

**BISHOP LYNCH HIGH SCHOOL, INC.**

**CONSOLIDATED ANNUAL FINANCIAL REPORT**

**JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Bishop Lynch High School, Inc.  
Dallas, Texas

We have audited the accompanying consolidated financial statements of Bishop Lynch High School, Inc. (the School), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, 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 audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Bishop Lynch High School, Inc

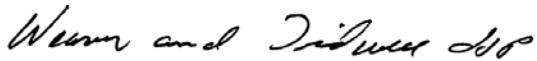
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### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bishop Lynch High School, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 13 to the consolidated financial statements, the 2014 consolidated financial statements have been restated to correct the classification of net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Weaver and Tidwell LLP".

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
September 30, 2015

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,683,434	\$ 8,637,205
Investments	5,335,116	4,881,637
Tuition receivable, net of allowance for doubtful accounts of \$369,146 and \$352,763 in 2015 and 2014, respectively	8,101,446	7,783,995
Miscellaneous receivable, net of allowance of \$118,551 and \$124,940 in 2015 and 2014, respectively	432,695	397,140
Promises to give receivable, net of allowance for doubtful accounts of \$955,134 and \$462,585 and discount of \$139,962 and \$273,898 in 2015 and 2014, respectively	1,365,619	2,672,262
Lynch Locker inventory	65,269	31,401
Other assets	85,593	70,879
Land, building, and equipment, net of accumulated depreciation	33,359,703	24,735,373
<b>TOTAL ASSETS</b>	<b>\$ 57,428,875</b>	<b>\$ 49,209,892</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Notes payable	\$ 5,704,726	\$ 4,482
Capital lease obligations	28,487	80,605
Accounts payable and accrued expenses	2,003,817	2,158,835
Wages payable	52,740	69,472
Deferred revenue and support	13,719,535	13,417,724
<b>Total liabilities</b>	<b>21,509,305</b>	<b>15,731,118</b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	28,138,991	26,339,254
Designated	3,311,378	3,163,509
Temporarily restricted	4,344,201	3,851,011
Permanently restricted - endowment	125,000	125,000
<b>Total net assets</b>	<b>35,919,570</b>	<b>33,478,774</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 57,428,875</b>	<b>\$ 49,209,892</b>

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

**BISHOP LYNCH HIGH SCHOOL, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Tuition and fees	\$ 14,267,273	\$ -	\$ -	\$ 14,267,273
Operational income	516,710	-	-	516,710
Contributions	328,223	1,165,421	-	1,493,644
Capital campaign contributions	-	865,957	-	865,957
Interest income	53,446	81,490	-	134,936
Other income	859,820	-	-	859,820
Athletic	113,807	-	-	113,807
Fees	128,687	-	-	128,687
Student activities and support organizations	1,227,196	-	-	1,227,196
Investment income	25,558	70,790	-	96,348
	<u>17,520,720</u>	<u>2,183,658</u>	<u>-</u>	<u>19,704,378</u>
Net assets released from restrictions	<u>1,690,468</u>	<u>(1,690,468)</u>	<u>-</u>	<u>-</u>
<b>Total revenue, support, and net assets released from restrictions</b>	<u>19,211,188</u>	<u>493,190</u>	<u>-</u>	<u>19,704,378</u>
<b>EXPENSES</b>				
Program services				
Instructional	6,476,828	-	-	6,476,828
Administration	7,150,700	-	-	7,150,700
Support services				
Facilities	1,080,034	-	-	1,080,034
Fundraising	704,359	-	-	704,359
Athletics	623,391	-	-	623,391
Student Activities	1,228,270	-	-	1,228,270
	<u>17,263,582</u>	<u>-</u>	<u>-</u>	<u>17,263,582</u>
<b>Total expenses</b>	<u>17,263,582</u>	<u>-</u>	<u>-</u>	<u>17,263,582</u>
<b>Change in net assets</b>	1,947,606	493,190	-	2,440,796
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>29,502,763</u>	<u>3,851,011</u>	<u>125,000</u>	<u>33,478,774</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 31,450,369</u>	<u>\$ 4,344,201</u>	<u>\$ 125,000</u>	<u>\$ 35,919,570</u>

