

**MARIAN MIDDLE SCHOOL AND AFFILIATE**  
**FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

# MARIAN MIDDLE SCHOOL AND AFFILIATE

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## **Independent Auditors' Report**

Board of Directors  
Marian Middle School

We have audited the accompanying consolidated financial statements of Marian Middle School (a Missouri corporation, not-for-profit) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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; 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marian Middle School and affiliate as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Kirby, Eck & Braedel LLP*

St. Louis, Missouri  
November 12, 2020

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 935,262	\$ 1,173,322
Investments, including working capital reserve	2,050,564	976,630
Grants and contributions receivable - net	188,856	248,708
Prepaid expenses	3,948	17,221
Property and equipment - net	2,585,673	1,155,821
Restricted cash and cash equivalents		
Capital improvements and other costs under New Market Tax Credit Financing Agreement	1,178,810	-
Transforming Lives, Building for our Future Campaign	561,731	1,290,651
Contributions receivable restricted for the Transforming Lives, Building for our Future Campaign - net	1,286,436	1,586,577
Note receivable	3,419,337	-
Total assets	<u>\$ 12,210,617</u>	<u>\$ 6,448,930</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 55,023	\$ 103,509
Accrued liabilities	31,741	25,941
Payroll Protection Program loan	205,384	-
Long-term debt, net	4,995,912	257,407
Total liabilities	5,288,060	386,857
Net assets		
Without donor restrictions	4,339,306	2,764,149
With donor restrictions	2,583,251	3,297,924
Total net assets	<u>6,922,557</u>	<u>6,062,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,210,617</u>	<u>\$ 6,448,930</u>

See notes to financial statements.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Grants and contributions						
Transforming Lives, Building for our Future Capital Campaign	\$ 363,653	\$ 246,581	\$ 610,234	\$ 185,500	\$ 2,737,487	\$ 2,922,987
Other	1,243,371	230,371	1,473,742	1,007,617	299,165	1,306,782
Fundraising events (net of direct donor benefits of \$10,071 in 2020 and \$52,982 in 2019)	549,445	-	549,445	488,485	-	488,485
Tuition	26,633	-	26,633	32,437	-	32,437
Lunch program	38,557	-	38,557	48,412	-	48,412
Net investment income	90,403	-	90,403	76,642	-	76,642
Gain (loss) on uncollectible grants and contributions receivable	-	42,083	42,083	-	(85,834)	(85,834)
Other	21,361	-	21,361	2,474	-	2,474
	<u>2,333,423</u>	<u>519,035</u>	<u>2,852,458</u>	<u>1,841,567</u>	<u>2,950,818</u>	<u>4,792,385</u>
Net assets released from restrictions	<u>1,233,708</u>	<u>(1,233,708)</u>	<u>-</u>	<u>268,391</u>	<u>(268,391)</u>	<u>-</u>
Total support and revenue	3,567,131	(714,673)	2,852,458	2,109,958	2,682,427	4,792,385
Expenses						
Program services						
Academic	857,674	-	857,674	771,410	-	771,410
Social services	134,678	-	134,678	154,885	-	154,885
Graduate support	378,345	-	378,345	375,649	-	375,649
Total program services	<u>1,370,697</u>	<u>-</u>	<u>1,370,697</u>	<u>1,301,944</u>	<u>-</u>	<u>1,301,944</u>
Supporting services						
Management and general	217,136	-	217,136	142,761	-	142,761
Fundraising	<u>404,141</u>	<u>-</u>	<u>404,141</u>	<u>393,387</u>	<u>-</u>	<u>393,387</u>
Total expenses	<u>1,991,974</u>	<u>-</u>	<u>1,991,974</u>	<u>1,838,092</u>	<u>-</u>	<u>1,838,092</u>
INCREASE (DECREASE) IN NET ASSETS	1,575,157	(714,673)	860,484	271,866	2,682,427	2,954,293
Net assets at beginning of year	<u>2,764,149</u>	<u>3,297,924</u>	<u>6,062,073</u>	<u>2,492,283</u>	<u>615,497</u>	<u>3,107,780</u>
Net assets at end of year	<u>\$ 4,339,306</u>	<u>\$ 2,583,251</u>	<u>\$ 6,922,557</u>	<u>\$ 2,764,149</u>	<u>\$ 3,297,924</u>	<u>\$ 6,062,073</u>

