

Bishop Fenwick High School

**Financial Statements
June 30, 2020 with
Summarized Comparative Totals for June 30, 2019, and
Independent Auditors' Report**

BISHOP FENWICK HIGH SCHOOL

June 30, 2020 with Summarized Comparative Totals for June 30, 2019

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 18

Independent Auditors' Report

To the Board of Limited Jurisdiction of
Bishop Fenwick High School

We have audited the accompanying financial statements of Bishop Fenwick High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Bishop Fenwick High School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited Bishop Fenwick High School's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

November 4, 2020
Cincinnati, Ohio

BISHOP FENWICK HIGH SCHOOL

Statement of Financial Position June 30, 2020 with Summarized Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,289,752	\$ 3,386,512
Tuition receivable, net	15,413	18,326
Unconditional promises to give, current portion	160,072	243,587
Note receivable, current portion	-	140,901
Other current assets	<u>134,755</u>	<u>114,401</u>
Total current assets	<u>3,599,992</u>	<u>3,903,727</u>
Non-Current Assets		
Unconditional promises to give, net, less current portion	205,276	134,873
Investments	3,110,564	2,948,433
Investments restricted by donors	589,891	563,891
Property and equipment, net	<u>11,656,974</u>	<u>11,330,786</u>
Total non-current assets	<u>15,562,705</u>	<u>14,977,983</u>
Total assets	<u><u>\$ 19,162,697</u></u>	<u><u>\$ 18,881,710</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 35,140	\$ 175,953
Accrued expenses and other liabilities	461,038	593,168
Unearned revenues	2,066,040	2,113,234
Student agency accounts	87,718	69,731
Bonds payable, current portion, net of unamortized issuance costs	<u>248,904</u>	<u>322,904</u>
Total current liabilities	2,898,840	3,274,990
Non-Current Liabilities		
Note payable	775,000	-
Bonds payable, less current portion, net of unamortized issuance costs	<u>5,287,251</u>	<u>5,663,304</u>
Total liabilities	<u>8,961,091</u>	<u>8,938,294</u>
Net Assets		
Without donor restrictions	8,469,035	8,194,729
With donor restrictions	<u>1,732,571</u>	<u>1,748,687</u>
Total net assets	<u>10,201,606</u>	<u>9,943,416</u>
Total liabilities and net assets	<u><u>\$ 19,162,697</u></u>	<u><u>\$ 18,881,710</u></u>

See accompanying notes to financial statements

BISHOP FENWICK HIGH SCHOOL

Statement of Activities Year Ended June 30, 2020 With Summarized Comparative Totals for June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains and other support				
Tuition and fees, net of tuition assistance	\$ 5,117,920	\$ -	\$ 5,117,920	\$ 5,186,373
Student services	282,490	-	282,490	394,209
Fundraising events, net of expenses	35,203	-	35,203	58,957
State and local allocations	1,034,089	-	1,034,089	1,067,909
Investment income, net of expenses	145,006	33,471	178,477	230,659
Contributions	365,150	505,841	870,991	1,310,443
Other	31,664	-	31,664	40,149
Net assets released from restrictions	555,428	(555,428)	-	-
Total revenue, gains and other support	7,566,950	(16,116)	7,550,834	8,288,699
Expenses				
Program services:				
Instructional	4,055,276	-	4,055,276	4,143,162
Student services	1,679,685	-	1,679,685	1,768,218
Support services:				
General and administrative	1,048,608	-	1,048,608	1,047,996
Development	509,075	-	509,075	472,718
Total expenses	7,292,644	-	7,292,644	7,432,094
Change in net assets	274,306	(16,116)	258,190	856,605
Net assets, beginning of year	8,194,729	1,748,687	9,943,416	9,086,811
Net assets, end of year	<u>\$ 8,469,035</u>	<u>\$ 1,732,571</u>	<u>\$ 10,201,606</u>	<u>\$ 9,943,416</u>

See accompanying notes to financial statements

BISHOP FENWICK HIGH SCHOOL

Statement of Functional Expenses Year Ended June 30, 2020 with Summarized Comparative Totals for June 30, 2019