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

**BISHOP LYNCH HIGH SCHOOL, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	For the Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Tuition and fees	\$ 13,632,613	\$ -	\$ -	\$ 13,632,613
Operational income	406,869	-	-	406,869
Contributions	366,956	997,263	-	1,364,219
Capital campaign contributions	-	811,912	-	811,912
Interest income	71,617	79,135	-	150,752
Other income	777,183	-	-	777,183
Athletic	81,914	-	-	81,914
Fees	110,175	-	-	110,175
Student activities and support organizations	1,492,529	-	-	1,492,529
Investment income	157,329	436,802	-	594,131
	17,097,185	2,325,112	-	19,422,297
Net assets released from restrictions	6,843,944	(6,843,944)	-	-
<b>Total revenue, support, and net assets released from restrictions</b>	<b>23,941,129</b>	<b>(4,518,832)</b>	<b>-</b>	<b>19,422,297</b>
<b>EXPENSES</b>				
Program services				
Instructional	6,233,380	-	-	6,233,380
Administration	6,123,060	-	-	6,123,060
Support services				
Facilities	1,106,840	-	-	1,106,840
Fundraising	730,027	-	-	730,027
Athletics	619,448	-	-	619,448
Student Activities	1,423,396	-	-	1,423,396
<b>Total expenses</b>	<b>16,236,151</b>	<b>-</b>	<b>-</b>	<b>16,236,151</b>
<b>Change in net assets</b>	<b>7,704,978</b>	<b>(4,518,832)</b>	<b>-</b>	<b>3,186,146</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>21,797,785</b>	<b>8,369,843</b>	<b>125,000</b>	<b>30,292,628</b>
<b>NET ASSETS, END OF YEAR, AS RESTATED</b>	<b>\$ 29,502,763</b>	<b>\$ 3,851,011</b>	<b>\$ 125,000</b>	<b>\$ 33,478,774</b>

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

**BISHOP LYNCH HIGH SCHOOL, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,440,796	\$ 3,186,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,540,725	1,292,974
(Gain) loss on sale of equipment	(276)	34,265
Unrealized (gain) loss on investments, net	(96,348)	(616,833)
Income reinvested	(91,946)	(78,992)
Receivables	953,637	(280,098)
Other Assets	(14,714)	(161)
Accounts payable and accrued expenses	(155,018)	1,513,965
Wages payable	(16,732)	53,307
Lynch Locker inventory	(33,868)	(31,401)
Deferred revenue and support	301,811	791,789
<b>Net cash provided by operating activities</b>	<b>4,828,067</b>	<b>5,864,961</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(10,164,779)	(11,734,075)
Purchase of marketable investments	(265,185)	(39,266)
<b>Net cash used in investing activities</b>	<b>(10,429,964)</b>	<b>(11,773,341)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(4,482)	(6,599)
Proceeds from issuance of notes payable	5,704,726	-
Payments on capital lease obligations	(52,118)	(81,638)
<b>Net cash provided by (used in) financing activities</b>	<b>5,648,126</b>	<b>(88,237)</b>
<b>Net change in cash and cash equivalents</b>	46,229	(5,996,617)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>8,637,205</b>	<b>14,633,822</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,683,434</b>	<b>\$ 8,637,205</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid (capitalized into Construction in Progress)	\$ 109,062	\$ 12,235

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



**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION**

Bishop Lynch High School, Inc. (the School) is a nonprofit coeducational institution of the Roman Catholic Diocese of Dallas (the Diocese) providing a Catholic secondary education in the Dallas, Texas area. The School's Board of Directors is responsible for the direction of the School. The School began operations in September 1963.

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 Lynch High 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 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 property, plant and equipment aggregating \$33,359,703 and \$24,735,373, net of depreciation, at June 30, 2015 and 2014, respectively, is held by the Trust and the Trust is a co-borrower on the School's note payable (see Note 8). Depreciable assets not held in the Trust total \$56,433 and \$56,433, net of depreciation, at June 30, 2015 and 2014, respectively.

**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.

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Display of Net Assets by Class – Continued**

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, among others, undistributed earnings on endowments.

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 and accounts payable and accruals) approximate their fair values based on their short-term nature.

**Revenue Recognition**

Deferred revenue and support represents amounts received by the School for tuition, technology fees, and financial aid applicable to the following school year.

Contributions, including unconditional promises to give, are recognized as revenues in the period received, net of an allowance for collection. Promises to give 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. Promises to give 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. 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.

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash Equivalents**

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

**Investments in Marketable Securities**

Investments are reported as 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.

