Consolidated Financial Statements Report of Independent Certified Public Accountants

Bishop Dunne Catholic School, Inc. and Subsidiaries

June 30, 2019 and 2018

CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Bishop Dunne Catholic School, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Bishop Dunne Catholic School, Inc. and subsidiaries (the "School"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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 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 audit. We conducted our audit 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 from material misstatement.

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

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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. and subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The consolidated financial statements of Bishop Dunne Catholic School, Inc. and subsidiaries as of and for the year ended June 30, 2018 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2018 consolidated financial statements in their report dated October 9, 2018.

Grant Thornton LLP

Dallas, Texas
October 3, 2019

Bishop Dunne Catholic School, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years Ended June 30,

	2019	2018
ASSETS		
Cash and cash equivalents	$ 3,640,789	$ 3,664,898
Investments	2,704,772	2,520,517
Tuition receivable, net	1,581,742	2,414,860
Other assets	84,286	82,338
Property and equipment, net	7,845,012	8,846,544
TOTAL ASSETS	$15,856,601	$17,529,157
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 376,371	$ 276,946
Due to the Diocese of Dallas	1,670,947	1,060,502
Student activity funds	158,115	191,798
Deferred revenue	5,127,512	6,206,890
Note payable	97,238	129,346
Total liabilities	7,430,183	7,865,482
NET ASSETS		
Without donor restrictions	5,580,686	6,755,468
With donor restrictions		
Restricted by purpose or time	1,828,100	1,962,877
Restricted in perpetuity	1,017,632	945,330
Total net assets	8,426,418	9,663,675
TOTAL LIABILITIES AND NET ASSETS	$15,856,601	$17,529,157

The accompanying notes are an integral part of these consolidated financial statements.

Bishop Dunne Catholic School, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES AND SUPPORT			
Tuition and fees, net of scholarships of $2,399,389	$ 6,717,358	$ -	$ 6,717,358
Contributions, grants, and sponsorships	1,016,505	100,795	1,117,300
Fundraisers	658,124	-	658,124
Cafeteria	311,780	-	311,780
Investment income	38,190	209,254	247,444
Other revenues and support	126,104	-	126,104
Total	8,868,061	310,049	9,178,110
Net assets released from restrictions	372,524	(372,524)	-
Total revenues, gains, and other support	9,240,585	(62,475)	9,178,110
EXPENSES			
Program Services			
Instructional	5,513,080	-	5,513,080
Athletics	940,038	-	940,038
Support Services			
Administrative	2,734,168	-	2,734,168
Fundraising	741,564	-	741,564
Facilities	486,517	-	486,517
Total expenses	10,415,367	-	10,415,367
Change in net assets	(1,174,782)	(62,475)	(1,237,257)
NET ASSETS, beginning of year	6,755,468	2,908,207	9,663,675
NET ASSETS, end of year	$ 5,580,686	$2,845,732	$ 8,426,418

The accompanying notes are an integral part of these consolidated financial statements.

Bishop Dunne Catholic School, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES AND SUPPORT			
Tuition and fees, net of scholarships of $2,668,423	$ 7,142,992	$ -	$ 7,142,992
Contributions, grants, and sponsorships	1,083,872	559,763	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	768,112	10,269,410
Net assets released from restrictions	381,219	(381,219)	-
Total revenues, gains, and other support	9,882,517	386,893	10,269,410
EXPENSES			
Program Services			
Instructional	5,739,696	-	5,739,696
Athletics	916,651	-	916,651
Support Services			
Administrative	2,840,457	-	2,840,457
Fundraising	1,028,694	-	1,028,694
Facilities	606,805	-	606,805
Total expenses	11,132,303	-	11,132,303
Change in net assets	(1,249,786)	386,893	(862,893)
NET ASSETS, beginning of year	8,005,254	2,521,314	10,526,568
NET ASSETS, end of year	$ 6,755,468	$ 2,908,207	$ 9,663,675

The accompanying notes are an integral part of these consolidated financial statements.

