13,232,953	18,296,137
Investment income	26,543	602,426	-	628,969
Realized and unrealized losses	(78,932)	(3,280,571)	-	(3,359,503)
Investment advisory fees	(405)	(31,794)	-	(32,199)
Contributions - cash	-	-	5,288,351	5,288,351
Endowment return used in operations	(10,696)	(716,263)	-	(726,959)
Endowments - June 30, 2022	\$ 772,759	\$ 800,733	\$ 18,521,304	\$ 20,094,796

**7. FAIR VALUE MEASUREMENTS:**

Clarke follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

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**7. FAIR VALUE MEASUREMENTS: (CONTINUED)**

The following table summarizes major categories of Clarke's assets and liabilities measured at fair value on a recurring basis in accordance with the hierarchy levels at June 30:

<b>June 30, 2022</b>	<u>Quoted Priced Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
<b>Assets</b>				
Investments:				
Bond mutual funds	\$ 3,524,902	\$ -	\$ -	\$ 3,524,902
Mutual funds	8,004,613	-	-	8,004,613
Exchange traded funds	12,899,033	-	-	12,899,033
Equity securities	201,407	-	-	201,407
Money market funds	2,236,718	-	-	2,236,718
Total investments	<u>\$ 26,866,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,866,673</u>
Beneficial interest in trusts held by third parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,216,650</u>	<u>\$ 3,216,650</u>
<b>Liabilities</b>				
Annuities and unitrust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,626</u>	<u>\$ 127,626</u>
<b>June 30, 2021</b>	<u>Quoted Priced Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
<b>Assets</b>				
Investments:				
Bond mutual funds	\$ 6,063,280	\$ -	\$ -	\$ 6,063,280
Mutual funds	16,053,001	-	-	16,053,001
Exchange traded funds	3,379,813	-	-	3,379,813
Equity securities	198,423	-	-	198,423
Equities	268,244	-	-	268,244
Municipal Bonds	878,237	-	-	878,237
Money market funds	492,480	-	-	492,480
Total investments	<u>\$ 27,333,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,333,478</u>
Beneficial interest in trusts held by third parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,149,657</u>	<u>\$ 4,149,657</u>
<b>Liabilities</b>				
Annuities and unitrust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,439</u>	<u>\$ 123,439</u>

**Investments**

Funds and securities are reported at fair value based on quoted market prices, where available, and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair value for certain other investments not actively traded was determined by management based upon various valuation techniques developed by the investment managers of the funds.

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7. **FAIR VALUE MEASUREMENTS: (CONTINUED)**

**Beneficial interest in trusts**

The fair value of the trusts held, administered and controlled by third parties represents Clarke's percentage interest in the current market value of the trust assets.

**Annuities and unitrust obligations**

The fair value of annuity agreements was determined by calculating the present value of the agreement using life expectancy tables and a discount rate as determined at the time of the gift.

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the years ended June 30, 2022 and 2021:

		<b>Level 3 Beneficial Interest in Trusts 2022</b>		<b>Level 3 Beneficial Interest in Trusts 2021</b>
Balance, beginning of year	\$	4,149,657	\$	3,294,907
Unrealized (losses) gains		(933,007)		782,768
Contributions		-		71,982
Balance, end of year	\$	3,216,650	\$	4,149,657

The amount of total (losses) gains for the years ended June 30, 2022 and 2021 included in net assets attributable to the change in unrealized (losses) gains relating to assets still held at the reporting date.

	\$	(933,007)	\$	782,768
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		<b>Level 3 Annuities and Unitrust Obligations 2022</b>		<b>Level 3 Annuities and Unitrust Obligations 2021</b>
Balance, beginning of year	\$	123,439	\$	127,135
Change in value		27,559		21,334
Settlements		(23,372)		(25,030)
Balance, end of year	\$	127,626	\$	123,439

As of June 30, 2022 and 2021, there were no withdrawal restrictions on Level 3 investments.

Redemption frequencies are as follows:

Multi-asset fund:	Daily, 1 day notice.
Other investments:	Daily, 1 day notice.