See notes to financial statements.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Years ended June 30, 2020

	Program services				Management and general	Fundraising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 579,836	\$ 89,994	\$ 98,361	\$ 768,191	\$ 78,128	\$ 241,648	\$ 1,087,967
Supplies	16,939	2,495	239	19,673	180	180	20,033
Telephone	2,758	581	581	3,920	436	436	4,792
Postage and shipping	1,556	328	328	2,212	245	245	2,702
Occupancy	46,207	9,728	9,728	65,663	15,720	7,296	88,679
Printing and publications	614	129	129	872	97	5,225	6,194
Conferences, conventions and meetings	2,655	-	-	2,655	2,667	1,389	6,711
Depreciation	46,073	9,700	9,700	65,473	7,275	7,275	80,023
Interest	60,622	12,763	12,763	86,148	9,572	9,572	105,292
Athletic programs	-	1,817	-	1,817	-	-	1,817
Food program	53,178	-	-	53,178	-	-	53,178
Dues and subscriptions	-	-	-	-	269	-	269
Special events and fundraising	-	-	-	-	-	26,966	26,966
Graduates support	-	-	242,808	242,808	-	-	242,808
Insurance	17,612	3,708	3,708	25,028	2,781	2,781	30,590
Miscellaneous	6,680	-	-	6,680	10,121	2,729	19,530
Recruiting	39	-	-	39	934	-	973
Technology	7,827	-	-	7,827	1,542	12,709	22,078
Student transportation	209	27	-	236	-	-	236
Board and volunteer	2,533	-	-	2,533	-	448	2,981
Professional services	-	-	-	-	87,169	95,313	182,482
Academic Saturdays and field trips	1,326	1,116	-	2,442	-	-	2,442
Culinary program	-	2,292	-	2,292	-	-	2,292
Counseling	11,010	-	-	11,010	-	-	11,010
	<u>857,674</u>	<u>134,678</u>	<u>378,345</u>	<u>1,370,697</u>	<u>217,136</u>	<u>414,212</u>	<u>2,002,045</u>
Less expenses included with revenues in the statement of activities							
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,071)</u>	<u>(10,071)</u>
Total expenses included in the expense section in the statement of activities	<u>\$ 857,674</u>	<u>\$ 134,678</u>	<u>\$ 378,345</u>	<u>\$ 1,370,697</u>	<u>\$ 217,136</u>	<u>\$ 404,141</u>	<u>\$ 1,991,974</u>

See notes to financial statements.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Years ended June 30, 2019

	Program services				Management and general	Fundraising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 545,232	\$ 107,529	\$ 104,805	\$ 757,566	\$ 67,355	\$ 227,811	\$ 1,052,732
Supplies	22,355	6,261	1,420	30,036	853	1,420	32,309
Telephone	3,014	861	718	4,593	430	718	5,741
Postage and shipping	1,319	377	314	2,010	189	314	2,513
Occupancy	50,164	14,333	11,944	76,441	10,907	11,944	99,292
Printing and publications	429	123	102	654	62	8,154	8,870
Conferences, conventions and meetings	1,342	-	-	1,342	4,738	1,450	7,530
Depreciation	34,132	9,752	8,127	52,011	4,878	8,127	65,016
Interest	-	-	-	-	4,859	-	4,859
Athletic programs	-	2,167	-	2,167	-	-	2,167
Food program	65,977	-	-	65,977	-	-	65,977
Dues and subscriptions	-	-	-	-	1,757	50	1,807
Special events and fundraising	-	-	-	-	-	71,684	71,684
Graduates support	-	-	245,380	245,380	-	-	245,380
Insurance	11,924	3,407	2,839	18,170	1,703	2,839	22,712
Miscellaneous	4,997	217	-	5,214	11,850	327	17,391
Recruiting	362	-	-	362	869	-	1,231
Technology	14,570	-	-	14,570	-	12,645	27,215
Student transportation	706	78	-	784	-	-	784
Board and volunteer	3,800	-	-	3,800	-	313	4,113
Meetings	-	-	-	-	876	1,666	2,542
Professional services	-	-	-	-	31,435	96,907	128,342
Academic Saturdays and field trips	2,028	7,199	-	9,227	-	-	9,227
Culinary program	-	2,581	-	2,581	-	-	2,581
Counseling	9,059	-	-	9,059	-	-	9,059
	<u>771,410</u>	<u>154,885</u>	<u>375,649</u>	<u>1,301,944</u>	<u>142,761</u>	<u>446,369</u>	<u>1,891,074</u>
Less expenses included with revenues in the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(52,982)	(52,982)
Total expenses included in the expense section in the statement of activities	<u>\$ 771,410</u>	<u>\$ 154,885</u>	<u>\$ 375,649</u>	<u>\$ 1,301,944</u>	<u>\$ 142,761</u>	<u>\$ 393,387</u>	<u>\$ 1,838,092</u>

