

BISHOP DUNNE CATHOLIC SCHOOL, INC.

CONSOLIDATED ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bishop Dunne Catholic School, Inc.
Dallas, Texas

We have audited the accompanying consolidated financial statements of Bishop Dunne Catholic School, Inc. (the School), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor's 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.

Bishop Dunne Catholic School, Inc.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bishop Dunne Catholic School, Inc., as of June 30, 2016 and 2015, 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.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 23, 2016

BISHOP DUNNE CATHOLIC SCHOOL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 4,029,801	\$ 3,784,380
Investments	2,076,411	2,056,487
Tuition receivable, net of allowance	2,023,007	2,163,379
Property and equipment, net of accumulated depreciation	10,674,489	11,442,959
Other assets	95,685	32,614
TOTAL ASSETS	\$ 18,899,393	\$ 19,479,819
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,184,042	\$ 785,939
Student activity funds	169,265	121,009
Deferred revenue	6,277,614	6,168,216
Total liabilities	7,630,921	7,075,164
NET ASSETS		
Unrestricted	8,707,077	9,834,129
Temporarily restricted	1,737,640	1,761,321
Permanently restricted	823,755	809,205
Total net assets	11,268,472	12,404,655
TOTAL LIABILITIES AND NET ASSETS	\$ 18,899,393	\$ 19,479,819

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Tuition and fees, net of scholarships of \$2,196,160 and \$2,121,554, respectively	\$ 6,341,203	\$ -	\$ -	\$ 6,341,203
Contributions and grants	1,452,156	310,760	14,550	1,777,466
Fundraisers	597,410	-	-	597,410
Cafeteria	352,572	-	-	352,572
Investment income	20,918	5,375	-	26,293
Other income	278,459	-	-	278,459
	9,042,718	316,135	14,550	9,373,403
Net assets released from restrictions	339,816	(339,816)	-	-
Total revenue, support, and net assets released from restrictions	9,382,534	(23,681)	14,550	9,373,403
EXPENSES				
Program Services				
Instructional	5,514,796	-	-	5,514,796
Administrative	2,782,215	-	-	2,782,215
Support Services				
Fundraising	942,899	-	-	942,899
Athletics	715,580	-	-	715,580
Facilities	554,096	-	-	554,096
Total expenses	10,509,586	-	-	10,509,586
Change in net assets	(1,127,052)	(23,681)	14,550	(1,136,183)
NET ASSETS, BEGINNING OF YEAR	9,834,129	1,761,321	809,205	12,404,655
NET ASSETS, END OF YEAR	\$ 8,707,077	\$ 1,737,640	\$ 823,755	\$ 11,268,472

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015 – CONTINUED**

	For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Tuition and fees, net of scholarships of \$2,196,160 and \$2,121,554, respectively	\$ 6,221,856	\$ -	\$ -	\$ 6,221,856
Contributions and grants	1,226,449	764,514	12,239	2,003,202
Fundraisers	621,265	-	-	621,265
Cafeteria	300,623	-	-	300,623
Investment income	23,366	92,429	-	115,795
Other income	227,551	-	-	227,551
	8,621,110	856,943	12,239	9,490,292
Net assets released from restrictions	574,505	(574,505)	-	-
Total revenue, support, and net assets released from restrictions	9,195,615	282,438	12,239	9,490,292
EXPENSES				
Program Services				
Instructional	5,211,648	-	-	5,211,648
Administrative	2,831,190	-	-	2,831,190
Support Services	-			
Fundraising	936,059	-	-	936,059
Athletics	525,039	-	-	525,039
Facilities	608,882	-	-	608,882
Total expenses	10,112,818	-	-	10,112,818
Change in net assets	(917,203)	282,438	12,239	(622,526)
NET ASSETS, BEGINNING OF YEAR	10,751,332	1,478,883	796,966	13,027,181
NET ASSETS, END OF YEAR	\$ 9,834,129	\$ 1,761,321	\$ 809,205	\$ 12,404,655