	Program Services		Supporting Services		Totals	
	Instructional	Student Services	General and Administrative	Development	2020	2019
Salaries	\$ 1,858,629	\$ 280,955	\$ 560,042	\$ 250,242	\$ 2,949,868	\$ 2,975,632
Payroll taxes and benefits	610,990	37,294	173,902	92,437	914,623	945,697
Third party expenses	452,675	367,727	-	-	820,402	834,700
Depreciation and amortization	395,856	229,810	15,304	6,563	647,533	548,769
Repairs and maintenance	220,040	147,214	10,978	3,572	381,804	291,195
Utilities and occupancy	212,985	123,646	8,234	3,532	348,397	402,271
Athletic activities	-	295,681	-	-	295,681	416,136
Supplies and materials	59,772	79,171	78,204	-	217,147	253,231
Interest	112,765	65,464	4,359	1,870	184,458	192,318
Contracted services	8,147	9,631	114,224	17,232	149,234	121,100
Administrative and marketing	1,565	5,329	75,869	53,105	135,868	130,087
Informational technology	55,253	32,076	2,136	916	90,381	98,132
Special events	-	-	-	77,481	77,481	77,591
Retreat	46,576	-	-	-	46,576	69,764
Professional development	18,464	4,782	5,296	2,099	30,641	33,682
Loss on asset disposal	1,559	905	60	26	2,550	41,789
Total expenses	<u>\$ 4,055,276</u>	<u>\$ 1,679,685</u>	<u>\$ 1,048,608</u>	<u>\$ 509,075</u>	<u>\$ 7,292,644</u>	<u>\$ 7,432,094</u>

See accompanying notes to financial statements

BISHOP FENWICK HIGH SCHOOL

Statement of Cash Flows Year Ended June 30, 2020 with Summarized Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 258,190	\$ 856,605
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	647,533	548,769
Loss on asset disposal	2,550	41,789
Net realized and unrealized gains on investments	(46,974)	(94,996)
Contributions for restricted purposes	(26,000)	(76,464)
Changes in:		
Tuition receivable	2,913	(1,368)
Unconditional promises to give	13,112	(139,820)
Other current assets	(20,354)	21,696
Accounts payable	(15,335)	(65,004)
Accrued expenses and other liabilities	(132,130)	10,424
Unearned revenues	(47,194)	(29,707)
Student agency accounts	17,987	(21,012)
Net cash provided by operating activities	<u>654,298</u>	<u>1,050,912</u>
Cash flows from investing activities		
Proceeds from principal repayments on note receivable	140,901	152,659
Purchases of investments	(382,703)	(333,829)
Proceeds from sale of investments	241,546	126,529
Purchases of property and equipment	<u>(1,097,653)</u>	<u>(333,489)</u>
Net cash used in investing activities	<u>(1,097,909)</u>	<u>(388,130)</u>
Cash flows from financing activities		
Contributions for restricted purposes	26,000	76,464
Repayment of principal on bonds payable	(454,149)	(404,427)
Proceeds from issuance of debt	<u>775,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>346,851</u>	<u>(327,963)</u>
Net change in cash and cash equivalents	(96,760)	334,819
Cash and cash equivalents, beginning of year	<u>3,386,512</u>	<u>3,051,693</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,289,752</u></u>	<u><u>\$ 3,386,512</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 230,181	\$ 192,376
Property and equipment purchases in accounts payable	\$ -	\$ 125,478

See accompanying notes to financial statements

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Bishop Fenwick High School (the School), a nonprofit organization, operates a parochial high school located in Warren County, Ohio under the direction of the Archdiocese of Cincinnati (the Archdiocese) for students, the majority of whom live in the Butler, Warren and Montgomery County areas. The School's revenue is derived principally from tuition and related fees and contributions.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The financial statements include certain prior year summarized comparative information that does not constitute a presentation in conformity with accounting principles generally accepted in the United States of America. This includes summarized revenues, expenses, gains and losses in total but not by net asset class as well as summarized expenses by nature and by function separately rather than in one location. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019 from which the comparative information was derived.

