

Bishop Dunne Catholic School, Inc.

Consolidated Annual Financial Report

June 30, 2017

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Independent Auditor's Report

To the 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, 2017 and 2016, 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 audits 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.

Board of Directors
Bishop Dunne Catholic School, Inc.

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, 2017 and 2016, and the changes 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.

Weaver and Tidwell L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 15, 2017

Bishop Dunne Catholic School, Inc.
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 3,792,503	\$ 4,029,801
Investments	2,278,185	2,076,411
Tuition receivable, net	2,722,540	2,023,007
Other assets	83,697	95,685
Property and equipment, net	9,890,048	10,674,489
TOTAL ASSETS	\$ 18,766,973	\$ 18,899,393
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,189,545	\$ 1,184,042
Student activity funds	171,803	169,265
Deferred revenues	6,718,715	6,277,614
Note payable	160,342	-
Total liabilities	8,240,405	7,630,921
NET ASSETS		
Unrestricted	8,005,254	8,707,077
Temporarily restricted	1,692,559	1,737,640
Permanently restricted	828,755	823,755
Total net assets	10,526,568	11,268,472
TOTAL LIABILITIES AND NET ASSETS	\$ 18,766,973	\$ 18,899,393

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, 2017 and 2016

	For the Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Tuition and fees, net of scholarships of \$2,420,968 for the year ended June 30, 2017	\$ 6,715,007	\$ -	\$ -	\$ 6,715,007
Contributions, grants, and sponsorships	1,259,310	161,085	5,000	1,425,395
Fundraisers	649,983	-	-	649,983
Cafeteria	366,892	-	-	366,892
Investment income	24,519	272,261	-	296,780
Other revenues and support	305,163	-	-	305,163
Total	9,320,874	433,346	5,000	9,759,220
Net assets released from restrictions	478,427	(478,427)	-	-
Total revenues and support	9,799,301	(45,081)	5,000	9,759,220
EXPENSES				
Program Services				
Instructional	5,490,310	-	-	5,490,310
Support Services				
Administrative	2,843,209	-	-	2,843,209
Fundraising	863,364	-	-	863,364
Athletics	742,350	-	-	742,350
Facilities	561,891	-	-	561,891
Total expenses	10,501,124	-	-	10,501,124
Change in net assets	(701,823)	(45,081)	5,000	(741,904)
NET ASSETS, BEGINNING OF YEAR	8,707,077	1,737,640	823,755	11,268,472
NET ASSETS, END OF YEAR	\$ 8,005,254	\$ 1,692,559	\$ 828,755	\$ 10,526,568

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, 2017 and 2016 – Continued

	For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Tuition and fees, net of scholarships of \$2,196,160 for the year ended June 30, 2016	\$ 6,341,203	\$ -	\$ -	\$ 6,341,203
Contributions, grants, and sponsorships	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 revenues and support	278,459	-	-	278,459
Total	9,042,718	316,135	14,550	9,373,403
Net assets released from restrictions	339,816	(339,816)	-	-
Total revenues and support	9,382,534	(23,681)	14,550	9,373,403
EXPENSES				
Program Services				
Instructional	5,514,796	-	-	5,514,796
Support Services				
Administrative	2,782,215	-	-	2,782,215
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 Cash Flows Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (741,904)	\$ (1,136,183)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,209,730	1,168,256
Unrealized gains on investments	(269,721)	(4,874)
Changes in operating assets and liabilities:		
Tuition receivable	(699,533)	140,372
Other assets	11,988	(63,071)
Accounts payable and accrued expenses	5,503	398,103
Student activity funds	2,538	48,256
Deferred revenue	441,101	109,398
	(40,298)	660,257
Net cash (used in) provided by operating activities	(40,298)	660,257
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(425,289)	(399,786)
Proceeds from sales of investments	75,447	-
Purchases of investments	(7,500)	(15,050)
	(357,342)	(414,836)
Net cash used in investing activities	(357,342)	(414,836)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	165,494	-
Payments on note payable	(5,152)	-
	160,342	-
Net cash provided by financing activities	160,342	-
Net change in cash and cash equivalents	(237,298)	245,421
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,029,801	3,784,380
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,792,503	\$ 4,029,801

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

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.

