

LOYOLA ACADEMY OF ST. LOUIS

FINANCIAL STATEMENTS

JUNE 30, 2013

(With comparative totals for June 30, 2012)

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Independent Auditors' Report

Board of Trustees
Loyola Academy of St. Louis
St. Louis, Missouri

We have audited the accompanying financial statements of Loyola Academy of St. Louis (the "Academy"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, 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 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 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 financial statements referred to on page 1 present fairly, in all material respects, the financial position of Loyola Academy of St. Louis as of June 30, 2013, 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 on Summarized Comparative Information

We have previously audited the Academy's 2012 financial statements, and our report dated October 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion except as noted in the following paragraph, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As more fully described in Note 16 to the financial statements, the management of Loyola Academy of St. Louis determined during the current year that at June 30, 2012 the Academy mistakenly failed to record a pledge receivable. Therefore, the 2012 financial statements have been restated resulting in an increase of \$100,000 in pledges receivable, grants, and net assets.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating income on page 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anders Munkler Huber & Helm LLP

November 26, 2013

LOYOLA ACADEMY OF ST. LOUIS
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013
(With comparative totals for 2012)

	ASSETS			Total	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012 (as restated)</u>
CURRENT ASSETS					
Cash and cash equivalents	\$ 305,868	\$ 15,125	\$ 20,075	\$ 341,068	\$ 342,310
Pledges receivable		195,937		195,937	208,800
Accounts receivable	1,523			1,523	7,686
Interest receivable	8,815			8,815	8,815
Prepaid expenses	4,395			4,395	2,992
Total current assets	320,601	211,062	20,075	551,738	570,603
PROPERTY AND EQUIPMENT					
Land	161,000			161,000	161,000
Buildings and improvements	5,203,498			5,203,498	5,202,178
Furniture, equipment, and automobiles	238,247			238,247	222,292
Less accumulated depreciation	(834,672)			(834,672)	(686,970)
Total property and equipment, net	4,768,073			4,768,073	4,898,500
LONG-TERM ASSETS					
Pledges receivable, less current portion and net of discount		23,750		23,750	36,716
Investments	599,615		3,009,250	3,608,865	3,290,128
Total long-term assets	599,615	23,750	3,009,250	3,632,615	3,326,844
Total assets	<u>\$ 5,688,289</u>	<u>\$ 234,812</u>	<u>\$ 3,029,325</u>	<u>\$ 8,952,426</u>	<u>\$ 8,795,947</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 86,079			\$ 86,079	\$ 31,966
Line of credit					236,885
Deferred income	16,000			16,000	18,100
Total current liabilities	102,079			102,079	286,951
LONG-TERM DEBT					
Note payable	250,000			250,000	250,000
Total long-term debt	250,000			250,000	250,000
Total liabilities	352,079			352,079	536,951
NET ASSETS					
Unrestricted					
Board designated	50,000			50,000	
Undesignated	5,286,210			5,286,210	5,123,655
Temporarily restricted		\$ 234,812		234,812	245,516
Permanently restricted			\$ 3,029,325	3,029,325	2,889,825
Total net assets	5,336,210	234,812	3,029,325	8,600,347	8,258,996
Total liabilities and net assets	<u>\$ 5,688,289</u>	<u>\$ 234,812</u>	<u>\$ 3,029,325</u>	<u>\$ 8,952,426</u>	<u>\$ 8,795,947</u>

See notes to financial statements.

LOYOLA ACADEMY OF ST. LOUIS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012 (as restated)
PUBLIC SUPPORT					
Contributions	\$ 391,960	\$ 245,400	\$ 139,500	\$ 776,860	\$ 910,361
Grants	344,794			344,794	346,469
Special events	456,784			456,784	634,417
In-kind donations	51,348			51,348	90,045
Total public support	1,244,886	245,400	139,500	1,629,786	1,981,292
REVENUES					
Tuition and fees	40,713			40,713	54,111
State lunch program	44,365			44,365	38,678
Interest and dividend income	106,545			106,545	94,302
Miscellaneous income	16,476			16,476	48,851
Total revenues	208,099			208,099	235,942
GAINS AND LOSSES					
Net gain from investments	360,917			360,917	49,117
Loss on disposal of asset	(2,179)			(2,179)	-
Total gains and losses	358,738			358,738	49,117
NET ASSETS RELEASED FROM RESTRICTIONS	256,104	(256,104)		-	-
TOTAL PUBLIC SUPPORT, REVENUES, AND GAINS AND LOSSES	2,067,827	(10,704)	139,500	2,196,623	2,266,351
EXPENSES					
Program services	1,202,528			1,202,528	1,112,810
Management and general	177,613			177,613	174,781
Fundraising	475,131			475,131	554,509
Total expenses	1,855,272			1,855,272	1,842,100
INCREASE (DECREASE) IN NET ASSETS	212,555	(10,704)	139,500	341,351	424,251
NET ASSETS, BEGINNING OF YEAR	5,123,655	245,516	2,889,825	8,258,996	7,834,745
NET ASSETS, END OF YEAR	<u>\$ 5,336,210</u>	<u>\$ 234,812</u>	<u>\$ 3,029,325</u>	<u>\$ 8,600,347</u>	<u>\$ 8,258,996</u>

See notes to financial statements.

