

MARIAN MIDDLE SCHOOL

FINANCIAL STATEMENTS

June 30, 2019 and 2018

MARIAN MIDDLE SCHOOL

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Independent Auditors' Report

Board of Directors
Marian Middle School

We have audited the accompanying financial statements of Marian Middle School (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marian Middle School as of June 30, 2019 and 2018, 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.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 21, 2019

MARIAN MIDDLE SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,173,322	\$ 1,048,768
Investments	976,630	529,073
Grants and contributions receivable - net	248,708	227,941
Prepaid expenses	17,221	8,162
Property and equipment - net	1,155,821	1,035,337
Cash and cash equivalents restricted for the Transforming Lives, Building for our Future Capital Campaign		
Capital improvements	489,764	-
Endowment - graduate support	31,020	1,050
Capital improvements and graduate support endowment	769,867	-
Contributions receivable restricted for the Transforming Lives, Building for our Future Capital Campaign - net		
Capital improvements	177,374	-
Graduate support	207,558	-
Endowment - graduate support	35,756	4,050
Capital improvements and graduate support endowment	1,165,889	282,613
Total assets	<u>\$ 6,448,930</u>	<u>\$ 3,136,994</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 103,509	\$ 15,772
Accrued liabilities	25,941	13,442
Long-term debt	257,407	-
Total liabilities	386,857	29,214
Net assets		
Without donor restrictions	2,764,149	2,492,283
With donor restrictions	3,297,924	615,497
Total net assets	<u>6,062,073</u>	<u>3,107,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,448,930</u>	<u>\$ 3,136,994</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF ACTIVITIES
Years ended June 30,

	2019			2018		
	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	\$ 185,500	\$ 2,737,487	\$ 2,922,987	\$ 120,387	\$ 287,713	\$ 408,100
Other	1,007,617	299,165	1,306,782	945,378	224,037	1,169,415
Fundraising events (net of direct donor benefits of \$52,982 in 2019 and \$51,293 in 2018)	488,485	-	488,485	446,880	17,225	464,105
Tuition	32,437	-	32,437	30,058	-	30,058
Lunch program	48,412	-	48,412	47,090	-	47,090
Net investment income	76,642	-	76,642	15,546	-	15,546
Loss on uncollectible grants and contributions receivable	-	(85,834)	(85,834)	-	-	-
Other	2,474	-	2,474	4,252	-	4,252
	<u>1,841,567</u>	<u>2,950,818</u>	<u>4,792,385</u>	<u>1,609,591</u>	<u>528,975</u>	<u>2,138,566</u>
Net assets released from restrictions	<u>268,391</u>	<u>(268,391)</u>	<u>-</u>	<u>530,182</u>	<u>(530,182)</u>	<u>-</u>
Total support and revenue	2,109,958	2,682,427	4,792,385	2,139,773	(1,207)	2,138,566
Expenses						
Program services						
Academic	704,943	-	704,943	692,240	-	692,240
Social services	210,790	-	210,790	172,069	-	172,069
Graduate support	370,368	-	370,368	399,705	-	399,705
Total program services	<u>1,286,101</u>	<u>-</u>	<u>1,286,101</u>	<u>1,264,014</u>	<u>-</u>	<u>1,264,014</u>
Supporting services						
Management and general	285,340	-	285,340	329,996	-	329,996
Fundraising	266,651	-	266,651	317,024	-	317,024
Total supporting services	<u>551,991</u>	<u>-</u>	<u>551,991</u>	<u>647,020</u>	<u>-</u>	<u>647,020</u>
Total expenses	<u>1,838,092</u>	<u>-</u>	<u>1,838,092</u>	<u>1,911,034</u>	<u>-</u>	<u>1,911,034</u>
INCREASE (DECREASE) IN NET ASSETS	271,866	2,682,427	2,954,293	228,739	(1,207)	227,532
Net assets at beginning of year	<u>2,492,283</u>	<u>615,497</u>	<u>3,107,780</u>	<u>2,263,544</u>	<u>616,704</u>	<u>2,880,248</u>
Net assets at end 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>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program services				Management and general	Fundraising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 478,765	\$ 163,434	\$ 99,524	\$ 741,723	\$ 209,934	\$ 101,075	\$ 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>704,943</u>	<u>210,790</u>	<u>370,368</u>	<u>1,286,101</u>	<u>285,340</u>	<u>319,633</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>\$ 704,943</u>	<u>\$ 210,790</u>	<u>\$ 370,368</u>	<u>\$ 1,286,101</u>	<u>\$ 285,340</u>	<u>\$ 266,651</u>	<u>\$ 1,838,092</u>