**THE CLARKE SCHOOL FOR THE DEAF**  
**d/b/a CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.**  
**AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**7. FAIR VALUE MEASUREMENTS: (CONTINUED)**

**Quantitative information about significant unobservable inputs used in level 3 fair value measurements**

Beneficial interest in trusts held by third parties are valued based upon Clarke's allocable share of the respective investment fund's pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the allocable share of the pooled investment portfolio at the investment fund that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

The beneficial interests in investments are valued monthly by the investment fund and are allocated based upon each organization's calculated share of the investment fund's pooled investment portfolio. Each organization with an interest within the pooled investments receives a statement from the investment fund indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated (via a unitization process). Clarke calculates the fair value of its beneficial interest in the pooled investment assets held by the investment fund based on the estimated fair value of the underlying assets. The investment fund controls the investments and makes all management and investment decisions.

The following table represents Clarke's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments and the significant unobservable inputs and the ranges of values of those inputs.

<b>June 30, 2022</b>				
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Annuities and unitrust obligations	\$127,626	Present value based on life expectancies	Present value	5.0%
<b>June 30, 2021</b>				
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Annuities and unitrust obligations	\$123,439	Present value based on life expectancies	Present value	5.0%

**THE CLARKE SCHOOL FOR THE DEAF**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**8. LAND, PROPERTY AND EQUIPMENT:**

The following is a summary of land, property and equipment at June 30:

	<b>2022</b>	<b>2021</b>
Buildings and improvements	\$ 6,346,843	\$ 6,346,843
Furnishings, equipment and vehicles	3,690,210	3,541,722
Land	135,176	135,176
	10,172,229	10,023,741
Less: accumulated depreciation	(9,110,135)	(8,899,748)
	1,062,094	1,123,993
Construction in progress	-	16,685
Land, property and equipment, net	\$ 1,062,094	\$ 1,140,678

Total depreciation expense was \$210,386 and \$200,647 for the years ended June 30, 2022 and 2021, respectively.

**9. BORROWING UNDER LINE OF CREDIT:**

Clarke has a line of credit with a bank with a maximum borrowing limit of \$1,500,000. Clarke can elect to draw fixed rate advances or variable rate advances against the line. Fixed rate advances that require interest payments only are payable on demand. Fixed rate advances that require combined interest and principal payments are due in fixed monthly installments or on demand. Variable rate advances are due on demand. The line of credit is collateralized by assets of the organization.

Interest is calculated based on the type of draw and planned duration of the borrowing. For fixed rate advances of up to and including 1 year, interest rates vary from 4.65% to 6.22%. For fixed rate advances of greater than 1 year, interest rates vary from 6.40% to 6.64%. For variable rate advances interest will be incurred at a variable rate which is calculated as the sum of the UBS Variable Rate plus an applicable percentage spread based on the amount drawn. The variable interest rate was 3.95% and 2.85% as of June 30, 2022 and 2021, respectively. The outstanding borrowings under this line of credit were \$391,000 and \$782,000 as of June 30, 2022 and 2021, respectively.



**THE CLARKE SCHOOL FOR THE DEAF**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**10. PAYCHECK PROTECTION PROGRAM:**

In April and May 2020 Clarke received three U.S. Small Business Administration Paycheck Protection Program (“PPP”) Notes totaling \$2,147,407. This amount consisted of a PPP note received by Clarke Schools in the amount of \$1,608,187, payable in monthly installments of \$68,503, a PPP note received by Clarke PA in the amount of \$315,772, payable in monthly installments of \$13,546, and a PPP note received by Clarke FL in the amount of \$223,448, payable in monthly installments of \$9,522. All notes included interest of 1%, commenced after the 24 week covered period (October 2020) plus an additional 10 months after this date, or until after the SBA made a conclusion on loan forgiveness. Repayments were to be made over a two year period. These notes were unsecured. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Subject to certain eligibility and certification requirements under the PPP, some or all of these loans may be forgiven. In April and May 2022, Clarke received notification from the SBA that the entire balance of each loan totaling \$2,147,407 was forgiven. This forgiveness is reported as a gain on extinguishment of debt in the statement of activities during the year ended June 30, 2022.

