



FINANCIAL STATEMENTS

June 30, 2023 and 2022

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## Independent Auditors' Report

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Board of Directors  
Marian Middle School

### Opinion

We have audited the consolidated financial statements of Marian Middle School and affiliate, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Marian Middle School and affiliate as of June 30, 2023 and 2022, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marian Middle School and affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marian Middle School and affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 GAAS 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 GAAS, 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 Marian Middle School and affiliate'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 Marian Middle School and affiliate'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 supplementary consolidating information 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.

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
November 9, 2023

**Marian Middle School and Affiliate**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,599,718	\$ 3,283,784
Investments, including working capital reserve	2,984,746	1,609,599
Grants and contributions receivable - net	632,586	302,099
Prepaid expenses	11,851	12,059
Property and equipment - net	3,161,413	3,313,124
Cash and cash equivalents whose use is limited		
Capital improvements and other costs under New Market		
Tax Credit Financing Agreement	54,259	113,624
Transforming Lives, Building for our Future Campaign	3,759	40,361
Endowment for graduate support	51,421	2,210
Contributions receivable restricted for the Transforming Lives,		
Building for our Future Campaign - net	212,728	455,884
Endowment investments	616,446	420,760
Note receivable	3,419,337	3,419,337
	<hr/>	<hr/>
Total assets	\$ 13,748,264	\$ 12,972,841
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 13,505	\$ 39,463
Accrued liabilities	14,420	9,488
Long-term debt, net	4,398,657	4,628,594
	<hr/>	<hr/>
Total liabilities	4,426,582	4,677,545
<b>Net assets</b>		
Without donor restrictions		
Undesignated	7,370,181	7,173,896
Designated for endowment	584,793	347,868
	<hr/>	<hr/>
Total net assets without donor restrictions	7,954,974	7,521,764
With donor restrictions	1,366,708	773,532
	<hr/>	<hr/>
Total net assets	9,321,682	8,295,296
	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 13,748,264	\$ 12,972,841

The accompanying notes are an integral part of these statements.

**Marian Middle School and Affiliate**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years ended June 30,**

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Support and revenue</b>						
Grants and contributions	\$ 1,534,606	\$ 1,231,579	\$ 2,766,185	\$ 1,958,116	\$ 293,813	\$ 2,251,929
Fundraising events (net of direct donor benefits of \$28,850 in 2023 and \$14,771 in 2022)	628,718	-	628,718	707,724	-	707,724
Tuition	19,537	-	19,537	26,797	-	26,797
Lunch program	32,534	-	32,534	38,186	-	38,186
Net investment income (loss)	148,781	7,972	156,753	(256,934)	(8,970)	(265,904)
Forgiveness of debt - Payroll Protection Program	-	-	-	205,000	-	205,000
Other	44,840	8,154	52,994	25,635	5,887	31,522
	<u>2,409,016</u>	<u>1,247,705</u>	<u>3,656,721</u>	<u>2,704,524</u>	<u>290,730</u>	<u>2,995,254</u>
Net assets released from restrictions	654,529	(654,529)	-	1,151,373	(1,151,373)	-
Total support and revenue	3,063,545	593,176	3,656,721	3,855,897	(860,643)	2,995,254
<b>Expenses</b>						
Program services						
Academic	976,528	-	976,528	941,856	-	941,856
Social services	213,507	-	213,507	163,041	-	163,041
Graduate support	652,623	-	652,623	585,848	-	585,848
Total program services	<u>1,842,658</u>	<u>-</u>	<u>1,842,658</u>	<u>1,690,745</u>	<u>-</u>	<u>1,690,745</u>
Supporting services						
Management and general	270,860	-	270,860	218,976	-	218,976
Fundraising	516,817	-	516,817	462,204	-	462,204
Total expenses	<u>2,630,335</u>	<u>-</u>	<u>2,630,335</u>	<u>2,371,925</u>	<u>-</u>	<u>2,371,925</u>
INCREASE (DECREASE) IN NET ASSETS	433,210	593,176	1,026,386	1,483,972	(860,643)	623,329
<b>Net assets at beginning of year</b>	<u>7,521,764</u>	<u>773,532</u>	<u>8,295,296</u>	<u>6,037,792</u>	<u>1,634,175</u>	<u>7,671,967</u>
<b>Net assets at end of year</b>	<u>\$ 7,954,974</u>	<u>\$ 1,366,708</u>	<u>\$ 9,321,682</u>	<u>\$ 7,521,764</u>	<u>\$ 773,532</u>	<u>\$ 8,295,296</u>