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.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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

The School classifies all short term, highly liquid investments with an original maturity of three months or less as cash equivalents.

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 receivables are stated at unpaid 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.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

Student Activity Funds

The School holds cash on behalf of class clubs, senior clubs, and for extracurricular activities, which is reported as a liability on the consolidated statements of financial position. As of June 30, 2017 and 2016, the amount of funds held by the School for these parties was \$171,803 and \$169,205, respectively.

Functional Allocation of Expenses

The costs of providing program and support services are presented on a functional basis in the consolidated statements of activities. Accordingly, certain expenses are allocated among the program and support services benefited. The allocations are based primarily upon estimates of facilities usage and activities of personnel.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled \$116,869 and \$106,187 for the years ended June 30, 2017 and 2016, respectively, and are included in administrative and fundraising expenses on the consolidated statements of activities.

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, 2017, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School's tax years 2014 through 2017 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.

Concentration of Credit Risk

At June 30, 2017 and 2016, 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.

Reclassifications

Certain amounts in the prior period have been reclassified in the current period to conform to the current period consolidated financial statement presentation.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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:

	<u>2017</u>	<u>2016</u>
Receivable from tuition	\$ 2,887,766	\$ 2,150,241
Less: allowance for doubtful accounts	<u>(165,226)</u>	<u>(127,234)</u>
Total	<u>\$ 2,722,540</u>	<u>\$ 2,023,007</u>

Note 4. Investments

The carrying values of investments by type at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 40,547	\$ 36,821
Fixed income funds	28,356	28,145
Real estate mutual funds	-	112,051
Equity mutual funds	1,668,470	1,371,818
Bond mutual funds	529,956	516,726
Certificates of deposit	<u>10,856</u>	<u>10,850</u>
Total investments	<u>\$ 2,278,185</u>	<u>\$ 2,076,411</u>

The following tabulation summarizes investment income and its related classification in the statement of cash flows for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends income	\$ 27,059	\$ 21,419
Net realized and unrealized gains on investments	<u>269,721</u>	<u>4,874</u>
Investment income	<u>\$ 296,780</u>	<u>\$ 26,293</u>

Note 5. Fair Value Measurements

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).

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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.

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, 2017 and 2016.

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 40,547	\$ -	\$ 40,547
Fixed income funds	28,356	-	-	28,356
Equity mutual funds	28,356	1,640,114	-	1,668,470
Bond mutual funds	15,983	513,973	-	529,956
Certificates of deposit	-	10,856	-	10,856
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments, at fair value	<u>\$ 72,695</u>	<u>\$ 2,205,490</u>	<u>\$ -</u>	<u>\$ 2,278,185</u>

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 36,821	\$ -	\$ 36,821
Fixed income funds	28,145	-	-	28,145
Real estate mutual funds	-	112,051	-	112,051
Equity mutual funds	25,123	1,346,695	-	1,371,818
Bond mutual funds	15,872	500,854	-	516,726
Certificates of deposit	-	10,850	-	10,850
Total investments, at fair value	<u>\$ 69,140</u>	<u>\$ 2,007,271</u>	<u>\$ -</u>	<u>\$ 2,076,411</u>

The fair value of money market deposits is the amount payable on demand at the reporting date. The carrying values of certificates of deposit are valued using amortized cost and approximate fair value. Mutual funds are recorded at closing values reported by the fund managers.

Note 6. Property and Equipment

At June 30, 2017 and 2016, property and equipment consist of the following:

	2017	2016
Land	\$ 457,450	\$ 457,450
Buildings and improvements	16,016,795	15,749,681
Construction in progress	37,209	55,377
Furniture, fixtures, equipment & vehicles	2,154,703	2,035,060
	<u>18,666,157</u>	<u>18,297,568</u>
Less: accumulated depreciation	<u>(8,776,109)</u>	<u>(7,623,079)</u>
Net property and equipment	<u>\$ 9,890,048</u>	<u>\$ 10,674,489</u>

Depreciation expense was \$1,209,730 and \$1,168,256 for the years ended June 30, 2017 and 2016, respectively.