See notes to financial statements.



# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Increase in cash and cash equivalents		
Cash flows from operating activities		
Change in net assets	\$ 860,484	\$ 2,954,293
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	96,004	65,016
Realized and unrealized gain on investments	(44,915)	(52,811)
Loss on disposal of fixed asset	200	-
Discount on below market rate loans	(217,925)	(42,593)
Contributions restricted for capital improvements and graduate support endowment	(366,848)	(2,010,892)
(Increase) decrease in assets		
Grants and contributions receivable - net	59,852	(20,767)
Prepaid expense	13,273	(9,059)
Increase (decrease) in liabilities		
Accounts payable	(97,400)	(15,388)
Accrued liabilities	5,800	12,499
Net cash provided by operating activities	308,525	880,298
Cash flows from investing activities		
Proceeds from sale of investments	111,698	454,616
Purchase of investments	(1,140,717)	(849,362)
Purchase of property and equipment	(1,461,161)	(82,375)
Net cash used in investing activities	(2,490,180)	(477,121)
Cash flows from financing activities		
Issuance of note receivable	(3,419,337)	-
Proceeds from the issuance of long-term debt	6,170,000	300,000
Proceeds from Paycheck Protection Program loan	205,384	-
Payments on long-term debt	(590,324)	-
Debt issuance costs	(639,227)	-
Contributions restricted for capital improvements and graduate support endowment	666,989	710,978
Net cash provided by financing activities	2,393,485	1,010,978
NET INCREASE IN CASH AND CASH EQUIVALENTS	211,830	1,414,155
Cash and cash equivalents at beginning of year	2,463,973	1,049,818
Cash and cash equivalents at end of year	\$ 2,675,803	\$ 2,463,973
Supplemental disclosures		
Noncash investing and financing activities:		
Accounts payable for property and equipment	\$ 48,914	\$ 103,125
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 935,262	\$ 1,173,322
Restricted cash and cash equivalents		
Capital improvements and other costs under New Market Tax Credit Financing Agreement	1,178,810	-
Transforming Lives, Building for our Future Campaign	561,731	1,290,651
	\$ 2,675,803	\$ 2,463,973

See notes to financial statements.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### 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.

In September 2019, the School created a supporting organization, Marian Middle School Supporting Organization (the "Supporting Organization") to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. As a result, the School has invested \$3,419,337 and was able to secure two 30-year loans in the amounts of \$3,419,337 and \$1,380,663 for a total of \$4,800,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of making improvements to the School including a new HVAC system and windows, improvements to the enrichment building, and fund a long-term working capital reserve to support the financial stability of the School.

The consolidated financial statements include Marian Middle School and its affiliate, Marian Middle School Supporting Organization. The Supporting Organization is consolidated since the School has both an economic interest in the Supporting Organization and control of the Supporting Organization through a majority voting interest in its governing board. All material intercompany accounts and transactions have been eliminated.

### NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

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

#### **Cash and Cash Equivalents**

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

#### **Investments and Investment Return**

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.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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- 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.
- 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.

Net investment income is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

### Grants and Contributions Receivable

The School provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of existing receivables.

### Property and Equipment

Property and equipment are reported at cost if purchased or at fair value as of the date received, if donated. Expenditures in excess of \$5,000 and 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	7 – 40
Vehicles	5

### Net Assets

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

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

*Net assets with donor restrictions* – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

### **Revenue and Revenue Recognition**

The School has analyzed the provisions of the Financial Accounting Standards Board (FASB) ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard.