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,136,183)	\$ (622,526)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,168,256	881,569
Unrealized gain on investments	(4,874)	(83,780)
Tuition receivable	140,372	(257,919)
Other assets	(63,071)	46,694
Accounts payable and accrued expenses	398,103	401,519
Student activity funds	48,256	6,347
Deferred revenue	109,398	587,436
Net cash provided by operating activities	660,257	959,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(399,786)	(573,304)
Proceeds from sales of investments	-	60,662
Purchases of investments	(15,050)	(20,889)
Net cash used in investing activities	(414,836)	(533,531)
Net change in cash and cash equivalents	245,421	425,809
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,784,380	3,358,571
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,029,801	\$ 3,784,380

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1. ORGANIZATION AND FUNDING

Organization

Bishop Dunne Catholic School, Inc. (the School) is a nonprofit coeducational institution of the Roman Catholic Diocese of Dallas (the Diocese) providing middle and high school Catholic education in the Dallas area. The School's Board of Directors is responsible for the direction of the School. The School began operations in 1961.

The School is organized as a single-member, Texas nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code through the annual IRS Group Ruling for the Catholic Church in the United States. The single member is the Bishop of the Diocese.

The School is a continuing Trustee of the Bishop Dunne Catholic School Building and Endowment Trust, a charitable nonprofit trust (the Trust). The Trust was established to create a fund to which individual donors may transfer property and from which the Trust can construct, expand, equip and maintain an educational institution, and to fund a continuing endowment fund for the purpose of assisting, promoting and furthering the education of students enrolled in the School and to advance and support the operation of the School. Title to the School's real estate is held by the Trust.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets, liabilities, and related financial activity managed by the School, as well as the accounts of the Trust. All significant inter-entity balances and transactions have been eliminated in consolidation.

Display of Net Assets by Class

The School's financial resources are classified into various net asset categories in accordance with activities or restrictions specified by donors. The balances and activities are classified into three categories according to the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets represent resources available for support of the School's operations that are not subject to donor-imposed restrictions.

BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Display of Net Assets by Class – continued

Temporarily restricted net assets represent available resources subject to donor-imposed restrictions that may or will be met either by actions of the School and/or the passage of time. These include undistributed earnings on endowments, among others.

Permanently restricted net assets represent funds that are subject to donor restrictions requiring that the principal be invested in perpetuity and only the income may be used in accordance with the donor restrictions. Permanently restricted net assets include endowment contributions.

Financial Instruments

The recorded values of the School's financial instruments (cash and cash equivalents, accounts receivable, accounts payable and accruals) approximate their fair values based on their short-term nature.

Revenue Recognition

Deferred revenue represents amounts billed by the School for tuition and fees applicable to the following school year.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received, net of an allowance for collection. Pledges that are scheduled to be collected after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Pledges subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Donated assets other than cash are recorded at their estimated fair value at the date of donation. Donor-imposed restrictions on contributions that are satisfied during the period are reported as released from restrictions. Contributions whose restrictions are satisfied in the same year as the contribution is received are recognized as unrestricted contributions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Dividends, interest, and net gains on investments from permanently restricted net assets are reported as increases in temporarily restricted net assets since the terms of these gifts impose restrictions on the income and net gains.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with an original maturity of 90 days or less and are recorded at cost which approximates fair value.

BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in Marketable Securities

Investments are reported at fair value in the consolidated statements of financial position using the three level hierarchy established by generally accepted accounting principles. Realized and unrealized gains and losses are included in the consolidated statements of activities. Certificates of Deposit are reported at cost, which approximates fair value.

Tuition Receivable

Tuition, pledges and other receivables are stated at unpaid principal balances, less the allowance for collection and a discount to reflect the adjustment necessary to state the stream of future payments at their current value. The uncollectible and discount provisions are included in administrative expense. The allowance for collection is determined by management based on historical collection experience and ongoing analyses of each debtor's financial condition. Accounts receivables deemed uncollectible are charged to the allowance.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value on the date when gift was donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of assets, which range from 3 to 40 years. Major expenditures for property and those which substantially increase the useful lives of assets are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Income Taxes

Under a group ruling issued by the Internal Revenue Service to the United States Conference of Catholic Bishops, the School, as an institution of the Roman Catholic Church in the United States, is exempt from federal income tax under Section 501(a) of the United States Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. As of June 30, 2016, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School's tax years 2013 through 2015 remain subject to examination.

Uses of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Costs

Advertising costs are expensed as incurred and totaled \$106,187 and \$89,157 for the years ended June 30, 2016 and 2015, respectively.

