

MARIAN MIDDLE SCHOOL

FINANCIAL STATEMENTS

June 30, 2015 and 2014

MARIAN MIDDLE SCHOOL

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Independent Auditors' Report

Board of Directors
Marian Middle School

We have audited the accompanying financial statements of Marian Middle School (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 auditors' judgment, including the assessment of the risks and 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 Marian Middle School as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 3, 2015

Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

MARIAN MIDDLE SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 755,276	\$ 358,301
Investments	917,377	1,294,191
Accounts receivable	2,195	1,752
Grants and contributions receivable	193,249	293,250
Prepaid expenses	6,811	8,060
Property and equipment - net	<u>511,115</u>	<u>507,817</u>
Total assets	<u>\$ 2,386,023</u>	<u>\$ 2,463,371</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,123	\$ 6,707
Accrued liabilities	7,300	13,345
Notes payable	<u>42,880</u>	<u>94,041</u>
Total liabilities	56,303	114,093
Net assets		
Unrestricted	1,441,925	1,400,047
Temporarily restricted	<u>887,795</u>	<u>949,231</u>
Total net assets	<u>2,329,720</u>	<u>2,349,278</u>
Total liabilities and net assets	<u>\$ 2,386,023</u>	<u>\$ 2,463,371</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants and contributions	\$ 697,909	\$ 316,435	\$ 1,014,344	\$ 870,410	\$ 274,029	\$ 1,144,439
Fundraising events (net of direct donor benefits of \$58,413 in 2015 and \$77,604 in 2014)	481,693	-	481,693	368,698	-	368,698
Tuition	28,886	-	28,886	32,881	-	32,881
Lunch program	45,111	-	45,111	50,447	-	50,447
Investment income	15,068	-	15,068	16,617	-	16,617
Other	6,990	-	6,990	6,156	-	6,156
	<u>1,275,657</u>	<u>316,435</u>	<u>1,592,092</u>	<u>1,345,209</u>	<u>274,029</u>	<u>1,619,238</u>
Net assets released from restrictions						
Satisfaction of donor restrictions	<u>377,871</u>	<u>(377,871)</u>	<u>-</u>	<u>291,062</u>	<u>(291,062)</u>	<u>-</u>
Total support and revenue	1,653,528	(61,436)	1,592,092	1,636,271	(17,033)	1,619,238
Expenses						
Program services						
Academic	954,283	-	954,283	894,583	-	894,583
Social services	165,546	-	165,546	155,172	-	155,172
Total program services	1,119,829	-	1,119,829	1,049,755	-	1,049,755
Supporting services						
Management and general	230,664	-	230,664	209,869	-	209,869
Fundraising	261,157	-	261,157	181,442	-	181,442
Total supporting services	491,821	-	491,821	391,311	-	391,311
Total expenses	<u>1,611,650</u>	<u>-</u>	<u>1,611,650</u>	<u>1,441,066</u>	<u>-</u>	<u>1,441,066</u>
INCREASE (DECREASE) IN NET ASSETS	41,878	(61,436)	(19,558)	195,205	(17,033)	178,172
Net assets at beginning of year	<u>1,400,047</u>	<u>949,231</u>	<u>2,349,278</u>	<u>1,204,842</u>	<u>966,264</u>	<u>2,171,106</u>
Net assets at end of year	<u>\$ 1,441,925</u>	<u>\$ 887,795</u>	<u>\$ 2,329,720</u>	<u>\$ 1,400,047</u>	<u>\$ 949,231</u>	<u>\$ 2,349,278</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2015</u>	<u>2014</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Change in net assets	\$ (19,558)	\$ 178,172
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	37,205	36,030
Loss on disposal of asset	-	419
Amortization of discount on note payable	706	1,237
Noncash contributions	(121,383)	(54,670)
Realized and unrealized gain (loss) on investments	2,448	(1,399)
(Increase) decrease in assets		
Accounts receivable	(443)	(1,449)
Grants and contributions receivable	100,001	159,250
Prepaid expense	1,249	12,659
Increase (decrease) in liabilities		
Accounts payable	(584)	3,510
Accrued liabilities	(6,045)	(3,878)
Net cash provided by operating activities	(6,404)	329,881
Cash flows from investing activities		
Proceeds from sale of investments	495,748	217,235
Purchase of investments	-	(488,093)
Purchase of property and equipment	(40,502)	(6,872)
Net cash provided by (used in) investing activities	455,246	(277,730)
Cash flows from financing activities		
Payments on note payable	(51,867)	(50,407)
Net increase in cash and cash equivalents	396,975	1,744
Cash and cash equivalents at beginning of year	358,301	356,557
Cash and cash equivalents at end of year	<u>\$ 755,276</u>	<u>\$ 358,301</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 2,107</u>	<u>\$ 3,567</u>
Noncash investing and financing transactions		
Contributions of noncash assets		
Investments in marketable securities	<u>\$ 121,383</u>	<u>\$ 54,670</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ENTITY

Marian Middle School (the School) is a not-for-profit middle school (fifth – eighth grade) for girls of low-income families in St. Louis, Missouri. Contributions and grants represent the School's primary source of revenue.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Net Assets

The School distinguishes between contributions of unrestricted, temporarily restricted and permanently restricted net assets. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as temporarily restricted support. Temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions when the restriction is met. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period are reported as unrestricted support.