Contributions and grants are recognized when cash, securities or other assets or an unconditional promise to give is received.

### **Functional Allocation of Expenses**

The costs of providing program and supporting services have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited as disclosed in Note 16.

### **Income Taxes**

The School and Supporting Organization qualify as charitable organizations as defined by Internal Revenue Code 501(c)(3), and accordingly they are exempt from Federal income taxes under Internal Revenue Code Section 501(a) and similar provisions of state law. The School and Supporting Organization file federal information returns. The information returns are generally subject to examination by the Internal Revenue Service for a period of three years from the date they are to be filed.

### **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.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### Reclassifications

Certain reclassifications were made to the 2019 financial statements to conform to the 2020 presentation.

### Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 12, 2020, the date the financial statements were available to be issued.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents financial assets as of the financial position date, reduced by amounts not available for general use within one year of the financial position date because of contractual or donor-imposed restrictions. Amounts not available include a donor-restricted endowment.

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 935,262	\$ 1,173,322
Investments	2,050,564	976,630
Grants and contributions receivable - net	188,856	248,708
Restricted cash and cash equivalents		
Capital improvements and other costs under New Market Tax Credit Financing Agreement	1,178,810	-
Transforming Lives, Building for our Future Campaign	561,731	1,290,651
Contributions receivable restricted for the Transforming Lives, Building for our Future Campaign - net	1,286,436	1,586,577
Note receivable	3,419,337	-
Total financial assets	9,620,996	5,275,888
Cash and cash equivalents restricted for capital improvements and other costs under New Market Tax Credit Financing Agreement	(1,178,810)	-
Donor-imposed restrictions for the Transforming Lives, Building for our Future Campaign	(1,848,167)	(2,669,670)
Notes receivable to be collected in more than one year	(3,419,337)	-
Other donor restrictions	(735,084)	(628,254)
	<u>\$ 2,439,598</u>	<u>\$ 1,977,964</u>

As part of the School's liquidity management plan, the School maintains an operating reserve to fund general operating expenses. The balance of the working capital reserve was \$1,200,000 as of June 30, 2020 which is reported in the Statements of Financial Position as cash and cash equivalents and investments without restrictions.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 – FAIR VALUE MEASUREMENT

The following is a description of the valuation methodologies used by the School to measure assets at estimated fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

When available, the School uses quoted market prices to determine the fair value of assets. Investments in U.S. Treasury Notes, mutual funds and exchange-traded products are valued based on the quoted market price of the investment on their respective exchange. These investments are Level 1.

Investments in money market funds are based on an amortized cost valuation method designed to maintain a net asset value of one dollar per share which approximates fair value. These investments are included in Level 2.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A summary of assets at June 30, 2020 measured at fair value on a recurring basis were as follows:

	<u>Fair value measurement</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents				
Money market funds	\$ 522,517	\$ -	\$ 522,517	\$ -
Investments				
U.S. Treasury Notes	991,579	991,579	-	-
Mutual funds	718,222	718,222	-	-
Exchange-traded products	<u>340,763</u>	<u>340,763</u>	<u>-</u>	<u>-</u>
Total investments	<u>2,050,564</u>	<u>2,050,564</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,573,081</u>	<u>\$ 2,050,564</u>	<u>\$ 522,517</u>	<u>\$ -</u>

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

A summary of assets at June 30, 2019 measured at fair value on a recurring basis were as follows:

	<u>Fair value measurement</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents				
Money market funds	\$ 289,618	\$ -	\$ 289,618	\$ -
Investments				
Mutual funds	754,288	754,288	-	-
Exchange-traded products	<u>222,342</u>	<u>222,342</u>	<u>-</u>	<u>-</u>
Total investments	<u>976,630</u>	<u>976,630</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,266,248</u>	<u>\$ 976,630</u>	<u>\$ 289,618</u>	<u>\$ -</u>

### NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of pledges related to annual giving, Graduate Support Program, and Transforming Lives, Building for our Future capital campaign. Balances at June 30, are as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 590,930	\$ 815,220
Due in one to five years	893,029	1,103,511
Due in more than five years	<u>50,000</u>	<u>50,000</u>
	1,533,959	1,968,731
Less discount to present value	(31,616)	(47,612)
Less allowance for uncollectible grants and contributions receivable	<u>(27,051)</u>	<u>(85,834)</u>
	<u>\$ 1,475,292</u>	<u>\$ 1,835,285</u>

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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The following schedule summarizes the presentation of grants and contributions receivable on the Statements of Financial Position at June,:

	<u>2020</u>	<u>2019</u>
Grants and contributions receivable - net	\$ 188,856	\$ 248,708
Contributions receivable restricted for the Transforming Lives, Building for our Future Capital Campaign - net	<u>1,286,436</u>	<u>1,586,577</u>
	<u>\$ 1,475,292</u>	<u>\$ 1,835,285</u>

### NOTE 6 – NOTE RECEIVABLE

Marian Middle School Supporting Organization funded a loan of \$3,419,337 to Twain Financial Partners, LLC (Twain), who then loaned the proceeds to St. Louis New Markets Tax Credit Fund 54, LLC who then loaned the funds to Marian Middle School. The note matures September 11, 2049. Twain will make interest only payments to Marian Middle School Supporting Organization over six years at 1.0% and the loan will then amortize over the remaining term with Twain scheduled to repay the full amount of the loan to Marian Middle School Supporting Organization over the subsequent 24 years.

### NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 513,154	\$ 448,629
Building and improvements	1,661,186	949,186
Vehicles	<u>5,000</u>	<u>5,000</u>
	2,179,340	1,402,815
Less accumulated depreciation	<u>580,895</u>	<u>502,672</u>
	1,598,445	900,143
Construction in progress	917,050	185,500
Land	<u>70,178</u>	<u>70,178</u>
	<u>\$ 2,585,673</u>	<u>\$ 1,155,821</u>



# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 – PAYROLL PROTECTION PROGRAM LOAN

On April 20, 2020, the School was granted a loan from Great Southern Bank in the aggregate amount of \$205,384, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which is in the form of a note dated April 20, 2020 entered into by the School, matures on April 20, 2022 and bears interest at a rate of 1.00% per annum. Funds from the loan may only be used for payroll costs, payments of interest on any covered mortgage obligation, and payments on any covered rent obligations or utility payments incurred during the twenty-four week period commencing on the date of the first disbursement of the loan. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The School intends to use the entire loan amount for qualifying expenses. The note is payable monthly beginning on the date the Small Business Association remits the loan forgiveness amount to Great Southern Bank, or if the School were not to apply for forgiveness, ten months after the end of the loan forgiveness covered period. The note may be prepaid by the School at any time prior to maturity with no prepayment penalties.

### NOTE 9 – LONG-TERM DEBT

Long-term debt consists of the following at June 30,:

	2020	2019
Construction Loan		
St. Mary's Institute of O'Fallon	\$ 300,000	\$ 300,000
Loretto Literary and Benevolent Institution	300,000	-
School Sisters of Notre Dame Central Pacific Province	300,000	-
Great Southern Bank Senior Loan	179,676	-
St. Louis New Markets Tax Credit Fund 54, LLC		
Note A	3,419,337	-
Note B	1,380,663	-
	<u>5,879,676</u>	<u>300,000</u>
Less unamortized imputed interest on below market rate loan	(260,518)	(42,593)
Less unamortized debt issuance costs	<u>(623,246)</u>	<u>-</u>
	<u>\$ 4,995,912</u>	<u>\$ 257,407</u>

In March 2019, the School obtained a \$300,000 note from St. Mary’s Institute of O’Fallon. Interest is paid annually on the anniversary date of the note at an interest rate of 1%. The note was amended on September 10, 2019 to extend the term of the note through March 31, 2029. At this time, the entire unpaid principal balance on the note is due. 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

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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recorded contribution revenue and a loan discount using a rate of 5.75%. The loan discount is being amortized over the life of the note and is reported as interest expense in the statements of activities. In September 2019, the School obtained a \$300,000 note from Loretto Literary and Benevolent Institution. Interest is paid annually on the anniversary date of the note at an interest rate of 1%. Beginning December 31, 2020, the note requires annual principal payments as listed in the promissory note agreement. The loan matures on December 31, 2024 at which time the remaining unpaid principal and interest is due. 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 5.25%. The loan discount is being amortized over the life of the note and is reported as interest expense in the Statements of Activities.