**Accounts Receivables**

Tuition, promises to give and other receivables are stated at unpaid principal balances, less the allowance for collection and a discount to reflect the adjustment necessary to state the stream of future payments at their current value. The allowance for collection is determined by management based on historical collection experience and ongoing analyses of each debtor's financial condition. The provision for the discount and the provision for uncollectible pledges are included in administration expense. Promises to give or other receivables that are deemed to be uncollectible are charged to the allowance. It is at least reasonably possible that the estimate for uncollectible pledges may change materially in the near term.

**Property and Equipment**

Property and equipment are capitalized at cost when purchased or at fair value at date of gift when 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.

**Inventory**

Inventories are expensed when consumed and are stated at cost. Inventories consist primarily of the School merchandise held for resale.

**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).

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Income Taxes – Continued**

Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. As of June 30, 2015, the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The School's tax years 2012 through 2014 remain subject to examination.

**Use 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.

**Advertising Costs**

Advertising costs are expensed as incurred and totaled \$41,680 and \$40,047 for the years ended June 30, 2015 and 2014, respectively.

**Subsequent Events**

All events or transactions that occurred after June 30, 2015 through September 30, 2015, the date these financial statements were available to be issued, have been evaluated. During this period there were no material recognizable subsequent events.

**Concentration of Credit Risk**

In the course of the School's operations, the cash balances maintained at financial institutions used by the School are in excess of the amount insured by the FDIC. The School has not suffered any losses as a result of the excess balances in the past and management does not anticipate losses in the future.

**NOTE 3. ACCOUNTS RECEIVABLE**

In advance of the upcoming school year, the School requires tuition to either be paid in full or have a funding program secured. The School provides two programs where tuition can be paid in monthly installments. The first program is a financing plan through a financial institution. Under this plan, the School receives the majority of tuition before commencement of the school year. The financial institution has recourse against the School for any uncollected tuition. At June 30, 2015 and 2014 this guarantee approximated \$850,000 and \$900,000, respectively. Historically, uncollected tuition has been insignificant. The second program is a monthly debit on the financially responsible party's bank account. Tuition collected under this second program is recorded as received against tuition receivable in the accompanying consolidated statements of financial position.

**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. PROMISES TO GIVE**

Promises to give are due as follows:

	2015	2014
Less than one year	\$ 1,493,221	\$ 1,464,989
One to five years	967,494	1,943,756
	2,460,715	3,408,745
Present value discount	(139,962)	(273,898)
Allowance for doubtful accounts	(955,134)	(462,585)
Total	<u>\$ 1,365,619</u>	<u>\$ 2,672,262</u>

Promises to give are restricted for campus construction projects. Unconditional promises are reflected at the present value of the estimated cash flow for 2015 using a discount rate of 5%. The allowance for collection is determined by management based on historical collection experience and ongoing analyses of each donor's pledge.

**NOTE 5. INVESTMENT SECURITIES**

The recorded value of the investment securities are stated at fair value. 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 of 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 mutual funds typically valued of 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 mutual funds typically valued based on information received from the custodian.

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

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5. INVESTMENT SECURITIES – CONTINUED**

A financial instrument's level within the fair value of hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in operating characteristics of the investments or methodologies used at June 30, 2015 and 2014.

The table below summarizes the fair value of investment securities and pledge receivables by level:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ -	\$3,229,806	\$ -	\$ 3,229,806
Bond funds	-	2,105,310	-	2,105,310
Pledge receivables (net)	-	-	1,365,619	1,365,619
	\$ -	\$5,335,116	\$ 1,365,619	\$ 6,700,735
	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ -	\$2,957,274	\$ -	\$ 2,957,274
Bond funds	-	1,924,363	-	1,924,363
Pledge receivables (net)	-	-	2,672,262	2,672,262
	\$ -	\$4,881,637	\$ 2,672,262	\$ 7,553,899

Investments primarily include contributed funds set aside in trust or otherwise for specific purposes.

The following is description of the valuation methodologies used to measure and disclose fair value of assets:

The fair value of mutual funds reported as level two is based on quoted net asset values of shares or units for similar assets in inactive markets held by the School at year end.

The fair value of pledge receivables reported as level three is based on the discounted value of expected future cash flows.