Cash and Cash Equivalents

The School considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for the asset or liability. FASB ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the School has the ability to access.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Grants and Contributions Receivable

The School considers all grants and contribution receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are reported at cost if purchased or at fair value as of the date received, if donated. Expenditures which extend the useful lives of the assets are capitalized, while maintenance and repairs are expensed. Depreciation and amortization of property and equipment is provided over their estimated useful lives using the straight-line method. The estimated service lives of assets are as follows:

	<u>Years</u>
Furniture and equipment	3 – 7
Buildings and improvements	40
Vehicles	5

Functional Expenses

The costs of providing program and supporting services are allocated and summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Income Taxes

The School qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3), and accordingly it is exempt from Federal income taxes under Internal Revenue Code Section 501(a) and similar provisions of state law. The School files federal information returns. The statutes of limitations for information returns filed for the tax years ended June 30, 2012 through 2015 have not expired and therefore are subject to examination.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 3 – INVESTMENTS

Investments consist of negotiable certificates of deposit reported at estimated fair value. Estimated fair value is based on the present value of expected future cash flows (Level 2).

The following schedule summarizes the investment return in the Statements of Activities for the years ended June 30,:

	<u>2015</u>	<u>2014</u>
Interest income	\$ 17,516	\$ 15,218
Net realized and unrealized gains (losses)	<u>(2,448)</u>	<u>1,399</u>
	<u>\$ 15,068</u>	<u>\$ 16,617</u>

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are to be collected as follows:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 109,749	\$ 204,750
One to five years	<u>83,500</u>	<u>89,500</u>
	193,249	294,250
Less discount to net present value	<u>-</u>	<u>1,000</u>
	<u>\$ 193,249</u>	<u>\$ 293,250</u>

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 271,982	\$ 231,480
Building and improvements	458,108	458,108
Vehicles	<u>5,000</u>	<u>5,000</u>
	735,090	694,588
Less accumulated depreciation	<u>294,153</u>	<u>256,949</u>
	440,937	437,639
Land	<u>70,178</u>	<u>70,178</u>
	<u><u>\$ 511,115</u></u>	<u><u>\$ 507,817</u></u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30,:

	<u>2015</u>	<u>2014</u>
Time - Promises to give to be collected	\$ 65,000	\$ 86,250
Graduate support	718,540	702,861
Technology	28,429	56,635
Scholarship	52,093	61,123
Kitchen remodel	21,733	21,733
Other	<u>2,000</u>	<u>20,629</u>
	<u><u>\$ 887,795</u></u>	<u><u>\$ 949,231</u></u>

NOTE 7 – TAX DEFERRED ANNUITY PLAN

The School participates in a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees of the School. The School contributed 4% of gross salaries for qualified employees to the plan for the years ended June 30, 2015 and 2014. If they wish, employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions were \$24,527 and \$22,623 for the years ended June 30, 2015 and 2014, respectively.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CONCENTRATION OF CREDIT RISK

The School maintains its cash in accounts at two financial institutions in the St. Louis metropolitan area. At times, the balances in these accounts may exceed federally insured limits. The School has not experienced any losses in cash accounts and believes it is not exposed to any significant credit risk on cash.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the financial statements.

NOTE 9 – NOTES PAYABLE

Notes payable consists of the following at June 30,:

	<u>2015</u>	<u>2014</u>
Sisters of Loretto	\$ 6,991	\$ 16,866
St. Louis City Catholic Church Real Estate Corporation	<u>35,889</u>	<u>77,175</u>
	<u>\$ 42,880</u>	<u>\$ 94,041</u>

The promissory note payable to the Sisters of Loretto, one of the School's sponsoring religious congregations, requires monthly installments of \$898 including interest at 1.5%. The stated interest rate was below the current market rate at the date of the loan; accordingly, when the loan proceeds were advanced, the School recorded contribution revenue and a loan discount using a rate of 7.25%. The loan discount is being amortized over the life of the note and is reported as interest expense in the Statements of Activities. The note matures in 2016.

The School is also obligated under a promissory note payable to St. Louis City Catholic Church Real Estate Corporation, a Missouri non-profit Corporation. The note requires monthly installments of \$3,600 including variable interest not to exceed 8%. The interest rate was 3.25% at June 30, 2015 and 2014. The note is secured by a Deed of Trust on the School real estate. The note matures in 2016.

Interest expense for the years ended June 30, 2015 and 2014 was \$2,813 and \$4,805 and included imputed interest of \$706 and \$1,237 respectively.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RELATED PARTY TRANSACTIONS

A member of the School's Board of Directors is a principal in the investment firm that manages the School's investments.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 3, 2015, the date the financial statements were available to be issued.