In September 2019, the School obtained a \$300,000 note from School Sisters of Notre Dame Central Pacific Province. Interest is paid annually on the anniversary date of the note at an interest rate of 1%. The note matures on December 31, 2029, at which time, the entire unpaid principal balance on the note is due. 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 5.25%. The loan discount is being amortized over the life of the note and is reported as interest expense in the Statements of Activities.

In September 2019, the School obtained a loan from Great Southern Bank in the amount of \$770,000. The loan requires quarterly interest only payments at a rate of 5.50% through September 11, 2024. The loan matures on September 12, 2024, at which time the remaining unpaid principal and interest is due. The loan is secured by the note receivable of Marian Middle School Supporting Organization and the capital campaign funds of the School. The loan may be prepaid by the School at any time prior to maturity with no prepayment penalties.

In September 2019, the School obtained two loans from St. Louis New Markets Tax Credit Fund 54, LLC consisting of Note A in the amount of \$3,419,337 and Note B in the amount of \$1,380,663 for a total of \$4,800,000. The notes require quarterly interest only payments until September 30, 2025 at 1.083%. Commencing October 1, 2025 through the maturity date, quarterly principal and interest payments in the amount of \$40,557 for Note A and \$16,376 for Note B are due. The loan matures in September 2049. The loan is secured by a Deed of Trust on the School property. The loans may not be prepaid in whole or in part at any time prior to the expiration of the New Market Tax Credit Recapture Period, which began on the issuance date of the loans and ends on the seventh anniversary date of the loans.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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Aggregate maturities of long-term debt for the year ending June, are as follows:

Year ended June 30,	
2021	\$ 6,859
2022	98,278
2023	96,612
2024	75,998
2025	201,929
Thereafter	<u>5,400,000</u>
	<u>\$ 5,879,676</u>

Interest costs of \$15,213 were capitalized as part of the cost of assets acquired during 2020. Imputed interest expense for the year ended June 30, 2020 and 2019 was \$28,692 and \$4,859, respectively.

### NOTE 10 – TRANSFORMING LIVES, BUILDING FOR OUR FUTURE CAMPAIGN

During the year ended June 30, 2018, Marian initiated the Transforming Lives, Building for our Future campaign. The fundraising goal of the campaign is \$5 million. Campaign donors may restrict their contribution to capital improvements, an endowment for the graduate support program or for any other donor specified purpose. If the donor did not specify their preference for use, the contribution will be used for either capital improvements or the graduate support endowment at the discretion of the School's Board of Directors. Campaign contributions received were \$610,234 and \$2,922,987 and campaign expenses totaled \$1,473,798 and \$55,945 for the years ended June 30, 2020 and 2019, respectively.

### NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 588,618	\$ 539,217
Subject to expenditure for specified purpose		
Graduate support	130,516	-
Cultural Competency	6,750	-
STEM	-	89,037
Technology	9,200	-
Transforming Lives, Building for Our Future Campaign - capital improvements and graduate support	1,779,789	1,935,756
Transforming Lives, Building for Our Future Campaign - capital improvements	-	667,138
Subject to endowment spending and appropriation		
Transforming Lives, Building for Our Future Campaign - Graduate support	<u>68,378</u>	<u>66,776</u>
	<u>\$ 2,583,251</u>	<u>\$ 3,297,924</u>

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30,:

	2020	2019
Expiration of time restrictions	\$ 29,300	\$ 104,650
Satisfaction of purpose restrictions		
Girls' Night Out	-	17,225
Graduate support	-	56,786
STEM	94,263	33,785
Transforming Lives, Building for Our Future Campaign	1,110,145	55,945
	<u>\$ 1,233,708</u>	<u>\$ 268,391</u>

### NOTE 12 – ENDOWMENT

The School's endowment consists of donor-restricted funds to support the Graduate Support Program.