The accompanying notes are an integral part of these statements.

**Marian Middle School and Affiliate**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2023**

	Program services				Management and general	Fundraising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 611,218	\$ 64,828	\$ 173,384	\$ 849,430	\$ 98,750	\$ 303,692	\$ 1,251,872
Supplies	17,459	6,254	349	24,062	232	465	24,759
Telephone	4,200	1,400	1,050	6,650	700	1,400	8,750
Postage and shipping	1,946	649	487	3,082	324	649	4,055
Occupancy	70,174	21,857	17,543	109,574	11,695	23,391	144,660
Printing and publications	-	-	-	-	-	5,994	5,994
Conferences, conventions and meetings	5,935	343	257	6,535	1,713	990	9,238
Depreciation	107,351	35,784	26,838	169,973	17,892	35,784	223,649
Interest	52,016	17,339	13,004	82,359	8,669	17,339	108,367
Athletic program fees and supplies	-	1,247	-	1,247	-	-	1,247
Food program	44,681	-	-	44,681	-	-	44,681
Dues and subscriptions	-	-	-	-	6,386	-	6,386
Counseling	-	49,305	-	49,305	-	-	49,305
Special events and fundraising	-	-	-	-	-	53,094	53,094
Graduate support	-	-	323,986	323,986	-	-	323,986
Insurance	22,901	7,634	5,725	36,260	3,817	7,634	47,711
Miscellaneous	9,308	1,534	-	10,842	17,486	4,292	32,620
Recruiting	10,363	-	-	10,363	3,773	-	14,136
Technology	12,057	-	-	12,057	4,810	9,789	26,656
Student transportation	844	-	-	844	-	-	844
Board and volunteer	1,250	-	-	1,250	-	1,491	2,741
Professional services	-	-	90,000	90,000	94,613	79,663	264,276
Academic Saturdays and field trips	4,825	3,996	-	8,821	-	-	8,821
Culinary program fees and supplies	-	1,337	-	1,337	-	-	1,337
	976,528	213,507	652,623	1,842,658	270,860	545,667	2,659,185
Less expenses included with revenues in the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(28,850)	(28,850)
Total expenses included in the expense section in the statement of activities	\$ 976,528	\$ 213,507	\$ 652,623	\$ 1,842,658	\$ 270,860	\$ 516,817	\$ 2,630,335

The accompanying notes are an integral part of these statements.