LOYOLA ACADEMY OF ST. LOUIS

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)**

	Program Services	Management and General	Fundraising	Total	
				2013	2012
Salaries	\$ 574,776	\$ 97,145	\$ 137,622	\$ 809,543	\$ 719,608
Health insurance	41,178	6,960	9,860	57,998	58,444
Payroll taxes	43,648	7,432	8,999	60,079	54,231
Retirement plan	22,267	4,857	6,881	34,005	32,174
	<u>681,869</u>	<u>116,394</u>	<u>163,362</u>	<u>961,625</u>	<u>864,457</u>
Alumni support	95,103	9,900		105,003	72,774
Bad debt expense	1,640	1,639		3,279	2,700
Books and supplies	18,366			18,366	12,160
Depreciation	127,542	15,005	7,502	150,049	146,534
Development expenses			30,990	30,990	21,424
Food costs	30,524			30,524	41,406
Student family assistance/Gift cards	1,150	208	240	1,598	700
Gifts in kind			51,348	51,348	90,045
Interest expense	1,280			1,280	10,496
Investment fees	32,350			32,350	29,539
Insurance	22,930	2,698	1,349	26,977	25,946
Office expense	20,650	5,162		25,812	40,580
Outside services	16,895	339	4,271	21,505	22,833
Printing and postage	5,699	316	317	6,332	5,458
Professional fees		14,445		14,445	15,205
Repairs and maintenance	26,375	3,103	1,551	31,029	38,954
School activities and athletics	34,046			34,046	22,157
Special event expenses			209,389	209,389	280,372
Staff expense	6,347	667	334	7,348	10,824
Staff training and development	16,242			16,242	13,281
Technology expense	8,119	1,219	1,219	10,557	10,327
Telephone	12,919	1,520	760	15,199	15,841
Utilities	42,482	4,998	2,499	49,979	48,087
	<u>\$ 1,202,528</u>	<u>\$ 177,613</u>	<u>\$ 475,131</u>	<u>\$ 1,855,272</u>	<u>\$ 1,842,100</u>

See notes to financial statements.

LOYOLA ACADEMY OF ST. LOUIS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u> <u>(as restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 341,351	\$ 424,251
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net unrealized (gain) loss from investments	(42,919)	26,541
Net realized (gain) loss from investments	(317,998)	(75,658)
Donated stock	(13,328)	(34,375)
Loss on disposal of asset	2,179	
Depreciation	150,049	146,534
(Increase) decrease in assets		
Pledges receivable	25,829	95,920
Accounts receivable	6,163	3,914
Prepaid expenses	(1,403)	(2,992)
Increase (decrease) in liabilities		
Accounts payable	54,113	31,747
Deferred income	(2,100)	18,100
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>201,936</u>	<u>633,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(531,590)	(179,498)
Proceeds from sale of investments	587,096	269,338
Purchase of property and equipment	(21,799)	(48,675)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>33,707</u>	<u>41,165</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(236,885)	(373,115)
NET CASH USED IN FINANCING ACTIVITIES	<u>(236,885)</u>	<u>(373,115)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,242)	302,032
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>342,310</u>	<u>40,278</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 341,068</u>	<u>\$ 342,310</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,280</u>	<u>\$ 10,496</u>

See notes to financial statements.

**LOYOLA ACADEMY OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF OPERATIONS

Loyola Academy of St. Louis (the "Academy"), a Missouri nonprofit corporation, is a Jesuit middle school for boys in grades 6 through 8. The Academy's mission is to serve boys who have the potential for college preparatory work, but are in danger of failing to achieve that potential because of poverty, residence in distressed neighborhoods, or other social or economic factors. In addition to a rigorous academic program, the Academy offers its students a range of other services including counseling, tutoring, enrichment activities, sports, recreation, and referral to other services intended to ensure their success. The Academy is located in the Grand Center neighborhood of the City of St. Louis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification, (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All existing references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC. Net assets, revenue, gains and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Academy and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Trustees has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Academy or the passage of time.

Permanently Restricted - Those resources subject to donor-imposed restrictions that will be maintained permanently by the Academy. The donors of these resources permit the Academy to use the annual income of the endowment for unrestricted purposes.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with donor-imposed stipulations that limit the use of the donated assets. When donor-imposed restrictions are satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of public support, revenues, gains, losses, and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Academy is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Academy can only be taxed on the income from any activities unrelated to its charitable purposes. There was no unrelated business taxable income for 2013 or 2012; therefore, the statements do not include any provision for income taxes.

The Academy follows the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*. Management believes that tax positions taken by the Academy regarding its tax-exempt status and unrelated business income meet the “more likely than not” criteria of the standard. As a result, this standard had no affect on the financial statements. Management does not anticipate any significant changes in its tax positions in the near term.