Cash and Cash Equivalents

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The School considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. The School's cash and cash equivalents consists of cash, money market funds and deposits in the Archdiocese of Cincinnati pooled investment fund for the years ending June 30, 2020 and 2019. The Archdiocese of Cincinnati maintains a cash management system in which certain parishes and related organizations of the Archdiocese may participate. This money management system is administered by a bank trust department and funds deposited by each participant are swept into a pooled investment fund on a daily basis. The Archdiocese of Cincinnati pooled investment fund consists of cash, money market funds and long-term debt securities.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return

Investments in equity and debt securities are carried at fair value. Certificates of deposit are reported at original cost. Investment return includes dividends, interest and realized and unrealized gains and losses on investments, net of investment expenses. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Risks and Uncertainties

The Organization's investments consist of common stocks, equity mutual funds, fixed income and real estate mutual funds, money market funds, pooled investments and certificate of deposits. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at June 30, 2020. However, the diversification of the School's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Finance Committee with advice and assistance from investment professionals.

Tuition Receivable

Tuition receivable accounts consist of amounts due from students for tuition and other fees recorded at estimated net realizable value. The School reserves for uncollectible amounts through an allowance. Once management has determined the amount to be uncollectible, based upon a review of outstanding receivables, historical collection information and existing economic conditions, the amount is fully reserved. The allowance for doubtful accounts related to tuition receivable is \$103,096 and \$104,891 at June 30, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is recorded at cost or if donated or impaired, at fair value at the date of gift or determination. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. The cost of maintenance and repairs is expensed as incurred, while significant improvements are capitalized.

In accordance with GAAP, the School assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the School believes no impairments existed at June 30, 2020.

Unearned Revenues

Advance payments received for tuition and fees which relate to the following academic year are recorded as unearned revenue and recognized as income in the school year to which they apply.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Agency Accounts

The School holds various funds in a fiduciary capacity for organizations of the School such as academic and athletic clubs. These organizations raise funds in their own capacities and expend the funds on their organization's behalf. The revenues and expenses of these organizations are not included in the School's financial statements.

Contributions

The School records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

In-Kind Donations

Donated equipment and investments are reflected as contributions in the accompanying financial statements at the estimated fair value on the date of receipt. Donated services are recognized at fair market value if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased by the School if not provided by donation. The School has recorded in-kind donations as contribution revenue and student services expense in the statements of activities for various materials and professional services rendered in the amount of \$70,000 and \$75,000 for 2020 and 2019.

Fundraising Events

At times during the year, the School hosts fundraising events including an annual festival, student fashion show and fish fry. Revenues from fundraising events are shown on the statements of activities, net of related fundraising expenses of \$25,679 and \$53,863 for the years ended June 30, 2020 and 2019, respectively.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Through its affiliation with the Archdiocese of Cincinnati, the School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. As a religious organization, the School is not required to file annual federal or state information returns. However, the School is subject to federal income tax on any unrelated business taxable income. The School believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which are allocated based on the direct time spent by personnel on the related activities, and depreciation, utilities and occupancy, which are allocated based on an estimate of square footage of space used by function.

Effect of Adopting New Accounting Standard

During 2020, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also required that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of June 30, 2019. The adoption of this ASU did not have a significant impact.

Subsequent Event Evaluation

In preparing its financial statements, the School has evaluated events subsequent to the statement of financial position date through November 4, 2020, which is the date the financial statements were available to be issued.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 2 LIQUIDITY AND AVAILABILITY

The School's financial assets available within one year of the statement of financial position date for general expenditures, that is, without donor or other restrictions limiting their use, comprise the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,600,592	\$ 2,605,611
Tuition receivable, net	15,413	18,326
Unconditional promises to give, current portion	160,072	243,587
Note receivable, current portion	-	140,901
Operating investments	<u>2,657,044</u>	<u>2,544,537</u>
	<u>\$ 5,433,121</u>	<u>\$ 5,552,962</u>