Bishop Dunne Catholic School

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019
(with comparative totals for 2018)

	Program Services			**Supporting Services**				**Total Expenses**	
	Instructional	Athletics	Programs Subtotal	Administration	Fundraising	Facilities	Support Services Subtotal	2019	2018
Salaries and benefits	$3,925,025	$567,639	$4,492,664	$1,717,506	$342,376	$224,999	$2,284,881	$ 6,777,545	$ 6,995,840
Casualty insurance	67,100	8,388	75,488	32,352	8,388	3,595	44,335	119,823	112,970
Facilities	121,315	86,902	208,217	68,519	15,165	216,123	299,807	508,024	651,585
Supplies and services	739,319	194,569	933,888	317,582	293,095	6,426	617,103	1,550,991	1,997,128
Depreciation	660,321	82,540	742,861	318,370	82,540	35,374	436,284	1,179,145	1,252,614
Bad debt	-	-	-	279,839	-	-	279,839	279,839	122,166
Total expenses	$5,513,080	$940,038	$6,453,118	$2,734,168	$741,564	$486,517	$3,962,249	$10,415,367	$11,132,303

The accompanying notes are an integral part of these consolidated financial statements.

Bishop Dunne Catholic School, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended June 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$(1,237,257)	$ (862,893)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,179,145	1,252,614
Realized and unrealized gains on investments	(205,754)	(204,601)
Changes in operating assets and liabilities		
Tuition receivable	833,118	307,680
Other assets	(1,948)	1,359
Accounts payable and accrued expenses	709,870	147,903
Student activity funds	(33,683)	19,995
Deferred revenue	(1,079,378)	(511,825)
Net cash provided by operating activities	164,113	150,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(177,613)	(209,110)
Proceeds from sales of investments	93,800	79,594
Purchases of investments	(72,301)	(117,325)
Net cash used in investing activities	(156,114)	(246,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(32,108)	(30,996)
Net cash used in financing activities	(32,108)	(30,996)
Net change in cash and cash equivalents	(24,109)	(127,605)
CASH AND CASH EQUIVALENTS, beginning of year	3,664,898	3,792,503
CASH AND CASH EQUIVALENTS, end of year	$ 3,640,789	$3,664,898
Cash paid for interest	$ 4,066	$ 5,178

The accompanying notes are an integral part of these 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 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 Trusts. All significant inter-entity balances and transactions have been eliminated in consolidation.

Display of Net Assets by Class

The balances and activities are classified into two categories according to the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions_represent resources available for support of the School's operations that are not subject to donor-imposed restrictions. Net assets without donor restriction may be designated for specific purposes by the School's Board.

Net assets with donor restrictions represent available resources subject to donor-imposed or legal restrictions that may or will be met either by actions of the School and/or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained in perpetuity by the Schol, including donor restrictions which stipulate that assets by held in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Pledges subject to donor-imposed stipulations that the corpus be maintained perpetually are recognized as increases in net assets with donor restriction.

Fundraising revenue represents proceeds of fundraising events. These revenues are recognized in the period received.

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 net assets with donor restrictions are reported as increases in net assets with donor restrictions 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

Investments are reported at fair value in the consolidated statements of financial position. Investments in equity and bond funds that have limited marketability are report at fair value based on net asset value ("NAV") as a practical expedient in estimating fair value. The net asset value is determined by the fund manager based on best estimates using fair value estimating techniques, substantiated, in part, by the fair values of the underlying investments in the funds. Certificates of deposit are reported at cost, which approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments in securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position based on available market quotes and information received from the custodian. Realized and unrealized gains and losses are included in the consolidated statements of activities in investment income.

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 receivable 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 the 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, 2019 and 2018, the amount of funds held by the School for these activities was $158,115 and $191,798, respectively.

Functional Allocation of Expenses

The costs of providing program and support services have been summarized on the consolidated statement of functional expenses and in the consolidated statements of activities. These expenses include direct and indirect costs that have been allocated on a consistent basis, among the program and support services benefited. Natural expenses are accounted for on a direct cost basis to the program or service upon which the expense is incurred. Indirect expenses require allocation which is done on the basis of estimates of facilities usage and activities of personnel.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled $20,554 and $124,948 for the years ended June 30, 2019 and 2018, respectively, and are included in administrative and fundraising expenses on the consolidated statements of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

Beginning in the fiscal year ended June 30, 2019, the School implemented Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The School adopted the provisions of this new standard during the year-ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 12), and disclosures related to functional allocation of expenses were expanded (Note 1) and a statement of functional expenses is now included in the consolidated financial statements.

