

# **Bishop Dunne Catholic School, Inc.**

Consolidated Annual Financial Report

June 30, 2018

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## Independent Auditor's Report

To the Board of Directors of  
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, 2018 and 2017, 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.

The Board of Directors of  
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, 2018 and 2017, 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  
October 9, 2018

**Bishop Dunne Catholic School, Inc.**  
Consolidated Statements of Financial Position  
June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,664,898	\$ 3,792,503
Investments	2,520,517	2,278,185
Tuition receivable, net	2,414,860	2,722,540
Other assets	82,338	83,697
Property and equipment, net	8,846,544	9,890,048
<b>TOTAL ASSETS</b>	<b>\$ 17,529,157</b>	<b>\$ 18,766,973</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 276,946	\$ 137,964
Due to the Diocese of Dallas	1,060,502	1,051,581
Student activity funds	191,798	171,803
Deferred revenues	6,206,890	6,718,715
Note payable	129,346	160,342
Total liabilities	7,865,482	8,240,405
<b>NET ASSETS</b>		
Unrestricted	6,755,468	8,005,254
Temporarily restricted	1,962,877	1,692,559
Permanently restricted	945,330	828,755
Total net assets	9,663,675	10,526,568
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,529,157</b>	<b>\$ 18,766,973</b>

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, 2018 and 2017

	For the Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Tuition and fees, net of scholarships and discounts, of \$2,668,423 for the year ended June 30, 2018	\$ 7,142,992	\$ -	\$ -	\$ 7,142,992
Contributions, grants, and sponsorships	1,083,872	443,188	116,575	1,643,635
Fundraisers	643,295	-	-	643,295
Cafeteria	345,963	-	-	345,963
Investment income	25,448	208,349	-	233,797
Other revenues and support	259,728	-	-	259,728
Total	9,501,298	651,537	116,575	10,269,410
Net assets released from restrictions	381,219	(381,219)	-	-
Total revenues and support	9,882,517	270,318	116,575	10,269,410
<b>EXPENSES</b>				
Program services				
Instructional	5,739,696	-	-	5,739,696
Support services				
Administrative	2,840,457	-	-	2,840,457
Fundraising	1,028,694	-	-	1,028,694
Athletics	916,651	-	-	916,651
Facilities	606,805	-	-	606,805
Total expenses	11,132,303	-	-	11,132,303
Change in net assets	(1,249,786)	270,318	116,575	(862,893)
<b>NET ASSETS, beginning of year</b>	8,005,254	1,692,559	828,755	10,526,568
<b>NET ASSETS, end of year</b>	<u>\$ 6,755,468</u>	<u>\$ 1,962,877</u>	<u>\$ 945,330</u>	<u>\$ 9,663,675</u>

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, 2018 and 2017 – Continued

	For the Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Tuition and fees, net of scholarships and discounts, 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
<b>EXPENSES</b>				
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)
<b>NET ASSETS, beginning of year</b>	8,707,077	1,737,640	823,755	11,268,472
<b>NET ASSETS, end of year</b>	\$ 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 Cash Flows Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (862,893)	\$ (741,904)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,252,614	1,209,730
Unrealized gains on investments	(204,601)	(269,721)
Changes in operating assets and liabilities		
Tuition receivable	307,680	(699,533)
Other assets	1,359	11,988
Accounts payable and accrued expenses	147,903	5,503
Student activity funds	19,995	2,538
Deferred revenue	(511,825)	441,101
Net cash provided by (used in) operating activities	150,232	(40,298)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(209,110)	(425,289)
Proceeds from sales of investments	79,594	75,447
Purchases of investments	(117,325)	(7,500)
Net cash used in investing activities	(246,841)	(357,342)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	165,494
Payments on note payable	(30,996)	(5,152)
Net cash (used in) provided by financing activities	(30,996)	160,342
Net change in cash and cash equivalents	(127,605)	(237,298)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	3,792,503	4,029,801
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 3,664,898	\$ 3,792,503

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 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 Building Trust). In January 2018, the School also established and became a trustee of the Bishop Dunne Catholic School Education and Endowment Trust, a charitable nonprofit trust (the Education Trust). The Building Trust and Education Trust were established to create funds to which individual donors may transfer property and from which the trusts can construct, expand, equip and maintain an educational institution, and to fund continuing endowment funds 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 Building 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.

# **Bishop Dunne Catholic School, Inc.**

## Notes to Consolidated Financial Statements

### **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**

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 uncollectible amounts. The uncollectible provision is 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.

# **Bishop Dunne Catholic School, Inc.**

## Notes to Consolidated Financial Statements

### **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.

### **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, 2018 and 2017, the amount of funds held by the School for these parties was \$191,798 and \$171,803, 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 \$124,948 and \$116,869 for the years ended June 30, 2018 and 2017, 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, 2018, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School's tax years 2015 through 2018 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, 2018 and 2017, 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.