As part of the School's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds. Funds are also invested within the Archdiocese Pooled Investment fund. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are, on average, approximately \$1.9 million. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 UNCONDITIONAL PROMISES TO GIVE

At June 30, 2020 and 2019, the School had received unconditional promises to give. These unconditional promises to give, stated at estimated net realizable value, consist of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 160,072	\$ 243,587
Due in one to five years	204,800	135,100
Thereafter	<u>5,050</u>	<u>11,150</u>
	369,922	389,837
Less: unamortized discount	<u>(4,574)</u>	<u>(11,377)</u>
	<u>\$ 365,348</u>	<u>\$ 378,460</u>

Unconditional promises to give due in more than one year are discounted at a rate of 0.65% and 2.01% at June 30, 2020 and 2019, respectively.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 4 NOTE RECEIVABLE

In 2004, St. John the XXIII Catholic Elementary School of Middletown (Holy Family parish) purchased the former high school site for \$2.65 million to be used as its grade school. At June 30, 2020, \$-0- and \$140,901, respectively, is outstanding on a note receivable related to this sale of property by the School.

The note was repaid over 17 years, with semi-annual; payments of \$80,000, which include interest at a rate of 3.09% per annum. The note was paid in full in June 2020. Interest income earned on the note was \$3,162 and \$7,341 for the years ended June 30, 2020 and 2019, respectively, and is recorded as investment income on the statements of activities.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following:

	2020	2019
Land	\$ 1,054,000	\$ 1,054,000
Land improvements	3,025,519	2,361,463
Building and improvements	13,212,534	12,990,971
Equipment, furniture, and fixtures	2,274,981	1,979,096
Construction in progress	19,143	232,972
	19,586,177	18,618,502
Less accumulated depreciation	(7,929,203)	(7,287,716)
	<u>\$ 11,656,974</u>	<u>\$ 11,330,786</u>

Depreciation expense was \$643,437 and \$544,674 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 INVESTMENTS AT FAIR VALUE

Investments as of June 30 consisted of the following:

	2020	2019
Level 1:		
Equity mutual funds	\$ 570,495	\$ 464,249
Fixed income mutual funds	257,770	253,289
Common stocks	142,270	128,237
Real estate investment mutual funds	53,600	44,700
Level 2:		
Money market funds	63,085	105,358
Pooled investment trust fund	1,761,415	1,690,195
Total investments subject to fair value measurements	2,848,635	2,686,028
Other investments not subject to fair value measurements		
Certificates of deposit	851,820	826,296
Total investments	<u>\$ 3,700,455</u>	<u>\$ 3,512,324</u>

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 6 INVESTMENTS AT FAIR VALUE (CONTINUED)

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated based on the fair value of underlying assets by using pricing models or quoted prices of securities with similar characteristics in active markets, which are classified within Level 2 of the valuation hierarchy. There were no valuations using level 3 inputs.

The following table provides a reconciliation of investments reported in the statement of financial position to the total of the same such amounts shown in the investments at fair value table above as of June 30:

	<u>2020</u>	<u>2019</u>
Investments	\$ 3,110,564	\$ 2,948,433
Investments restricted by donors	<u>589,891</u>	<u>563,891</u>
	<u>\$ 3,700,455</u>	<u>\$ 3,512,324</u>

NOTE 7 NOTE PAYABLE

On April 20, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$775,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing November 2020 principal and interest payments will be required through the maturity date in April 2022. Future maturities are subject to change if part or all the PPP Loan is forgiven. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. The outstanding balance for this note payable was \$775,000 and \$-0- as of June 30, 2020 and 2019, respectively.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 8 BONDS PAYABLE