The amendments in the ASU have been adopted and applied by the School on a retrospective basis for the year-ended June 30, 2018. However, the School has elected the permitted option to omit disclosures about liquidity and availability of resources and analysis of expenses separately for both natural and functional classification for the year ended June 30, 2018. Additionally, athletic revenues and expenses have been reclassified as program revenues from support services to better reflect that activity's nature as a program that benefits students and aligns with the school's mission.

The financial statements for the year ended June 30, 2018 have been restated to reflect the net asset classifications required by ASU 2016-14. Net assets classified previously as unrestricted are now reported as net assets without donor restrictions and temporarily or permanently restricted net assets are now reported as net assets with donor restrictions.

In May 2014, the FASB issued ASU 2014-09 "*Revenue from Contracts with Customers (Topic 606)*" as amended by ASU 2016-20. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standards are effective for annual reporting periods beginning after December 15, 2018. The School is currently evaluating the impact that this standard will have on the consolidated financial statements and results of operations beginning in fiscal year 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This new standard introduces a new lease model that requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements. The ASU will be effective for annual periods beginning after December 15, 2019, and interim periods thereafter. The School is currently evaluating the impact that this standard will have on the consolidated financial statements and results of operations beginning in fiscal year 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Under a group ruling issued by the Internal Revenue Service to the United States Conference of Catholic Bishops, the School and its related trusts, 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, 2019 or 2018, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School's tax years 2016 through 2018 remain subject to examination.

On December 22, 2017, tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the Act) was passed; resulting in significant modifications to existing law. While there were no material effects on the School's financial statements as a result of the Act, management is evaluating the ongoing impact of the Act on the School.

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, 2019 and 2018, 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 Federal Deposit Insurance Corporation. There have been no past losses as a result of the excess balances, and the School does not anticipate any losses in the future. The maximum amount of the loss would be $3,117,563 at June 30, 2019. This risk was mitigated by transferring funds into certificate of deposit accounts after the financial statement date.

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 accounts receivable consists of the following at June 30:

	2019	2018
Receivables from tuition	$1,681,742	$2,584,860
Less: allowance for doubtful accounts	(100,000)	(170,000)
Total	$1,581,742	$2,414,860

NOTE 4 - INVESTMENTS

The carrying values of investments by type at June 30, 2019 and 2018 are as follows:

	2019	2018
Money market funds	$ 12,728	$ 12,311
Fixed income funds	29,698	28,263
Equity securities	57,015	53,609
Bonds	28,986	27,004
Investments at NAV	2,565,478	2,388,468
Certificates of deposit	10,867	10,862
Total investments	$2,704,772	$2,520,517

The following table summarizes investment income and its related classification in the consolidated statement of cash flows for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividend income	$ 41,690	$ 29,196
Net realized and unrealized gains on investments	205,754	204,601
Investment income	$247,444	$233,797

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. In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 eliminates the requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value using the net asset value per share practical expedient. Instead, ASU 2015-07 requires entities to disclose the fair values of such investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table and the amount reported on the statement of financial position. Equity and bond mutual funds are measured at net asset value using the net asset value practical expedient as of June 30, 2019 and 2018. The disclosures shown in this footnote have been revised from the prior year financial statements for proper disclosure of these investments as required by ASU 2015-07.

NOTE 5 - FAIR VALUE MEASUREMENTS - Continued

The table below summarizes the fair value of investments and other investment securities (excluding certificates of deposit) by level for the year ended June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 12,728	$ -	$ 12,728
Fixed income funds	29,698	-	-	29,698
Equity securities	57,015	-	-	57,015
Bonds	28,986	-	-	28,986
Total	115,699	12,728	-	128,427
Investments at NAV				2,565,478
Certificates of deposit				10,867
Total investments				$2,704,772

The table below summarizes the fair value of investments and other investment securities (excluding certificates of deposit) 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 securities	53,609	-	-	53,609
Bonds	27,004	-	-	27,004
Total	108,876	12,311	-	121,187
Investments at NAV				2,388,468
Certificates of deposit				10,862
Total investments				$2,520,517

There are no unfunded commitments. Investments can be redeemed at the beginning of the month as per communication with the investment manager prior to the end of the previous month.