See notes to the financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2018

	Program services				Management and general	Fund-raising	Total expenses
	Academic	Social services	Graduate support	Total			
Salaries and benefits	\$ 479,542	\$ 113,038	\$ 97,484	\$ 690,064	\$ 208,822	\$ 163,022	\$ 1,061,908
Supplies	21,269	6,316	1,249	28,834	814	1,357	31,005
Telephone	2,249	425	575	3,249	375	625	4,249
Postage and shipping	1,592	301	407	2,300	265	442	3,007
Occupancy	58,920	11,129	15,057	85,106	13,580	16,367	115,053
Printing and publications	123	23	32	178	21	6,726	6,925
Conferences, conventions and meetings	1,274	-	-	1,274	3,083	412	4,769
Depreciation	34,917	6,595	8,923	50,435	5,820	9,699	65,954
Athletic programs	-	1,726	-	1,726	-	-	1,726
Food program	62,255	-	-	62,255	-	-	62,255
Dues and subscriptions	-	-	-	-	394	-	394
Special events and fundraising	-	-	-	-	-	76,833	76,833
Graduates support	-	-	273,082	273,082	-	-	273,082
Insurance	11,332	2,141	2,896	16,369	1,889	3,148	21,406
Miscellaneous	4,582	1,035	-	5,617	9,914	-	15,531
Recruiting	487	-	-	487	358	-	845
Technology	8,051	-	-	8,051	-	11,865	19,916
Student transportation	483	-	-	483	-	-	483
Board and volunteer	3,800	-	-	3,800	-	1,178	4,978
Meetings	-	-	-	-	1,260	1,935	3,195
Professional services	-	-	-	-	83,401	73,824	157,225
Academic Saturdays and field trips	1,364	9,638	-	11,002	-	-	11,002
Culinary program	-	8,452	-	8,452	-	-	8,452
Counseling	-	11,250	-	11,250	-	-	11,250
Summer programs	-	-	-	-	-	884	884
	<u>692,240</u>	<u>172,069</u>	<u>399,705</u>	<u>1,264,014</u>	<u>329,996</u>	<u>368,317</u>	<u>1,962,327</u>
Less expenses included with revenues in the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(51,293)	(51,293)
Total expenses included in the expense section in the statement of activities	<u>\$ 692,240</u>	<u>\$ 172,069</u>	<u>\$ 399,705</u>	<u>\$ 1,264,014</u>	<u>\$ 329,996</u>	<u>\$ 317,024</u>	<u>\$ 1,911,034</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2019</u>	<u>2018</u>
Increase in cash and cash equivalents		
Cash flows from operating activities		
Change in net assets	\$ 2,954,293	\$ 227,532
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	65,016	65,954
Realized and unrealized gain on investments	(52,811)	(3,424)
Discount on below market rate loan	(42,593)	-
Contributions restricted for capital improvements	(777,639)	-
Contributions restricted for endowment - graduate support	(344,263)	(5,100)
Contributions restricted for capital improvements and graduate support endowment	(888,990)	(403,000)
(Increase) decrease in assets		
Grants and contributions receivable - net	(20,767)	196,289
Prepaid expense	(9,059)	2,938
Increase (decrease) in liabilities		
Accounts payable	(15,388)	26
Accrued liabilities	12,499	7,066
Deferred revenue	-	(4,750)
Net cash provided by operating activities	<u>880,298</u>	<u>83,531</u>
Cash flows from investing activities		
Proceeds from sale of investments	454,616	375,563
Purchase of securities	(849,362)	-
Purchase of property and equipment	<u>(82,375)</u>	<u>(81,952)</u>
Net cash provided by (used in) investing activities	<u>(477,121)</u>	<u>293,611</u>
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	300,000	-
Contributions restricted for capital improvements	400,265	-
Contributions restricted for endowment - graduate support	92,000	-
Contributions restricted for capital improvements and graduate support endowment	<u>218,713</u>	<u>-</u>
Net cash provided by financing activities	<u>1,010,978</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,414,155	377,142
Cash and cash equivalents at beginning of year	<u>1,049,818</u>	<u>672,676</u>
Cash and cash equivalents at end of year	<u>\$ 2,463,973</u>	<u>\$ 1,049,818</u>
Supplemental disclosures		
Noncash investing and financing activities:		
Accounts payable for property and equipment	<u>\$ 103,125</u>	<u>\$ -</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 1,173,322	\$ 1,048,768
Cash and cash equivalents restricted for the Transforming Lives, Building for our Future Capital Campaign		
Capital improvements	489,764	-
Endowment - graduate support	31,020	1,050
Capital improvements and graduate support endowment	<u>769,867</u>	<u>-</u>
	<u>\$ 2,463,973</u>	<u>\$ 1,049,818</u>