The School previously had outstanding the Series 2003 Adjustable Rate Demand Development Revenue Bonds (2003 Bonds) issued by the City of Middletown, Ohio and secured by guarantee from the Archdiocese and by a letter of credit issued by JPMorgan Chase, which was schedule to mature on August 1, 2015. In July 2015, the School entered into an agreement with the Warren County Port Authority and Commerce Bank, as the bond trustee, to place \$8,000,000 in Development Revenue Refunding Bonds (2015 Bonds). The proceeds from the 2015 Bonds along with \$1,425,000 of the School's available cash, were used to repay the \$9,425,000 balance outstanding on the 2003 Bonds. The 2015 Bonds bear interest, payable quarterly, at a fixed rate of 2.90% per annum for the first 10 years and at a variable rate for the remaining 10 years. In June 2018, the School modified the interest rate to 3.09% effective September 1, 2018. The Bonds are tax exempt and are guaranteed by the Archdiocese of Cincinnati. The School's financing agreement contains certain financial and non-financial covenants.

At June 30, 2020 and 2019, the net carrying amount of the 2015 Bonds is \$5,536,155 and \$5,986,208, which includes outstanding borrowings of \$5,597,897 and \$6,052,046, respectively, offset by unamortized debt issuance costs of \$61,742 and \$65,838, respectively.

Future principal payments on bonds payable at June 30, 2020 are as follows:

2021	\$ 253,000
2022	347,000
2023	357,000
2023	367,000
2024	379,000
Thereafter	<u>3,894,897</u>
	<u>\$ 5,597,897</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following periods or purposes at June 30:

	<u>2020</u>	<u>2019</u>
Restricted as to purpose:		
Scholarships and awards	\$ 561,911	\$ 509,704
Capital improvements, campus ministry and other school related activities	521,306	611,512
Endowments:		
Donor restricted for perpetual endowment purposes	589,891	563,891
Donor-restricted endowments subject to School's spending policy and appropriation for scholarships	<u>59,463</u>	<u>63,580</u>
	<u>\$ 1,732,571</u>	<u>\$ 1,748,687</u>

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 10 ENDOWMENT FUNDS

The School's endowment consists of donor-restricted funds established to provide scholarships to students. As required by GAAP, net assets associated with endowment funds, including and board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following is a summary of changes in endowment funds with donor restrictions for the years ended June 30, 2020 and 2019:

	Accumulated Earnings	Original Corpus	Total
Endowment net assets - 6/30/2018	\$ 40,113	\$ 487,427	\$ 527,540
Investment income, net	41,967		41,967
Appropriated for expenditure	(18,500)	-	(18,500)
Additions to endowment net assets	<u>-</u>	<u>76,464</u>	<u>76,464</u>
Endowment net assets - 6/30/2019	63,580	563,891	627,471
Investment income, net	27,683		27,683
Appropriated for expenditure	(31,800)	-	(31,800)
Additions to endowment net assets	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Endowment net assets - 6/30/2020	<u>\$ 59,463</u>	<u>\$ 589,891</u>	<u>\$ 649,354</u>

The School, through the Archdiocese, has interpreted the State Uniform Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, the School classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the 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 fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions in accordance with SPMIFA and donor stipulations. Absent donor stipulations, the School may appropriate for expenditure, for the uses and purposes of the endowment fund, the net appreciation, realized and unrealized, in the fair value of the assets of the endowment established by SPMIFA.

The long-term objectives of the School's investment portfolio is to generate a return which is sufficient to provide funding for programs supported by its endowment. To accomplish this objective, the School seeks to earn the greatest total return possible consistent with its general risk tolerance and a diversified asset allocation strategy. To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends, net of investment expenses). The School targets a diversified asset allocation that includes equity and fixed-income based investments to achieve its long-term objectives within prudent risk constraints.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

The School has a policy that allows appropriating for expenditure each year an amount between 4% – 6% of the rolling 12-quarter average market value of the School's endowed assets as of September 30 each year.