The Board of Directors of the School has interpreted Missouri's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts donated to the perpetual endowment and (c) accumulations of the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not retained in perpetuity is appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with the UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### Investment Objective

The purpose of the endowment fund is to support the long term financial stability of the School and specifically, the Graduate Support Program, maintain a balance of high-quality diversified investments to minimize risk and maximize returns.

### Spending Policy

In order to preserve the corpus of the endowment over the long term, the School shall decide annually whether or not to withdraw any portion of the investment income, including capital appreciation, of the endowment fund. Any annual distribution cannot exceed 5% of the balance of the endowment fund.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 68,378</u>	<u>\$ 68,378</u>

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 66,776</u>	<u>\$ 66,776</u>

During the years ended June 30, 2020 and 2019, the School's endowment had the following activity:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Endowment net assets, June 30, 2018	\$ -	\$ 5,100	\$ 5,100
Contributions	-	61,676	61,676
Endowment net assets, June 30, 2019	-	66,776	66,776
Contributions	-	1,602	1,602
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 68,378</u>	<u>\$ 68,378</u>

# **MARIAN MIDDLE SCHOOL AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 13 – 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, 2020 and 2019. If they wish, employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions were \$30,888 and \$27,696 for the years ended June 30, 2020 and 2019, respectively.

### **NOTE 14 – CONCENTRATION OF CREDIT RISK**

The School maintains its cash at two different financial institutions. At times, the balance in the 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 15 – COMMITMENTS AND CONTINGENCIES**

In 2019, the School executed construction contracts totaling \$2,341,589 for certain building improvements related to the Transforming Lives, Building for our Future Capital Campaign. As of June 30, 2020, the School was billed \$1,555,483 for construction costs incurred to date. This amount is reported as building improvements and construction in progress in the Statement of Financial Position.

The NMTC financing includes certain compliance requirements, which if not met during the seven-year compliance period, require recapture of the tax credits.

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. The World Health Organization has declared the COVID-19 outbreak to constitute a “Public Health Emergency of International Concern.” The extent of the impact of COVID-19 on the School’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be determined at this time.

# **MARIAN MIDDLE SCHOOL AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 16 – FUNCTIONAL ALLOCATION OF EXPENSES**

Certain categories of expenses that are attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy costs, supplies, postage and telephone which are allocated on the basis of estimated time and effort.

# MARIAN MIDDLE SCHOOL AND AFFILIATE

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Consolidating Information					
	Marian Middle School					
	Marian Middle School	POB	Total	Marian Middle School Supporting Organization	Consolidating Entries	Consolidated Total
ASSETS						
Cash and cash equivalents	\$ 916,488	\$ -	\$ 916,488	\$ 18,774	\$ -	\$ 935,262
Investments, including working capital reserve	2,050,564	-	2,050,564	-	-	2,050,564
Grants and contributions receivable - net	188,856	-	188,856	-	-	188,856
Prepaid expenses	3,948	-	3,948	-	-	3,948
Property and equipment - net	983,558	1,602,115	2,585,673	-	-	2,585,673
Restricted cash and cash equivalents						
Capital improvements and other costs under New Market Tax Credit Financing Agreement	-	1,178,810	1,178,810	-	-	1,178,810
Transforming Lives, Building for our Future Campaign	561,731	-	561,731	-	-	561,731
Contributions receivable restricted for the Transforming Lives, Building for our Future Campaign - net	1,286,436	-	1,286,436	-	-	1,286,436
Note receivable	-	-	-	3,419,337	-	3,419,337
Total assets	<u>\$ 5,991,581</u>	<u>\$ 2,780,925</u>	<u>\$ 8,772,506</u>	<u>\$ 3,438,111</u>	<u>\$ -</u>	<u>\$ 12,210,617</u>
LIABILITIES AND NET ASSETS						
Accounts payable	\$ 6,109	\$ 48,914	\$ 55,023	\$ -	\$ -	\$ 55,023
Accrued liabilities	18,745	12,996	31,741	-	-	31,741
Payroll Protection Program loan	205,384	-	205,384	-	-	205,384
Long-term debt, net	819,158	4,176,754	4,995,912	-	-	4,995,912
Total liabilities	1,049,396	4,238,664	5,288,060	-	-	5,288,060
Net assets						
Without donor restrictions	2,358,934	(1,457,739)	901,195	3,438,111	-	4,339,306
With donor restrictions	2,583,251	-	2,583,251	-	-	2,583,251
Total net assets	<u>4,942,185</u>	<u>(1,457,739)</u>	<u>3,484,446</u>	<u>3,438,111</u>	<u>-</u>	<u>6,922,557</u>
Total liabilities and net assets	<u>\$ 5,991,581</u>	<u>\$ 2,780,925</u>	<u>\$ 8,772,506</u>	<u>\$ 3,438,111</u>	<u>\$ -</u>	<u>\$ 12,210,617</u>