See notes to financial statements.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ENTITY

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

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

Cash and Cash Equivalents

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

Investments

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

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

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

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 which extend the useful lives of the assets are capitalized, while maintenance and repairs are expensed. Depreciation and amortization of property and equipment is provided over their estimated useful lives using the straight-line method. The estimated service lives of assets are as follows:

	<u>Years</u>
Furniture and equipment	3 – 7
Buildings and improvements	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.

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.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

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 13.

Income Taxes

The School qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3), and accordingly it is exempt from Federal income taxes under Internal Revenue Code Section 501(a) and similar provisions of state law. The School files federal information returns. The School's 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.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 financial statements presentation.

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.

Recent Accounting Pronouncements

In 2019, the School implemented the requirements of Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. All applicable requirements of ASU 2016-14 have been applied retrospectively to all periods presented. ASU 2016-14 requires certain changes to the presentation of financial statements of not-for-profit entities and additional new disclosures. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 21, 2019, the date the financial statements were available to be issued.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

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,	
	2019	2018
Cash and cash equivalents	\$ 1,173,322	\$ 1,048,768
Investments	976,630	529,073
Grants and contributions receivable - net	248,708	227,941
Cash and cash equivalents restricted for the Transforming Lives, Building for our Future Capital Campaign		
Capital improvements	489,764	-
Endowment - graduate support	31,020	1,050
Capital improvements and graduate support endowment	769,867	-
Contributions receivable restricted for the Transforming Lives, Building for our Future Capital Campaign - net		
Capital improvements	177,374	4,050
Graduate support	207,558	-
Endowment - graduate support	35,756	-
Capital improvements and graduate support endowment	1,165,889	282,613
Total financial assets	5,275,888	2,093,495
Contractual or donor-imposed restrictions for the Transforming Lives, Building for our Future Capital Campaign		
Capital improvements	(667,138)	-
Endowment - graduate support	(66,776)	(5,100)
Capital improvements and graduate support endowment	(1,935,756)	(282,613)
Other donor restrictions	(628,254)	(327,784)
	<u>\$ 1,977,964</u>	<u>\$ 1,477,998</u>

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, 2019 and 2018.

When available, the School uses quoted market prices to determine the fair value of assets. Investments in 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.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

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. These investments are included in Level 2 and consist of negotiable certificates of deposit.

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, 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>

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

A summary of assets at June 30, 2018 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	\$ 647,968	\$ -	\$ 647,968	\$ -
Investments				
Certificates of deposit	85,003	-	85,003	-
Mutual funds	411,135	411,135	-	-
Exchange-traded products	<u>32,935</u>	<u>32,935</u>	<u>-</u>	<u>-</u>
Total investments	<u>529,073</u>	<u>444,070</u>	<u>85,003</u>	<u>-</u>
	<u>\$ 1,177,041</u>	<u>\$ 444,070</u>	<u>\$ 732,971</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>2019</u>	<u>2018</u>
Due in less than one year	\$ 815,220	\$ 364,607
Due in one to five years	1,103,511	164,450
Due in more than five years	<u>50,000</u>	<u>-</u>
	1,968,731	529,057
Less discount to present value	(47,612)	(14,453)
Less allowance for uncollectible grants and contributions receivable	<u>(85,834)</u>	<u>-</u>
	<u>\$ 1,835,285</u>	<u>\$ 514,604</u>