NOTE 11 RETIREMENT PLANS

Lay Employees Defined Benefit Pension Plan

The School is a member of the Archdiocese of Cincinnati Lay Employees Pension Plan, a noncontributory, defined benefit multi-employer pension plan (the "Plan"). The Plan is a trust fund used for providing retirement benefits to lay employees working for employers affiliated with the Archdiocese of Cincinnati. The Plan was frozen for all participants effective December 31, 2010. After that date, no additional compensation or future service will be counted in determining a participant's pension benefit. However, service will continue to be credited for the purpose of determining a participant's vested interest in their accrued benefit. The Plan provides fixed retirement payments on the basis of the credits earned by the participating employees. The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers. If the School chooses to stop participating in the multi-employer plan, then it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

Lay Employees Defined Benefit Pension Plan (Continued)

There is an unfunded benefit obligation associated with the Plan. Plan sponsors are required annually to contribute 2.5% of salaries for the years ended June 30, 2020 and 2019 to satisfy the unfunded obligation. The School's contributions to the Plan were \$72,889 and \$73,354 for the years ended June 30, 2020 and 2019, respectively. There have been no significant changes that affect the comparability of 2020 and 2019 contributions. The Plan is not required to file a Form 5500, therefore certain Plan information is not required to be made available publicly. Based on information as of December 31, 2019 and December 31, 2018, the year-end of the plan, the School's contributions do not represent more than 5 percent of total contributions received by the Plan.

The following information is based on the financial statements of the Plan:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total plan assets	\$ 405,840,297	\$ 357,171,082
Actuarial present value of accumulated plan benefits	451,989,717	453,047,915
Total contributions received by the Plan	4,922,287	5,588,956
Indicated level of funding	At least 80%	Between 65% and 80%

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 11 RETIREMENT PLANS (CONTINUED)

Multi-Employer Defined Contribution Retirement Plan

The School offers, through the Archdiocese of Cincinnati, a defined contribution 401(k) plan. Laypersons who are at least 21 years old and work at least 20 hours per week and board-certified teachers who work at least 12 class hours per week are eligible to participate. The School is required to contribute 4% of the participants' annual compensation. The School's expense \$115,878 and \$107,294 related to the 401(k) plan for the years ended June 30, 2020 and 2019 respectively.

NOTE 12 STATE AND LOCAL ALLOCATIONS

The School received allocations of \$588,959 and \$608,511 in 2020 and 2019, respectively, from the State of Ohio under Section 3317.024 of the Ohio Revised Code. This section provides for loaning of textbooks and for the reimbursement of expenses relating to services to students attending approved nonpublic schools. The School received allocations of \$179,843 and \$179,254 in 2020 and 2019, respectively, from the Warren County Career Center. This allocation is provided to the School for use in hiring and retaining teachers. These allocations are paid directly to the District Board of Education who provides all the applicable services. However, the revenue and expense associated with the allocations have been reflected in the School's financial statements. The allocations received are included in the state and local allocations, with a corresponding amount in instructional and student services expenditures on the statements of activities. All materials purchased remain the property of the District Board of Education on loan to the School. The School also received reimbursement from the State of Ohio for certain administrative activities as well as funding through the Title II, Title IV, Ohio Safety Grant and IDEA B programs. The gross reimbursements from these sources allowed for such expenses amounted to \$265,287 and \$280,144 for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 RELATED PARTY TRANSACTIONS

The School's educational and related functions are conducted in a building titled to the Archdiocese of Cincinnati. The School is responsible for debt repayments, operations, maintenance and repairs of the building.

The School is required to obtain all its property, workers compensation, unemployment and employee health insurance through the Archdiocese of Cincinnati. Premiums totaled approximately \$649,000 and \$655,000 for 2020 and 2019.

NOTE 14 RECENTLY ISSUED ACCOUNTING STANDARD UPDATES

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the School's fiscal year ended June 30, 2021.

BISHOP FENWICK HIGH SCHOOL

Notes to Financial Statements (Continued)

NOTE 14 RECENTLY ISSUED ACCOUNTING STANDARD UPDATES (CONTINUED)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the School's fiscal year ended June 30, 2023.

The School is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

NOTE 15 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in the School's programs and negative impacts to its revenues in 2020.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the School's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the School operates and the related impact on consumer confidence and spending, all of which are highly uncertain.