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment consist of the following:

	2019	2018
Land	$ 457,450	$ 457,450
Buildings and improvements	16,291,363	16,085,121
Construction in progress	-	74,398
Furniture, fixtures, equipment & vehicles	2,296,067	2,258,298
	19,044,880	18,875,267
Less: accumulated depreciation	(11,199,868)	(10,028,723)
Net property and equipment	$ 7,845,012	$ 8,846,544

Depreciation expense was $1,179,145 and $1,252,614 for the years ended June 30, 2019 and 2018, 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 $97,238 and $129,346 as of June 30, 2019 and 2018, respectively. Principal payments and interest at a fixed rate of 3.5% are payable monthly.

The estimated principal amounts maturing in each of the years subsequent to June 30, 2019 are as follows:

Year Ending June 30,	
2020	$33,248
2021	34,454
2022	29,536
	$97,238

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, 2019 due in future years are as follows:

Year Ending June 30,	
2020	$11,080

Lease expense for the years ending June 30, 2019 and 2018 was approximately $23,000.

NOTE 9 - NET ASSETS

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Scholarships and campus ministry	$ 124,693	$ 45,826
Improvements and equipment	134,461	452,615
Unappropriated earnings from endowment	1,568,946	1,464,436
Total net assets restricted by time or purpose	1,828,100	1,962,877
Total net assets restricted in perpetuity	1,017,632	945,330
Total assets with restrictions	2,845,732	2,908,207
Total assets without restrictions	5,580,686	6,755,468
Total net assets	$8,426,418	$9,663,675

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

	2019	2018
Scholarships and campus ministry	$ 74,320	$101,421
Improvements and equipment	204,404	200,204
Appropriated earnings from endowment	93,800	79,594
Total	$372,524	$381,219

Net assets restricted in perpetuity 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 $164,506 and $153,174 during the years ended June 30, 2019 and 2018, respectively.

Insurance

The School participates in the Diocese's workers' compensation, property and casualty insurance plans, and School personnel participate in the Diocese's group health insurance and flexible benefits plan. Amounts expensed for these services were $1,033,358 and $1,020,063 for years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, amounts owed to the Diocese for such insurance were $1,670,947 and $1,060,502 respectively.

Diocesan Financial Support

Financial support from the Diocese to the School amounted to $287,000 for the years ended June 30, 2019 and 2018.

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.

As a result of this interpretation, the School classifies net assets restricted in perpetuity as: (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 net assets with donor restriction is classified as net assets with donor restriction that are restricted by purpose or time until those amounts are appropriated for expenditure by management in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 11 - ENDOWMENTS - Continued

The School does not have any underwater endowments as of June 30, 2019.

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:

	Restricted for time or purpose	Restricted in perpetuity	Total
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	1,464,436	924,230	2,388,666
Contributions	-	72,303	72,303
Net investment income	198,311	-	198,311
Appropriations for expenditures	(93,800)	-	(93,800)
Endowment net assets at June 30, 2019	$1,568,947	$ 996,533	$2,565,480

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.

NOTE 11 - ENDOWMENTS - Continued

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 - LIQUIDITY AND AVAILABILITY

The following reflects the School's financial assets as of June 30, 2019, reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date. The School utilizes an annual distribution from its endowment and the deferral of Diocesan payments to satisfy its liquidity needs throughout the course of the year. The School is dependent on using prepaid tuition for the following fiscal year to subsidize operations in the current fiscal year.

	2019
Cash and cash equivalents	$ 3,640,789
Receivables	1,581,742
Investments	2,704,772
Total financial assets	7,927,303
Less restricted assets	
Cash restricted by donors	(212,211)
Investments restricted by donors	(2,704,772)
Total restricted assets	(2,916,983)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,010,320

NOTE 13 - SUBSEQUENT EVENTS

The School evaluated its consolidated financial statements for subsequent events through October 3, 2019, the date these consolidated financial statements were available to be issued. The School is not aware of any such events which would require recognition or disclosure.