## 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 partners with a credit union who provides a financing program where tuition can be paid in monthly installments. 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:

	2018	2017
Receivable from tuition	\$ 2,584,860	\$ 2,887,766
Less allowance for doubtful accounts	(170,000)	(165,226)
Total	\$ 2,414,860	\$ 2,722,540

#### Note 4. Investments

The carrying values of investments by type at June 30, 2018 and 2017 are as follows:

	2018	2017
Money market funds	\$ 12,311	\$ 40,547
Fixed income funds	28,263	28,356
Equity mutual funds	1,881,671	1,668,470
Bond mutual funds	587,410	529,956
Certificates of deposit	10,862	10,856
Total investments	\$ 2,520,517	\$ 2,278,185

The following tabulation summarizes investment income and its related classification in the statement of cash flows for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends income	\$ 29,196	\$ 27,059
Net realized and unrealized gains on investments	204,601	269,721
Investment income	\$ 233,797	\$ 296,780

# Bishop Dunne Catholic School, Inc.

## Notes to Consolidated Financial Statements

### 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).

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, 2018 and 2017.

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 12,311	\$ -	\$ 12,311
Fixed income funds	28,263	-	-	28,263
Equity mutual funds	53,609	1,828,062	-	1,881,671
Bond mutual funds	27,004	560,406	-	587,410
Certificates of deposit	-	10,862	-	10,862
<b>Total investments, at fair value</b>	<b>\$ 108,876</b>	<b>\$ 2,411,641</b>	<b>\$ -</b>	<b>\$ 2,520,517</b>

## 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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>-\$ 72,695</u>	<u>\$ 2,205,490</u>	<u>\$ -</u>	<u>\$ 2,278,185</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, 2018 and 2017, property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 457,450	\$ 457,450
Buildings and improvements	16,085,121	16,016,795
Construction in progress	74,398	37,209
Furniture, fixtures, equipment & vehicles	2,258,298	2,154,703
	18,875,267	18,666,157
Less accumulated depreciation	<u>(10,028,723)</u>	<u>(8,776,109)</u>
Net property and equipment	<u>\$ 8,846,544</u>	<u>\$ 9,890,048</u>

Depreciation expense was \$1,252,614 and \$1,209,730 for the years ended June 30, 2018 and 2017, respectively.

## Bishop Dunne Catholic School, Inc.

### Notes to Consolidated Financial Statements

#### 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 \$129,346 and \$160,342 as of June 30, 2018 and 2017, respectively. Principal payments and interest at a fixed rate of 3.5% are payable monthly.

The estimated principal amounts maturing in each of the five years subsequent to June 30, 2018 are as follows:

Year Ending June 30,	
2019	\$ 32,097
2020	33,248
2021	34,454
2022	29,547
	\$ 129,346

#### 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, 2018 due in future years are as follows:

Year Ending June 30,	
2019	\$ 18,120
2020	11,080
	\$ 29,200

Lease expense for the years ending June 30, 2018 and 2017 was approximately \$23,000.

#### Note 9. Net Assets

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

	2018	2017
Scholarships and campus ministry	\$ 45,826	\$ 86,559
Improvements and equipment	452,615	260,653
Unappropriated earnings from endowment	1,464,436	1,345,347
Total	\$ 1,962,877	\$ 1,692,559

## 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:

	2018	2017
Scholarships and campus ministry	\$ 101,421	\$ 156,368
Improvements and equipment	200,204	246,612
Appropriated earnings from endowment	79,594	75,447
Total	\$ 381,219	\$ 478,427

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 \$153,174 and \$162,938 during the years ended June 30, 2018 and 2017, 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 \$1,020,063 and \$1,018,127 for years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, delinquent amounts related to prior years are owed to the Diocese for such insurance were \$1,060,502 and \$1,051,581 respectively.

#### Diocesan Financial Support

Financial support from the Diocese to the School amounted to \$287,000 for the years ended June 30, 2018 and 2017.

### 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, 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
Contributions	-	116,575	116,575
Net investment income	198,683	-	198,683
Appropriations for expenditures	(79,594)	-	(79,594)
Endowment net assets at June 30, 2018	<u>\$ 1,464,436</u>	<u>\$ 924,230</u>	<u>\$ 2,388,666</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. 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:

	2018	2017
Advertising and marketing	\$ 124,948	\$ 116,869
Bank fees	45,212	42,562
Conferences, dues, and fees	30,277	31,403
Depreciation	1,252,614	1,209,730
Food service and meals	378,397	333,914
Insurance and taxes	1,500,433	1,470,229
Interest expense	5,178	877
Maintenance	419,498	364,816
Miscellaneous	240,927	211,662
Other direct fundraising costs	329,444	261,150
Payroll, benefits, and contract labor	5,608,376	5,371,860
Postage and printing	83,421	49,344
Professional services	121,567	63,848
Supplies, equipment and rentals	742,493	724,204
Travel	17,431	21,878
Utilities	232,087	226,778
	\$ 11,132,303	\$ 10,501,124

### Note 13. Subsequent Events

All events or transactions that occurred after June 30, 2018 through October 9, 2018, the date these financial statements were available to be issued, have been evaluated. During this period there were no material recognizable subsequent events.