Note 7. Note Payable

On April 26, 2017, the School took out a \$165,494 note with a financial institution in conjunction with the purchase of vehicles. The note is secured by the purchased vehicles and has a maturity date of April 26, 2022. The balance of the note payable was \$160,342 as of June 30, 2017. Principal payments and interest at a fixed rate of 3.5% are payable monthly.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

The estimated principal amounts maturing in each of the five years subsequent to June 30, 2017 are as follows:

Year Ending June 30,		
2018	\$	30,980
2019		32,097
2020		33,248
2021		34,454
2022		29,563
	\$	<u>160,342</u>

Note 8. Commitments and Contingencies

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, 2017 due in future years are as follows:

Year Ending June 30,		
2018	\$	19,620
2019		18,120
2020		11,080
	\$	<u>48,820</u>

Lease expense for the years ending June 30, 2017 and 2016 was approximately \$23,000.

Note 9. Net Assets

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

	2017	2016
Scholarships and campus ministry	\$ 86,559	\$ 147,277
Improvements and equipment	260,653	433,222
Unappropriated earnings from endowment	<u>1,345,347</u>	<u>1,157,141</u>
	<u>\$ 1,692,559</u>	<u>\$ 1,737,640</u>

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

Net assets were released from restrictions by incurring expenses to satisfy the following purpose restriction or by the passage of time during the years ended June 30:

	2017	2016
Scholarships and campus ministry	\$ 156,368	\$ 314,515
Improvements and equipment	246,612	25,301
Appropriated earnings from endowment	75,447	-
Total	\$ 478,427	\$ 339,816

Permanently restricted net assets consists of funds whose earnings are designated for providing scholarships.

Note 10. 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 \$162,938 and \$154,199 during the years ended June 30, 2017 and 2016, 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 \$1,018,127 and \$1,058,082 for years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, amounts owed to the Diocese for such insurance were \$1,051,581 and \$1,053,143 respectively.

Diocesan Financial Support

Financial support from the Diocese to the School amounted to \$195,000 for the years ended June 30, 2017 and 2016.

Note 11. 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.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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

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, 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	1,157,141	802,655	1,959,796
Contributions	-	5,000	5,000
Net investment income	263,653	-	263,653
Appropriations for expenditures	(75,447)	-	(75,447)
Endowment net assets at June 30, 2017	\$ 1,345,347	\$ 807,655	\$ 2,153,002

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. In establishing this policy, the School considered the long-term expected return on its endowment. Accordingly, over the long term, the school expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to payouts plus inflation. Additionally real growth will be provided through new gifts and any excess investment returns. The Board approves the disbursement of all funds.

Bishop Dunne Catholic School, Inc.

Notes to Consolidated Financial Statements

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. The School appropriates funds for expenditure as they are distributed and available for scholarships.

Note 12. Expenses by Natural Classification

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

	2017	2016
Advertising and marketing	\$ 116,869	\$ 106,187
Bank fees	42,562	37,338
Conferences, dues, and fees	31,403	32,972
Depreciation	1,209,730	1,168,256
Food service and meals	333,914	331,173
Insurance and taxes	1,470,229	1,520,619
Interest expense	877	-
Maintenance	364,816	350,170
Miscellaneous	211,662	201,334
Other direct fundraising costs	261,150	231,318
Payroll, benefits, and contract labor	5,371,860	5,392,904
Postage and printing	49,344	32,482
Professional services	63,848	91,766
Supplies, equipment and rentals	724,204	725,371
Travel	21,878	12,760
Utilities	226,778	274,936
Total expenses	\$ 10,501,124	\$ 10,509,586

Note 13. Subsequent Events

All events or transactions that occurred after June 30, 2017 through September 15, 2017, the date these financial statements were available to be issued, have been evaluated. During this period there were no material recognizable subsequent events.