**Marian Middle School and Affiliate**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2022**

	Program services				Management and general	Fundraising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 582,044	\$ 74,114	\$ 184,653	\$ 840,811	\$ 109,672	\$ 282,739	\$ 1,233,222
Supplies	23,371	4,048	384	27,803	2,064	280	30,147
Telephone	2,836	872	800	4,508	436	582	5,526
Postage and shipping	746	230	211	1,187	115	153	1,455
Occupancy	57,006	17,540	16,079	90,625	8,770	11,694	111,089
Printing and publications	-	-	-	-	-	8,830	8,830
Conferences, conventions and meetings	2,568	317	290	3,175	1,044	1,878	6,097
Depreciation	112,444	34,598	31,715	178,757	17,299	23,065	219,121
Interest	58,112	17,880	16,390	92,382	8,940	11,920	113,242
Athletic program fees and supplies	-	4,130	-	4,130	-	-	4,130
Food program	60,874	-	-	60,874	-	-	60,874
Dues and subscriptions	-	-	-	-	5,896	35	5,931
Special events and fundraising	-	-	-	-	-	27,365	27,365
Graduates support	-	-	331,627	331,627	-	-	331,627
Insurance	13,021	4,006	3,673	20,700	2,003	2,671	25,374
Miscellaneous	7,702	1,083	-	8,785	10,450	3,308	22,543
Recruiting	1,108	29	26	1,163	14	19	1,196
Technology	15,314	-	-	15,314	3,956	15,478	34,748
Student transportation	1,638	-	-	1,638	-	-	1,638
Board and volunteer	1,000	-	-	1,000	-	324	1,324
Professional services	-	-	-	-	48,317	86,634	134,951
Academic Saturdays and field trips	2,047	400	-	2,447	-	-	2,447
Summer programs	25	-	-	25	-	-	25
Culinary program fees and supplies	-	3,794	-	3,794	-	-	3,794
	941,856	163,041	585,848	1,690,745	218,976	476,975	2,386,696
Less expenses included with revenues in the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(14,771)	(14,771)
Total expenses included in the expense section in the statement of activities	\$ 941,856	\$ 163,041	\$ 585,848	\$ 1,690,745	\$ 218,976	\$ 462,204	\$ 2,371,925

The accompanying notes are an integral part of these statements.



**Marian Middle School and Affiliate**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**

	<u>2023</u>	<u>2022</u>
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,026,386	\$ 623,329
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	244,956	240,429
Realized and unrealized (gain) loss on investments	(70,798)	308,875
Loss on disposal of fixed asset	6,500	-
Discount on below market rate loans	38,592	36,595
Forgiveness of Paycheck Protection Program Loan	-	(205,000)
Change in assets and liabilities		
Grants and contributions receivable - net	(330,487)	(208,909)
Prepaid expenses	208	6,659
Accounts payable	(25,958)	25,009
Accrued liabilities	4,932	(12,337)
	<hr/>	<hr/>
Net cash provided by operating activities	894,331	814,650
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	428,811	408,675
Purchase of investments	(1,928,846)	(1,050,361)
Purchase of property and equipment	(78,437)	(94,822)
	<hr/>	<hr/>
Net cash used in investing activities	(1,578,472)	(736,508)
<b>Cash flows from financing activities</b>		
Payments on long-term debt	(289,837)	(294,696)
Contributions restricted for capital improvements and graduate support endowment	243,156	462,154
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(46,681)	167,458
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(730,822)	245,600
<b>Cash and cash equivalents at beginning of year</b>	<hr/>	<hr/>
	3,439,979	3,194,379
<b>Cash and cash equivalents at end of year</b>	<hr/>	<hr/>
	\$ 2,709,157	\$ 3,439,979
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<hr/>	<hr/>
	\$ 48,466	\$ 55,301
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 2,599,718	\$ 3,283,784
Cash and cash equivalents whose use is limited		
Capital improvements and other costs under New Market Tax Credit Financing Agreement	54,259	113,624
Transforming Lives, Building for our Future Campaign	3,759	40,361
Endowment for graduate support	51,421	2,210
	<hr/>	<hr/>
	\$ 2,709,157	\$ 3,439,979

The accompanying notes are an integral part of these statements.

## **Marian Middle School and Affiliate NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A | 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 were 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 B | 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.

- 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 and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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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 (loss) 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 that 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:

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

## **Marian Middle School and Affiliate**

### **NOTES TO FINANCIAL STATEMENTS**

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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*

Revenue is recognized when earned. 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 P.

#### *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.

#### *Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 9, 2023, the date the financial statements were available to be issued.

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C | 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 amounts set aside for graduate support that could be drawn upon if the Board of Directors approves the action and a donor restricted endowment.