Concentration of Credit Risk

At June 30, 2016 and 2015, the School had a concentration of credit risk with a certain financial institution in the form of cash balances that exceeded the amounts insured by the FDIC. There have been no past losses as a result of the excess balances, and the School does not anticipate any losses in the future.

Subsequent Events

All events or transactions that occurred after June 30, 2016 through September 23, 2016, the date these financial statements were available to be issued, have been evaluated. During this period there were no material recognizable subsequent events.

NOTE 3. TUITION RECEIVABLE

Although tuition is generally required to be paid in full in advance, the School provides a financing program where tuition can be paid in monthly installments. The program is administered by a third party on behalf of the School. Generally, tuition for the upcoming academic year is billed in May and due on June 15.

The balance of tuition receivable consists of the following:

	2016	2015
Receivable from tuition	\$ 2,150,241	\$ 2,284,794
Less allowance for doubtful accounts	(127,234)	(121,415)
Total	\$ 2,023,007	\$ 2,163,379

NOTE 4. PLEDGE RECEIVABLE

The School had a pledge receivable of \$163,000 as of June 30, 2015, which was considered uncollectible. An uncollectible allowance of \$163,000 was recorded as of June 30, 2015. The balance of pledge receivable and the related allowance were written off during fiscal year 2016.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5. INVESTMENT SECURITIES

Investments primarily include contributed funds set aside in trust or otherwise for specific purposes. The carrying values of investments by type at June 30, 2016 and 2015 are as follows:

	2016	2015
Money market, at fair value	\$ 36,821	\$ 31,075
Fixed income, at fair value	28,145	32,572
Real estate mutual funds, at fair value	112,051	93,627
Equity mutual funds, at fair value	1,371,818	1,393,704
Bond mutual funds, at fair value	516,726	494,664
Total investments at fair value	2,065,561	2,045,642
 Certificates of deposit, at cost	 10,850	 10,845
 Total Investments	 \$ 2,076,411	 \$ 2,056,487

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The three levels of the fair value hierarchy are described below:

Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The majority of investments included in level 1 are common stock, fixed income securities and mutual funds typically valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability, through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques. The investments included in level 2 are equity and bond fund securities typically valued based on information received from the custodian.

Level 3 inputs: Prices or valuations that require unobservable inputs that are both significant to the fair measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5. INVESTMENT SECURITIES – CONTINUED

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ -	\$ 36,821	\$ -	\$ 36,821
Equity mutual funds	25,123	1,346,695	-	1,371,818
Real estate mutual funds	-	112,051	-	112,051
Bond mutual funds	15,872	500,854	-	516,726
Fixed Income	28,145	-	-	28,145
Total investments, at fair value	<u>\$ 69,140</u>	<u>\$ 1,996,421</u>	<u>\$ -</u>	<u>\$ 2,065,561</u>

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ -	\$ 31,075	\$ -	\$ 31,075
Equity mutual funds	24,442	1,369,262	-	1,393,704
Real estate mutual funds	-	93,627	-	93,627
Bond mutual funds	15,019	479,645	-	494,664
Fixed Income	32,572	-	-	32,572
Total investments, at fair value	<u>\$ 72,033</u>	<u>\$ 1,973,609</u>	<u>\$ -</u>	<u>\$ 2,045,642</u>

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6. PROPERTY AND EQUIPMENT

At June 30, 2016 and 2015, property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 457,450	\$ 457,450
Buildings and improvements	15,749,681	15,496,846
Construction in progress	55,377	3,359
Furniture, fixtures, equipment & vehicles	<u>2,035,060</u>	<u>1,940,127</u>
	18,297,568	17,897,782
Less accumulated depreciation	<u>(7,623,079)</u>	<u>(6,454,823)</u>
Net property and equipment	<u>\$ 10,674,489</u>	<u>\$ 11,442,959</u>

Depreciation expense was \$1,168,256 and \$881,569 for the years ended June 30, 2016 and 2015, respectively. Depreciation was allocated in the following amounts:

	<u>2016</u>	<u>2015</u>
Administration	\$ 327,112	\$ 246,839
Athletics	58,413	26,447
Facilities	35,048	26,447
Fundraising	105,143	79,341
Instructional	<u>642,540</u>	<u>502,495</u>
Total	<u>\$ 1,168,256</u>	<u>\$ 881,569</u>