**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5. INVESTMENT SECURITIES – CONTINUED**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended June 30, 2015 are as follows:

	<u>Pledge Receivables, (net)</u>
Beginning balance	\$ 2,672,262
Payments received	(1,487,174)
Change in pledge allowance	(492,549)
Change in pledge discount	133,936
Pledge write offs	(14,000)
Contributions	553,144
Ending balance	<u>\$ 1,365,619</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended June 30, 2014 are as follows:

	<u>Pledge Receivables, (net)</u>
Beginning balance	\$ 3,234,105
Payments received	(1,241,624)
Change in pledge allowance	34,087
Change in pledge discount	57,584
Pledge write offs	(24,100)
Contributions	612,210
Ending balance	<u>\$ 2,672,262</u>

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

At June 30, 2015 and 2014, property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 207,121	\$ 153,000
Buildings and improvements	45,219,145	34,238,698
Furniture, fixtures, equipment & vehicles	5,188,738	5,076,917
Construction in progress	2,113,350	3,126,268
	52,728,354	42,594,883
Less accumulated depreciation and amortization	19,368,651	17,859,510
Total	<u>\$ 33,359,703</u>	<u>\$ 24,735,373</u>

**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT – CONTINUED**

Cost and accumulated amortization of assets under capital leases included above are as follows:

	<u>2015</u>	<u>2014</u>
Cost	\$ 328,094	\$ 328,094
Less: Accumulated amortization	<u>294,151</u>	<u>243,936</u>
Total	<u>\$ 33,943</u>	<u>\$ 84,158</u>

Depreciation and amortization expense was \$1,540,725 and \$1,292,974 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 7. COMMITMENTS**

The School leases certain equipment under capital lease agreements. Future minimum lease payments on capital leases are as follows:

<u>Years Ended June 30,</u>	<u>Capital</u>
2016	\$ 28,233
2017	2,353
2018 and thereafter	<u>-</u>
Total future minimum lease payments	30,586
Less amount representing interest	<u>2,099</u>
Present value of future minimum lease payments	28,487
Less current portion	<u>26,159</u>
Total noncurrent	<u>\$ 2,328</u>

The School has guaranteed loans for tuition funded through a third party of approximately \$850,000 and \$900,000 at June 30, 2015 and 2014, respectively (Note 3).

**NOTE 8. NOTES PAYABLE**

The School had financed the purchase of a school vehicle through a financial institution which was collateralized by the vehicle. The outstanding balance of the note at June 30, 2015 and 2014 was \$0 and \$4,482, respectively. The note bore interest at 3.9% and was paid off in August 2014. Related to this financing, interest expense for the years ended June 30, 2015 and 2014 was \$78 and \$315, respectively.



**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8. NOTES PAYABLE – CONTINUED**

On April 14, 2014, the School authorized an interest bearing loan (Loan 1) for a total of \$7,500,000. From April 14, 2014 through April 13, 2017, the outstanding principal balance for Loan 1 shall bear interest only at a fixed rate per annum of 2.85%. On April 27, 2015, the School authorized an interest bearing loan (Loan 2) for a total of \$5,800,000. From March 19, 2015 through April 14, 2017, the outstanding principal balance for Loan 2 shall bear interest only at a fixed rate per annum of 3.00%. Beginning April 14, 2017 through April 14, 2032, on Loan 2 interest shall accrue on the day to day principal balance outstanding at a floating rate equal to the highest prime rate (Loan 1 rate receives a discount of 0.5% off the highest prime rate), not to exceed ceiling rates for both loans as outlined below.

Ceiling rates outlined for future years under each loan:

Loan 1	Loan 2
3.25% from April 14, 2017 through April 13, 2020	3.75% from April 15, 2017 through April 14, 2020
4.25% from April 14, 2020 through April 13, 2023	4.75% from April 15, 2020 through April 14, 2023
4.35% from April 14, 2023 through April 13, 2026	5.00% from April 15, 2023 through April 14, 2026
4.45% from April 14, 2026 through April 14, 2032	5.45% from April 15, 2026 through April 14, 2032

The purpose of Loan 1 and 2 is to be used for the Veritas Capital Campaign construction project.

For the period ending June 30, 2015, the School obtained advances of \$5,704,726 on Loan 1, which is payable in the following fiscal years ended June 30<sup>th</sup>:

2015	\$ -
2016	-
2017	49,337
2018	301,691
2019	311,644
Thereafter	<u>5,042,054</u>
Total	<u>\$ 5,704,726</u>

Interest expense of \$97,249 related to Loan 1 was capitalized, in accordance with GAAP, for the year ended June 30, 2015.