**MARIAN MIDDLE SCHOOL AND AFFILIATE**
**CONSOLIDATING STATEMENT OF ACTIVITIES**
**Year ended June 30, 2020**

	Consolidating information									
	Marian Middle School					Marian Middle School Supporting Organization	Consolidated			
	Marian Middle School without donor restrictions	Marian Middle School with donor restrictions	Marian Middle School total	POB without donor restrictions	Total	Without donor restrictions	Consolidating entries without donor restrictions	Without donor restrictions	With donor restrictions	Total
Support and revenue										
Grants and contributions										
Transforming Lives, Building for our Future Capital Campaign	\$ 363,653	\$ 246,581	\$ 610,234	\$ -	\$ 610,234	\$ -	\$ -	\$ 363,653	\$ 246,581	\$ 610,234
Other	2,443,371	230,371	2,673,742	-	2,673,742	3,419,337	(4,619,337)	1,243,371	230,371	1,473,742
Fundraising events (net of direct donor benefits of \$10,071)	549,445	-	549,445	-	549,445	-	-	549,445	-	549,445
Tuition	26,633	-	26,633	-	26,633	-	-	26,633	-	26,633
Lunch program	38,557	-	38,557	-	38,557	-	-	38,557	-	38,557
Net investment income	90,403	-	90,403	-	90,403	-	-	90,403	-	90,403
Gain on uncollectible grants and contributions receivable	-	42,083	42,083	-	42,083	-	-	-	42,083	42,083
Other	2,555	-	2,555	-	2,555	18,806	-	21,361	-	21,361
	3,514,617	519,035	4,033,652	-	4,033,652	3,438,143	(4,619,337)	2,333,423	519,035	2,852,458
Net assets released from restrictions	1,233,708	(1,233,708)	-	-	-	-	-	1,233,708	(1,233,708)	-
Total other support and revenue	4,748,325	(714,673)	4,033,652	-	4,033,652	3,438,143	(4,619,337)	3,567,131	(714,673)	2,852,458
Expenses										
Program services										
Academic	818,241	-	818,241	39,433	857,674	-	-	857,674	-	857,674
Social services	126,519	-	126,519	8,159	134,678	-	-	134,678	-	134,678
Graduate support	370,186	-	370,186	8,159	378,345	-	-	378,345	-	378,345
Total program services	1,314,946	-	1,314,946	55,751	1,370,697	-	-	1,370,697	-	1,370,697
Management and general	113,924	-	113,924	103,180	217,104	32	-	217,136	-	217,136
Fundraising	305,333	-	305,333	98,808	404,141	-	-	404,141	-	404,141
Unallocated payments to affiliated organizations	3,419,337	-	3,419,337	1,200,000	4,619,337	-	(4,619,337)	-	-	-
Total expenses	5,153,540	-	5,153,540	1,457,739	6,611,279	32	(4,619,337)	1,991,974	-	1,991,974
INCREASE (DECREASE) IN NET ASSETS	(405,215)	(714,673)	(1,119,888)	(1,457,739)	(2,577,627)	3,438,111	-	1,575,157	(714,673)	860,484
Net assets at beginning of year	2,764,149	3,297,924	6,062,073	-	6,062,073	-	-	2,764,149	3,297,924	6,062,073
Net assets at end of year	\$ 2,358,934	\$ 2,583,251	\$ 4,942,185	\$ (1,457,739)	\$ 3,484,446	\$ 3,438,111	\$ -	\$ 4,339,306	\$ 2,583,251	\$ 6,922,557