Kerber, Eck & Braeckel LLP

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Independent Auditors' Report on Supplementary Information

Board of Directors
Marian Middle School

We have audited the financial statements of Marian Middle School as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated November 3, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 3, 2015

MARIAN MIDDLE SCHOOL

SCHEDULES OF FUNCTIONAL EXPENSES

Year ended June 30, 2015

	Program services			Management and general	Fund- raising	Total expenses
	Academic	Social services	Total			
Salaries and benefits	\$ 468,685	\$ 78,055	\$ 546,740	\$ 187,340	\$ 109,735	\$ 843,815
Supplies	17,155	2,531	19,686	771	1,157	21,614
Telephone	2,153	1,211	3,364	538	808	4,710
Postage and shipping	1,231	692	1,923	308	462	2,693
Occupancy	44,442	26,142	70,584	14,038	13,071	97,693
Printing and publications	579	326	905	145	8,729	9,779
Conferences, conventions and meetings	60	-	60	3,455	1,770	5,285
Interest	1,297	738	2,035	319	459	2,813
Depreciation	17,026	9,592	26,618	4,248	6,339	37,205
Athletic programs	3,540	-	3,540	-	-	3,540
Food program	78,247	-	78,247	-	-	78,247
Dues and subscriptions	-	-	-	3,471	15	3,486
Special events and fundraising	-	-	-	-	22,792	22,792
Graduates support	244,619	-	244,619	-	-	244,619
Insurance	7,796	4,385	12,181	1,949	2,923	17,053
Miscellaneous	5,852	2,094	7,946	8,870	6,612	23,428
Outside services	3,249	1,828	5,077	812	1,218	7,107
Recruiting	3,188	-	3,188	1,152	-	4,340
Technology	15,937	-	15,937	45	11,622	27,604
Student transportation	213	53	266	-	-	266
Board and volunteer	-	-	-	-	822	822
Meeting	-	-	-	1,482	2,061	3,543
Professional services	6,886	31,899	38,785	1,721	70,562	111,068
Academic Saturdays and field trips	9,536	-	9,536	-	-	9,536
Service volunteers	15,280	-	15,280	-	-	15,280
Culinary program	-	6,000	6,000	-	-	6,000
Counseling	7,272	-	7,272	-	-	7,272
Summer programs	40	-	40	-	-	40
	<u>\$ 954,283</u>	<u>\$ 165,546</u>	<u>\$ 1,119,829</u>	<u>\$ 230,664</u>	<u>\$ 261,157</u>	<u>\$ 1,611,650</u>

MARIAN MIDDLE SCHOOL

SCHEDULES OF FUNCTIONAL EXPENSES

Year ended June 30, 2014

	Program services			Management and general	Fund- raising	Total expenses
	Academic	Social services	Total			
Salaries and benefits	\$ 436,677	\$ 67,619	\$ 504,296	\$ 171,949	\$ 108,875	\$ 785,120
Supplies	21,236	9,449	30,685	701	1,051	32,437
Telephone	2,286	1,210	3,496	538	807	4,841
Postage and shipping	1,052	557	1,609	248	371	2,228
Occupancy	53,140	28,133	81,273	12,503	18,755	112,531
Printing and publications	853	452	1,305	201	5,120	6,626
Conferences, conventions and meetings	-	-	-	915	262	1,177
Interest	2,269	1,201	3,470	534	801	4,805
Depreciation	17,014	9,008	26,022	4,003	6,005	36,030
Athletic programs	3,180	-	3,180	-	-	3,180
Food program	62,310	-	62,310	-	-	62,310
Dues and subscriptions	-	-	-	493	274	767
Special events and fundraising	-	-	-	-	6,335	6,335
Graduates support	214,397	-	214,397	-	-	214,397
Insurance	7,735	4,095	11,830	1,820	2,730	16,380
Miscellaneous	3,145	491	3,636	9,046	743	13,425
Outside services	2,965	1,570	4,535	698	1,047	6,280
Recruiting	827	-	827	618	-	1,445
Technology	9,245	-	9,245	-	4,240	13,485
Student transportation	1,211	265	1,476	-	-	1,476
Board and volunteer	-	-	-	-	558	558
Meeting	-	-	-	2,068	4,502	6,570
Professional services	15,021	19,527	34,548	3,534	18,966	57,048
Academic Saturdays and field trips	9,871	5,543	15,414	-	-	15,414
Service volunteers	18,058	-	18,058	-	-	18,058
Culinary program	-	6,052	6,052	-	-	6,052
Counseling	11,715	-	11,715	-	-	11,715
Summer programs	376	-	376	-	-	376
	<u>\$ 894,583</u>	<u>\$ 155,172</u>	<u>\$ 1,049,755</u>	<u>\$ 209,869</u>	<u>\$ 181,442</u>	<u>\$ 1,441,066</u>