**11. OPERATING LEASES:**

Clarke leases office space, office equipment and vehicles under operating leases expiring on various dates through October 2027. Total lease expense was \$748,355 and \$738,479 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of future minimum lease payments required under operating leases as of June 30<sup>th</sup>:

2023		\$	471,958
2024			95,794
2025			39,117
2026			39,117
2027			39,117
Thereafter			9,779
Total minimum lease payments		\$	<u>694,882</u>

**12. NET ASSETS:**

Net assets with donor restrictions are summarized as follows at June 30:

		<u>2022</u>		<u>2021</u>
<b>Time/purpose restricted:</b>				
Contributions and grants with purpose restrictions	\$	6,917,598	\$	9,085,766
Remainder interest in split interest agreements		310,173		498,784
Memorial funds		478,169		498,475
Cumulative appreciation on endowment funds		300,733		3,726,935
Due from unrestricted fund (1)		500,000		500,000
		<u>8,506,673</u>		<u>14,309,960</u>
<b>Restricted in perpetuity:</b>				
Endowment funds at historic value		18,521,304		13,232,953
Annuity contracts for endowment (2)		(10,592)		(10,592)
Beneficial interest in trusts held by third parties		3,117,577		3,955,472
		<u>21,628,019</u>		<u>17,177,833</u>
Total with donor restrictions	\$	<u>30,134,692</u>	\$	<u>31,487,793</u>

**THE CLARKE SCHOOL FOR THE DEAF**  
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**AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**12. NET ASSETS: (CONTINUED)**

- (1) In fiscal year 2019, the Board of Trustees approved \$500,000 to be loaned from endowments to the unrestricted fund. Interest is being accrued at 2.76%. The original maturity date of this loan was December 2020 and was extended to December 2022. Amounts remain outstanding without penalty and interest continues to accrue. The due from unrestricted fund is included in the time or purpose donor restricted endowment as of June 30, 2022.
- (2) The negative annuity contracts for endowment represents the effect of adjusting annuities for estimated life expectancy of annuitants.

**13. NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets with donor restrictions released:	
Time and purpose restricted	\$ 2,035,706

**14. RELATED PARTY TRANSACTIONS:**

Several members of the Board of Trustees made contributions during the year. During the years ended June 30, 2022 and 2021, the contributions from these members totaled \$129,690 and \$107,253, respectively. There were no pledge receivable balances from Board members at June 30, 2022 or 2021.

**15. RETIREMENT PLAN:**

Clarke has a defined contribution retirement plan (the "Plan") available to all regular employees. This Plan allows the participants to contribute up to 5% of their annual salary into the Plan, which Clarke matches with an equal payment. Clarke contributed \$275,835 and \$299,004 to the Plan during the years ended June 30, 2022 and 2021, respectively.

**16. CONCENTRATIONS OF RISK:**

Clarke maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Clarke has not experienced any losses on these accounts. Clarke believes it is not exposed to any significant credit risk on cash.

One foundation contributed approximately 66% of Clarke's total contributions, bequests, sponsorships, and grant income for the year ended June 30, 2022. There were no significant concentrations related to contributions, bequests, sponsorships, and grant income for the year ended June 30, 2021. Approximately 88% of Clarke's total contributions and grants receivable are due from two trusts as of June 30, 2022. Approximately 98% of Clarke's total contributions and grants receivable are due from one donor, one foundation, and the state of Massachusetts as of June 30, 2021.

**THE CLARKE SCHOOL FOR THE DEAF**  
**d/b/a CLARKE SCHOOLS FOR HEARING AND SPEECH, CLARKE PENNSYLVANIA, INC.**  
**AND CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**17. LIQUIDITY AND AVAILABILITY OF RESOURCES:**

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

		<u>2022</u>		<u>2021</u>
Cash	\$	2,902,101	\$	2,321,775
Accounts receivable, net		747,934		1,180,432
Contributions receivable, net		88,614		93,956
Total	\$	<u>3,738,649</u>	\$	<u>3,596,163</u>

Clarke manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow Clarke to satisfy its liabilities and other obligations as they become due. Clarke had accumulated appreciation on endowment funds of approximately \$301,000 and \$3,727,000 as of June 30, 2022 and 2021, respectively, which, if deemed necessary, the Board could appropriate. Clarke has a line of credit of \$1,500,000 to assist with operating cash needs, of which \$1,109,000 and \$718,000 was available for use as of June 30, 2022 and 2021, respectively. Additionally, the board designated investments totaling \$772,759 and \$836,249, as of June 30, 2022 and 2021, respectively, are available for general expenditure, if deemed appropriate, in the coming year.