	June 30,	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,599,718	\$ 3,283,784
Investments	2,984,746	1,609,599
Grants and contributions receivable - net	632,586	302,099
Cash and cash equivalents whose use is limited	109,439	156,195
Contributions receivable restricted for the Transforming Lives, Building for our Future Campaign - net	212,728	455,884
Endowment investments	616,446	420,760
Note receivable	<u>3,419,337</u>	<u>3,419,337</u>
 Total financial assets	 10,575,000	 9,647,658
 Cash and cash equivalents whose use is limited -		
Capital improvements and other costs under New Market Tax Credit Financing Agreement	(54,259)	(113,624)
Donor-imposed restrictions for the Transforming Lives, Building for our Future Campaign -capital improvements and graduate support	(3,759)	(40,361)
Endowment for graduate support	(667,867)	(422,970)
Notes receivable to be collected in more than one year	(3,419,337)	(3,419,337)
Other donor restrictions	<u>(1,279,875)</u>	<u>(658,069)</u>
	 <u>\$ 5,149,903</u>	 <u>\$ 4,993,297</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 operating and working capital reserve was \$2,719,198 and \$2,216,902 as of June 30, 2023 and 2022, respectively, which is reported in the Statements of Financial Position as cash and cash equivalents and investments without restrictions.

**NOTE D | 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, 2023 and 2022.

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

The School uses quotes from independent pricing services based on recent trading activity and other relevant trading information including market interest rate curves, dealer quotes, the U.S. treasury yield curve and bond terms and conditions to determine fair value of certificates of deposit. These investments are Level 2.

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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, 2023 measured at fair value on a recurring basis were as follows:

	Fair value measurement	Level 1	Level 2	Level 3
Investments				
Certificates of deposit	\$ 740,270	\$ -	\$ 740,270	\$ -
Common stocks	5,790	5,790	-	-
Mutual funds	1,180,496	1,180,496	-	-
Exchange-traded products	860,842	860,842	-	-
U.S. Treasury securities	197,348	197,348	-	-
	<hr/>			
Total investments	\$ 2,984,746	\$ 2,244,476	\$ 740,270	\$ -
<hr/>				
Endowment investments				
Mutual funds	\$ 334,454	\$ 334,454	\$ -	\$ -
Exchange-traded products	192,697	192,697	-	-
U.S. Treasury securities	89,295	89,295	-	-
	<hr/>			
Total endowment investments	\$ 616,446	\$ 616,446	\$ -	\$ -
<hr/>				

A summary of assets at June 30, 2022 measured at fair value on a recurring basis were as follows:

	Fair value measurement	Level 1	Level 2	Level 3
Investments				
Mutual funds	\$ 1,135,029	\$ 1,135,029	\$ -	\$ -
Exchange-traded products	474,570	474,570	-	-
	<hr/>			
Total investments	\$ 1,609,599	\$ 1,609,599	\$ -	\$ -
<hr/>				
Endowment investments				
Mutual funds	\$ 297,344	\$ 297,344	\$ -	\$ -
Exchange-traded products	123,416	123,416	-	-
	<hr/>			
Total endowment investments	\$ 420,760	\$ 420,760	\$ -	\$ -
<hr/>				

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE E | 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>2023</u>	<u>2022</u>
Due in less than one year	\$ 410,772	\$ 453,231
Due in one to five years	458,054	304,366
Due in more than five years	25,000	25,000
	<hr/>	<hr/>
	893,826	782,597
Less discount to present value	(31,167)	(15,141)
Less allowance for uncollectible grants and contributions receivable	(17,345)	(9,473)
	<hr/>	<hr/>
	\$ 845,314	\$ 757,983
	<hr/> <hr/>	<hr/> <hr/>

The following schedule summarizes the presentation of grants and contributions receivable on the Statements of Financial Position at June 30,:

	<u>2023</u>	<u>2022</u>
Grants and contributions receivable - net	\$ 632,586	\$ 302,099
Contributions receivable restricted for the Transforming Lives, Building for our Future Capital Campaign - net	212,728	455,884
	<hr/>	<hr/>
	\$ 845,314	\$ 757,983
	<hr/> <hr/>	<hr/> <hr/>

**NOTE F | 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.

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G | PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 442,552	\$ 447,134
Building and improvements	3,639,269	3,572,185
Vehicles	30,343	30,343
	<u>4,112,164</u>	<u>4,049,662</u>
Less accumulated depreciation	1,020,929	806,716
	<u>3,091,235</u>	<u>3,242,946</u>
Land	70,178	70,178
	<u><u>\$ 3,161,413</u></u>	<u><u>\$ 3,313,124</u></u>

**NOTE H | PAYROLL PROTECTION PROGRAM LOAN**

On February 19, 2021, the School was granted a second PPP loan from Great Southern Bank in the aggregate amount of \$205,000. The loan was used for qualifying expenses by the School and was forgiven on May 5, 2022. Loan forgiveness is reflected in total support and revenue in the accompanying Statement of Activities for the year ended June 30, 2022.

**NOTE I | LONG-TERM DEBT**

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

	<u>2023</u>	<u>2022</u>
Construction Loan		
St. Mary's Institute of O'Fallon	\$ 105,179	\$ 201,791
Loretto Literary and Benevolent Institution	98,251	194,863
School Sisters of Notre Dame Central Pacific Province	105,178	201,791
St. Louis New Markets Tax Credit Fund 54, LLC		
Note A	3,419,337	3,419,337
Note B	1,380,663	1,380,663
	<u>5,108,608</u>	<u>5,398,445</u>
Less unamortized imputed interest on below market rate loan	(150,629)	(189,221)
Less unamortized debt issuance costs	(559,322)	(580,630)
	<u><u>\$ 4,398,657</u></u>	<u><u>\$ 4,628,594</u></u>



**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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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 that 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 5.75%. 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 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.

Aggregate maturities of long-term debt are as follows:

Year ended June 30,	
2024	\$ 75,998
2025	22,253
2026	227,732
2027	227,732
2028	227,732
Thereafter	<u>4,327,161</u>
	<u>\$ 5,108,608</u>

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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No interest costs were capitalized as part of the cost of assets acquired during 2023 and 2022. Imputed interest expense for the years ended June 30, 2023 and 2022 was \$38,592 and \$36,595, respectively.

**NOTE J | TRANSFORMING LIVES, BUILDING FOR OUR FUTURE CAMPAIGN**

During the year ended June 30, 2018, the School initiated the Transforming Lives, Building for our Future campaign. The fundraising goal of the campaign was \$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 \$0 and \$70,673 and campaign expenditures totaled \$36,602 and \$965,751 for the years ended June 30, 2023 and 2022, respectively.

**NOTE K | NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Subject to the passage of time	\$ 728,204	\$ 348,776
Subject to expenditure for specified purpose		
Graduate support	439,497	305,293
Marketing	6,539	-
Cultural Competency	1,500	1,500
Building	-	2,500
Counseling	104,135	-
Transforming Lives, Building for Our Future Campaign - capital improvements and graduate support	3,759	40,361
Subject to endowment spending and appropriation		
Transforming Lives, Building for Our Future Campaign - Graduate support	83,074	75,102
	<u>\$ 1,366,708</u>	<u>\$ 773,532</u>

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,:

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 310,134	\$ 7,700
Satisfaction of purpose restrictions		
Graduate support	305,293	183,901
Marketing and Development	-	25,688
Building	2,500	-
Transforming Lives, Building for Our Future Campaign	36,602	934,084
	<u>\$ 654,529</u>	<u>\$ 1,151,373</u>

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE L | ENDOWMENT**

The School's endowment consists of donor-restricted funds and Board-designated 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

*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, and 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 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.