NOTE 7. LEASE OBLIGATIONS

The School leases certain office equipment under operating lease agreements. The leases expire at varying dates through March 2020. Total future minimum payments on operating leases as of June 30, 2016 due in future years are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 23,316
2018	23,316
2019	21,816
2020	<u>13,544</u>
	<u>\$ 81,992</u>

Rent expense for the years ending June 30, 2016 and 2015 was approximately \$26,000 and \$26,000 respectively.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8. NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Scholarships and campus ministry	\$ 147,277	\$ 34,688
Other donor restricted funds	433,222	572,007
Endowment matching funds and investment earnings	1,157,141	1,154,626
	\$ 1,737,640	\$ 1,761,321

Permanently restricted net assets consist of the following at June 30:

	2016	2015
Endowment contributions	\$ 802,655	\$ 788,105
Marcus Somerstein scholarship	11,100	11,100
Steve Macko scholarship	10,000	10,000
	\$ 823,755	\$ 809,205

NOTE 9. RELATED PARTIES

Defined Contribution 403(b) Plan

The School participates in the Diocese's 403(b) retirement savings plan for lay employees. The plan is a defined contribution self-directed plan open to all eligible employees. Employee contributions to the plan are fully vested whereas contributions made by the School on behalf of the employee vest over five years. After one year of service, the School contributes 3% of the eligible employee's compensation to the plan and matches employee contributions on a dollar for dollar basis up to 1% of compensation. The School's contributions to the Plan were \$154,199 and \$140,082 during the years ended June 30, 2016 and 2015, respectively.

Insurance

The School participates in the Diocese's workers' compensation, property and casualty insurance plan and School personnel participate in the Diocese's group health insurance and flexible benefits plan. Amounts expensed for these services were \$1,058,082 and \$1,065,580 for years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, amounts owed to the Diocese for such insurance were \$1,053,143 and \$630,864, respectively.

BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. RELATED PARTIES – CONTINUED

Diocesan Financial Support

Financial support from the Diocese to the School amounted to \$195,000 for the years ended June 30, 2016 and 2015. In addition, the Diocese contributed \$405,000 for the year ended June 30, 2015, to replace the HVAC system. The HVAC system was completed in fiscal year 2015.

NOTE 10. ENDOWMENTS

The School has interpreted 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 absent explicit donor stipulations to the contrary. The State of Texas and the School have both adopted UPMIFA.

As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by management in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources available
7. The investment policies of the School

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10. ENDOWMENTS – CONTINUED

A reconciliation of the endowment funds' beginning and ending balances for the two years ended June 30 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2014	\$ 1,133,466	\$ 775,866	\$ 1,909,332
Contributions	-	12,239	12,239
Net investment income	21,160	-	21,160
Endowment net assets at June 30, 2015	1,154,626	788,105	1,942,731
Contributions	-	14,550	14,550
Net investment income	2,515	-	2,515
Endowment net assets at June 30, 2016	<u>\$ 1,157,141</u>	<u>\$ 802,655</u>	<u>\$ 1,959,796</u>

Return Objectives and Risk Parameters

The School has adopted an Investment Policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the School must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, a total return strategy is utilized in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation strategy to achieve its long-term return objectives within the guidelines of its investment policy.

**BISHOP DUNNE CATHOLIC SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11. EXPENSES BY NATURAL CLASSIFICATION

Expenses by natural classification were as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 106,187	\$ 89,157
Bank fees	37,338	40,979
Conferences, dues, and fees	32,972	35,820
Depreciation	1,168,256	881,569
Food service and meals	331,173	293,277
Fundraising	231,318	311,789
Insurance and taxes	1,520,619	1,473,619
Maintenance	350,170	409,291
Miscellaneous	201,334	383,600
Payroll, benefits, and contract labor	5,392,904	5,268,158
Postage and printing	32,482	49,609
Professional services	91,766	74,884
Supplies, equipment and rentals	725,371	577,013
Travel	12,760	15,222
Utilities	<u>274,936</u>	<u>208,831</u>
 Total expenses	 <u><u>\$ 10,509,586</u></u>	 <u><u>\$ 10,112,818</u></u>