**18. CONTINGENCIES:**

The Organization, on occasion, has litigation arising from the normal course of business. In management's opinion, the outcome of any such litigation would not materially affect the Organization's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome will change in the near term.

**19. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 29, 2022, the date which the consolidated financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>State Grantor/ Pass-through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>State Expenditures</u>
<b>State of Florida Department of Health</b>			
Sertoma Speech and Hearing Foundation of Florida, Inc.	64.150	COHCG	\$ 290,115
<b>State of Florida Department of Education and Commissioner of Education</b>			
Auditory Oral Education Grant	48.150	92J-90785-2Q002	450,000
Auditory Oral Education Grant	48.150	92J-90785-1Q002	27,000
Total CSFA 48.150			<u>477,000</u>
 <b>Total Expenditures of State Project Awards</b>			 <u><u>\$ 767,115</u></u>

**NOTE 1: Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance includes the state of Florida grant activity of Clarke School for Hearing and Speech Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General for the state of Florida. Therefore, since the audited consolidated financial statements include reporting from the Organization's activities in states outside of Florida, amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic consolidated financial statements.

See Independent Auditors' Report



MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
The Clarke School for the Deaf d/b/a Clarke Schools for  
Hearing and Speech, Clarke Pennsylvania, Inc. and  
Clarke School for Hearing and Speech Florida, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Clarke School for the Deaf d/b/a Clarke Schools for Hearing and Speech, Clarke Pennsylvania, Inc. and Clarke School for Hearing and Speech Florida, Inc. ("Clarke"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 29, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clarke's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarke's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clarke's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clarke's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mayes Brothers Holistic, P.C.*

Holyoke, Massachusetts  
October 29, 2022



## MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

### CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.

#### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Trustees of  
The Clarke School for the Deaf d/b/a  
Clarke School for Hearing and Speech Florida, Inc.

#### **Report on Compliance for Each Major State Project**

We have audited Clarke School for Hearing and Speech Florida, Inc.'s compliance with the types of compliance requirements described in the *State of Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on Clarke School for Hearing and Speech Florida, Inc.'s major state projects for the year ended June 30, 2022. Clarke School for Hearing and Speech Florida, Inc.'s major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Clarke School for Hearing and Speech Florida, Inc.'s major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*. Those standards and Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Clarke School for Hearing and Speech Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Clarke School for Hearing and Speech Florida, Inc.'s compliance.



## Opinion on the Major State Program

In our opinion, Clarke School for Hearing and Speech Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2022.

## Report on Internal Control over Compliance

Management of Clarke School for Hearing and Speech Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clarke School for Hearing and Speech Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarke School for Hearing and Speech Florida, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*. Accordingly, this report is not suitable for any other purpose.

*Myers Brothers Holicko, P.C.*

Holyoke, Massachusetts  
October 29, 2022

**CLARKE SCHOOL FOR HEARING AND SPEECH FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**A. Summary of Auditor's Results**  
*Financial Statements:*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? No  
 Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

**State Financial Assistance**

Internal control over major state projects:  
 Material weaknesses identified? No  
 Significant deficiencies identified? None Reported

Type of auditor's opinion issued on compliance for major state projects: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations*? No

The following schedule reflects the major state projects included in the audit:

<b>State Grantor Pass-through Grantor Program Title</b>	<b>State CSFA Number</b>	<b>Expenditures</b>
Auditory Oral Education Grant	48.150	\$ 477,000
Sertoma Speech and Hearing Foundation of Florida, Inc.	64.150	\$ 290,115
Dollar threshold used to distinguish between type A and type B programs		\$ 300,000

**B. Financial Statement Findings** No matters are reportable

**C. Findings and Questioned Costs – Major State Project** No matters are reportable

**D. Other Issues** None

**E. Prior Year Findings** None

**F. Management Letter** - Chapter 10.650, *Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations* Not applicable as no items reported

**G. Corrective Action Plan** Not applicable as no items reported