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>
Grants and contributions receivable - net	\$ 248,708	\$ 227,941
Contributions receivable restricted for the Transforming Lives, Building for our Future Capital Campaign - net		
Capital improvements	177,374	-
Graduate support	207,558	-
Endowment - graduate support	35,756	4,050
Capital improvements and graduate support endowment	<u>1,165,889</u>	<u>282,613</u>
	<u>\$ 1,835,285</u>	<u>\$ 514,604</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 448,629	\$ 448,629
Building and improvements	949,186	949,186
Vehicles	5,000	5,000
	<u>1,402,815</u>	<u>1,402,815</u>
Less accumulated depreciation	502,672	437,656
	<u>900,143</u>	<u>965,159</u>
Construction in progress	185,500	-
Land	<u>70,178</u>	<u>70,178</u>
	<u>\$ 1,155,821</u>	<u>\$ 1,035,337</u>

NOTE 7 – LONG-TERM DEBT

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 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.

Imputed interest expense for the year ended June 30, 2019 was \$4,859.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – TRANSFORMING LIVES, BUILDING FOR OUR FUTURE CAPITAL 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 \$2,922,987 and \$408,100 and campaign expenses totaled \$55,945 and \$120,387 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to the passage of time	\$ 539,217	\$ 130,950
Subject to expenditure for specified purpose		
Girls' Night Out	-	17,225
Graduate support	-	56,787
STEM	89,037	122,822
Transforming Lives, Building for Our Future Campaign - capital improvements and graduate support	1,935,756	282,613
Transforming Lives, Building for Our Future Campaign - capital	667,138	-
Subject to endowment spending and appropriation		
Transforming Lives, Building for Our Future Campaign - Graduate support	66,776	5,100
	<u>\$ 3,297,924</u>	<u>\$ 615,497</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>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 104,650	\$ 13,800
Satisfaction of purpose restrictions		
Girls' Night Out	17,225	-
Graduate support	56,786	313,619
STEM	33,785	82,376
Transforming Lives, Building for Our Future Campaign	55,945	120,387
	<u>\$ 268,391</u>	<u>\$ 530,182</u>

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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

The School will adopt an investment and spending policy for the endowment prior to the conclusion of the capital campaign.

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	\$ -	\$ 66,776	\$ 66,776

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Donor-restricted endowment funds	\$ -	\$ 5,100	\$ 5,100

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

During the years ended June 30, 2019 and 2018, the School's endowment had the following activity:

	Without donor restrictions	With donor restrictions	Total endowment net assets
Endowment net assets, June 30, 2017	\$ -	\$ -	\$ -
Contributions	-	5,100	5,100
Endowment net assets, June 30, 2018	-	5,100	5,100
Contributions	-	61,676	61,676
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 66,776</u>	<u>\$ 66,776</u>

NOTE 11 – 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, 2019 and 2018. If they wish, employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions were \$27,696 and \$28,034 for the years ended June 30, 2019 and 2018, respectively.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The School maintains its cash in one account at a financial institution in the St. Louis metropolitan area. At times, the balance in the account 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 13 – COMMITMENTS AND CONTINGENCIES

In 2019, the School executed construction contracts totaling \$1,751,625 for certain building improvements related to the Transforming Lives, Building for our Future Capital Campaign. As of June 30, 2019, the School was billed \$185,500 for construction costs incurred to date. This amount is reported as construction in progress in the Statement of Financial Position.

MARIAN MIDDLE SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – 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.

NOTE 15 – SUBSEQUENT EVENTS

On September 10, 2019, the School obtained two \$300,000 notes from Loretto Literary and Benevolent Institution and School Sisters of Notre Dame Central Pacific Province for the purpose of renovations at the School. Principal and interest are due at various times throughout the term of the notes at an interest rate of 1%. The note from Loretto Literary and Benevolent Institution matures on December 31, 2024 and the note from the School Sisters of Notre Dame Central Pacific Province matures on March 31, 2029.

On September 12, 2019, the School obtained a loan from Great Southern Bank in the amount of \$770,000 for the purpose of renovations at the School. Principal payments are due within two business days from the date on which any capital campaign funds are received and interest payments will be made quarterly beginning December 20, 2019 at an interest rate of 5.5%. The note matures on September 12, 2024.

On September 10, 2019, the School entered into a New Market Tax Credits financing agreement totaling \$4,800,000 for the purpose of financing the renovation of the School.