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment for graduate support	\$ -	\$ 83,074	\$ 83,074
Board-designated endowment for graduate support	584,793	-	584,793
	<u>\$ 584,793</u>	<u>\$ 83,074</u>	<u>\$ 667,867</u>

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment for graduate support	\$ -	\$ 75,102	\$ 75,102
Board-designated endowment for graduate support	347,868	-	347,868
	<u>\$ 347,868</u>	<u>\$ 75,102</u>	<u>\$ 422,970</u>

During the years ended June 30, 2023 and 2022, the School's endowment had the following activity:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Endowment net assets, June 30, 2021	\$ 400,000	\$ 68,824	\$ 468,824
Contributions	-	15,248	15,248
Net investment loss	(52,132)	(8,970)	(61,102)
	<u>347,868</u>	<u>75,102</u>	<u>422,970</u>
Endowment net assets, June 30, 2022	347,868	75,102	422,970
Contributions	200,000	-	200,000
Net investment income	36,925	7,972	44,897
	<u>584,793</u>	<u>83,074</u>	<u>667,867</u>
Endowment net assets, June 30, 2023	<u>\$ 584,793</u>	<u>\$ 83,074</u>	<u>\$ 667,867</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The School has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of \$84,072, fair values of \$83,074, and deficiencies of \$998 were reported in net assets with donor restrictions. At June 30, 2022, funds with original gift values of \$84,072, fair values of \$75,102, and deficiencies of \$8,970 were reported in net assets with donor restrictions.

**Marian Middle School and Affiliate**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE M | 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, 2023 and 2022. Employees are required to make contributions to the plan in order to receive the 4% contribution from the School. If they wish, employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions were \$31,396 and \$34,086 for the years ended June 30, 2023 and 2022, respectively.

**NOTE N | 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 O | COMMITMENTS AND CONTINGENCIES**

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

**NOTE P | 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 expended by School staff.

**Marian Middle School and Affiliate**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2023**

	<b>Consolidating Information</b>					
	<b>Marian Middle School</b>			<b>Marian Middle School Supporting Organization</b>	<b>Consolidating Entries</b>	<b>Consolidated Total</b>
	<b>School</b>	<b>POB</b>	<b>Total</b>			
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,479,862	\$ -	\$ 2,479,862	\$ 119,856	\$ -	\$ 2,599,718
Investments, including working capital reserve	2,984,746	-	2,984,746	-	-	2,984,746
Grants and contributions receivable - net	632,586	-	632,586	-	-	632,586
Prepaid expenses	11,851	-	11,851	-	-	11,851
Property and equipment - net	860,232	2,301,181	3,161,413	-	-	3,161,413
Cash and cash equivalents whose use is limited						
Capital improvements and other costs under New Market Tax Credit Financing Agreement	-	54,259	54,259	-	-	54,259
Transforming Lives, Building for our Future Campaign	3,759	-	3,759	-	-	3,759
Endowment for graduate support	51,421	-	51,421	-	-	51,421
Contributions receivable restricted for the Transforming Lives, Building for our Future Campaign - net	212,728	-	212,728	-	-	212,728
Endowment investments	616,446	-	616,446	-	-	616,446
Note receivable	-	-	-	3,419,337	-	3,419,337
<b>Total assets</b>	<b>\$ 7,853,631</b>	<b>\$ 2,355,440</b>	<b>\$ 10,209,071</b>	<b>\$ 3,539,193</b>	<b>\$ -</b>	<b>\$ 13,748,264</b>
<b>LIABILITIES AND NET ASSETS</b>						
Accounts payable	\$ 8,894	\$ 4,611	\$ 13,505	\$ -	\$ -	\$ 13,505
Accrued liabilities	14,420	-	14,420	-	-	14,420
Long-term debt, net	157,979	4,240,678	4,398,657	-	-	4,398,657
<b>Total liabilities</b>	<b>181,293</b>	<b>4,245,289</b>	<b>4,426,582</b>	<b>-</b>	<b>-</b>	<b>4,426,582</b>
<b>Net assets</b>						
Without donor restrictions						
Undesignated	5,720,837	(1,889,849)	3,830,988	3,539,193	-	7,370,181
Designated for endowment	584,793	-	584,793	-	-	584,793
<b>Total net assets without donor restrictions</b>	<b>6,305,630</b>	<b>(1,889,849)</b>	<b>4,415,781</b>	<b>3,539,193</b>	<b>-</b>	<b>7,954,974</b>
With donor restrictions	1,366,708	-	1,366,708	-	-	1,366,708
<b>Total net assets</b>	<b>7,672,338</b>	<b>(1,889,849)</b>	<b>5,782,489</b>	<b>3,539,193</b>	<b>-</b>	<b>9,321,682</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,853,631</b>	<b>\$ 2,355,440</b>	<b>\$ 10,209,071</b>	<b>\$ 3,539,193</b>	<b>\$ -</b>	<b>\$ 13,748,264</b>