For the period ending June 30, 2015, the School did not request an advance on Loan 2.

**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9. NET ASSETS**

Unrestricted net assets consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Undesignated operating surplus	\$ 27,790,262	\$ 25,989,451
School based organizations	348,729	349,803
Board designated	<u>3,311,378</u>	<u>3,163,509</u>
	<u>\$ 31,450,369</u>	<u>\$ 29,502,763</u>

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

	<u>2015</u>	<u>2014</u>
Endowment	3,746,003	3,343,284
For scholarships	<u>598,198</u>	<u>507,727</u>
	<u>\$ 4,344,201</u>	<u>\$ 3,851,011</u>

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

	<u>2015</u>	<u>2014</u>
Endowment	<u>\$ 125,000</u>	<u>\$ 125,000</u>

**NOTE 10. ENDOWMENTS**

The School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The State of Texas and the School have both adopted UPMIFA.

As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by management in a manner consistent with the standard of prudence prescribed by UPMIFA.

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. ENDOWMENTS – CONTINUED**

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

Changes in endowment net assets for fiscal year ended June 30, 2015 are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,413,353	\$ 3,343,284	\$ 125,000	\$ 4,881,637
Contributions	-	409,595	-	409,595
Investment return:				
Investment income	30,427	80,569	-	110,996
Net appreciation (depreciation) (realized and unrealized)	25,556	70,790	-	96,346
Total investment return	55,983	151,359	-	207,342
Appropriation of endowment assets for expenditure	(5,223)	(158,235)	-	(163,458)
Endowment net assets, end of year	<u>\$ 1,464,113</u>	<u>\$ 3,746,003</u>	<u>\$ 125,000</u>	<u>\$ 5,335,116</u>

Changes in endowment net assets for fiscal year ended June 30, 2014 are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,210,265	\$ 2,811,281	\$ 125,000	\$ 4,146,546
Contributions	-	64,834	-	64,834
Investment return:				
Investment income	27,835	67,528	-	95,363
Net appreciation (realized and unrealized)	180,032	436,802	-	616,834
Total investment return	207,867	504,330	-	712,197
Appropriation of endowment assets for expenditure	(4,779)	(37,161)	-	(41,940)
Endowment net assets, end of year	<u>\$ 1,413,353</u>	<u>\$ 3,343,284</u>	<u>\$ 125,000</u>	<u>\$ 4,881,637</u>

**BISHOP LYNCH HIGH SCHOOL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. ENDOWMENTS – CONTINUED**

**Return Objectives and Risk Parameters**

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

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, a total return strategy is utilized in which investments 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.

**NOTE 11. RELATED PARTIES**

**Defined Contribution Plan (403 B)**

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. The plan offers the option to designate contributions as traditional pre-tax contributions and/or designate Roth contributions. 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 3% of compensation. The School's contributions to the Plan were \$387,636 and \$362,776 during the years ended June 30, 2015 and 2014, respectively.

**Insurance**

The School participates in the Diocesan workers' compensation, property and casualty insurance plan and School personnel participate in the Diocesan group insurance and flexible benefits plan. Amounts paid to the Diocese for these services were \$1,408,673 and \$1,341,075 for years ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, no amounts were owed to the Diocese.

**BISHOP LYNCH HIGH SCHOOL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12. EXPENSES BY NATURAL CLASSIFICATION**

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

	<u>2015</u>	<u>2014</u>
Salaries and benefits	\$ 9,903,796	\$ 9,441,775
Utilities	424,776	416,805
Fundraising and advertising	244,770	329,488
Maintenance	655,258	690,035
General and administrative	3,047,066	2,405,812
Casualty insurance	218,920	235,866
Student activities and support organizations	1,228,271	1,423,396
Depreciation	<u>1,540,725</u>	<u>1,292,974</u>
Total expenses	<u>\$ 17,263,582</u>	<u>\$ 16,236,151</u>

**NOTE 13. RESTATEMENT**

In the current year, the School determined that temporarily restricted net assets were overstated and unrestricted net assets understated by offsetting amounts. As a result, the 2014 Statement of Financial Position and Statement of Activities have been restated to correct the classification and temporarily restricted net assets have been decreased and unrestricted net assets increased by \$1,052,088 and net assets released from restrictions has been increased by \$1,052,088.