**Marian Middle School and Affiliate**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2023**

	Consolidating information									
	Marian Middle School					Marian Middle School Supporting Organization	Consolidated			
	School without donor restrictions	School with donor restrictions	School total	POB without donor restrictions	Total	Without donor restrictions	Consolidating entries without donor restrictions	Without donor restrictions	With donor restrictions	Total
<b>Support and revenue</b>										
Grants and contributions	\$ 1,534,606	\$ 1,231,579	\$ 2,766,185	\$ -	\$ 2,766,185	\$ -	\$ -	\$ 1,534,606	\$ 1,231,579	\$ 2,766,185
Fundraising events (net of direct donor benefits of \$28,850)	628,718	-	628,718	-	628,718	-	-	628,718	-	628,718
Tuition	19,537	-	19,537	-	19,537	-	-	19,537	-	19,537
Lunch program	32,534	-	32,534	-	32,534	-	-	32,534	-	32,534
Net investment income	148,781	7,972	156,753	-	156,753	-	-	148,781	7,972	156,753
Other	2,088	8,154	10,242	-	10,242	42,752	-	44,840	8,154	52,994
	2,366,264	1,247,705	3,613,969	-	3,613,969	42,752	-	2,409,016	1,247,705	3,656,721
Net assets released from restrictions	654,529	(654,529)	-	-	-	-	-	654,529	(654,529)	-
Total support and revenue	3,020,793	593,176	3,613,969	-	3,613,969	42,752	-	3,063,545	593,176	3,656,721
<b>Expenses</b>										
Program services										
Academic	871,747	-	871,747	104,781	976,528	-	-	976,528	-	976,528
Social services	178,580	-	178,580	34,927	213,507	-	-	213,507	-	213,507
Graduate support	626,428	-	626,428	26,195	652,623	-	-	652,623	-	652,623
Total program services	1,676,755	-	1,676,755	165,903	1,842,658	-	-	1,842,658	-	1,842,658
Management and general	240,681	-	240,681	30,102	270,783	77	-	270,860	-	270,860
Fundraising	481,890	-	481,890	34,927	516,817	-	-	516,817	-	516,817
Transfers (to) from affiliated organizations	48,358	-	48,358	(48,358)	-	-	-	-	-	-
Total expenses	2,447,684	-	2,447,684	182,574	2,630,258	77	-	2,630,335	-	2,630,335
INCREASE (DECREASE) IN NET ASSETS	573,109	593,176	1,166,285	(182,574)	983,711	42,675	-	433,210	593,176	1,026,386
<b>Net assets at beginning of year</b>	5,732,521	773,532	6,506,053	(1,707,275)	4,798,778	3,496,518	-	7,521,764	773,532	8,295,296
<b>Net assets at end of year</b>	\$ 6,305,630	\$ 1,366,708	\$ 7,672,338	\$ (1,889,849)	\$ 5,782,489	\$ 3,539,193	\$ -	\$ 7,954,974	\$ 1,366,708	\$ 9,321,682