Cash and Cash Equivalents

For purposes of these financial statements, the Academy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value at June 30, 2013 and 2012.

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

Accounts receivable consist primarily of amounts due for tuition. Accounts receivable are stated at unpaid balances. Based on historical experience, the Academy does not consider an allowance for uncollectible receivables to be necessary. Accounts that remain outstanding after the Academy has used reasonable collection efforts are charged to bad debt expense.

Valuation of Investments and Income Recognition

The Academy’s investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net gain from investments includes the Academy’s gains and losses on investments bought and sold as well as held during the year. Investment return includes realized and unrealized gains and losses on investments, interest, and dividends.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property and Equipment**

Property and equipment are recorded at cost, if purchased, and fair value, if donated. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Acquisitions of property and equipment of \$1,000 or more are capitalized.

The estimated useful lives for computing depreciation on property and equipment are:

<u>Classification</u>	<u>Years</u>
Buildings and improvements	15-40
Furniture, equipment, and automobiles	3-10

Maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals, replacements, and improvements are capitalized and depreciated over their estimated useful lives.

Deferred Income

This amount consists of advanced payments for the fall fundraising event. These payments will be recognized as revenue in the period in which the event occurs.

Tuition and Fees

Tuition and fees revenue are recognized over the school year to which they relate.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising. Costs common to several functions are allocated on the basis of time, direct expenditures, and estimates of the Academy.

Reclassification

Certain reclassifications have been made to the prior year's amounts to make them consistent with the June 30, 2013 presentation.

Subsequent Events

The Academy has evaluated events from November 26, 2013, the date on which the financial statements were available to be issued.

NOTE 3 – PLEDGES RECEIVABLE

The Academy's pledges receivable as of June 30, 2013 and 2012 consist of unconditional promises to give and are due as follows:

	<u>Capital Campaign</u>	<u>Other Pledges</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Receivable in less than one year	\$ 5,300	\$ 200,950	\$ 206,250	\$ 208,800
Receivable in one to five years	-	25,000	25,000	45,000
	5,300	225,950	231,250	253,800
Less:				
Discount to net present value	-	-	-	738
Allowance for uncollectible pledges	265	11,298	11,563	7,546
	<u>\$ 5,035</u>	<u>\$ 214,652</u>	<u>\$ 219,687</u>	<u>\$ 245,516</u>

These amounts are classified on the statement of financial position as follows:

	<u>2013</u>	<u>2012</u>
Current pledges receivable	\$ 195,937	\$ 208,800
Long-term pledges receivable	23,750	36,716
Total pledges receivable	<u>\$ 219,687</u>	<u>\$ 245,516</u>

Unconditional promises to give, due in more than one year, are reflected at the present value of estimated future cash flows using a discount rate of 1.67% for the years ended June 30, 2013 and 2012.

The allowance for uncollectible pledges at June 30, 2013 approximates 5% of discounted pledges receivable.

At June 30, 2013, one contributor accounted for approximately 30% of gross pledges receivable, all of which was pledged to support future operations. At June 30, 2012, one contributor accounted for approximately 68% of gross pledges receivable, all of which was pledged for future operations.

NOTE 4 - INVESTMENTS

Investments at fair value at June 30, 2013 and 2012 were as follows:

Publicly traded securities:	Fair Value	
	2013	2012
Stocks	\$ 2,630,801	\$ 2,213,288
Bonds	978,064	1,076,840
	<u>\$ 3,608,865</u>	<u>\$ 3,290,128</u>

As further explained in Note 7 to these financial statements, the stocks and bonds have been pledged to a local bank as collateral for a line of credit.

The following schedule summarizes the net gain (loss) from publicly traded securities disclosed in the statement of activities and changes in net assets for the years ended June 30, 2013 and 2012:

	2013	2012
Unrealized gains (losses)	\$ 42,919	\$ (26,541)
Realized gains	317,998	75,658
	<u>\$ 360,917</u>	<u>\$ 49,117</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The Academy reports its assets and liabilities in accordance with FASB ASC 820 *Fair Value Measurements* which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

- Level 1 Valuations based on quoted prices available in active markets for identical assets in active markets that the Academy has the ability to access.
- Level 2 Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The assets' fair value measurement levels within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs or methodology used for valuing assets and liabilities are not necessarily an indication of the risks associated with investing in those securities.

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value:

Publicly traded securities: Valued at quoted market prices of shares or units held by the Academy at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Academy believes its valuation method is appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine fair values of certain instruments could result in a different fair value measurement at the reporting date.

The Academy's investments of \$3,608,865 and \$3,290,128 are measured at fair value using Level 1 inputs at June 30, 2013 and 2012, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2013		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 161,000		\$ 161,000
Buildings and improvements	5,203,498	\$ 676,583	4,526,915
Furniture and fixtures	94,904	38,681	56,223
Computer equipment	107,156	87,707	19,449
Automobiles	36,187	31,701	4,486
	<u>\$ 5,602,745</u>	<u>\$ 834,672</u>	<u>\$ 4,768,073</u>

	June 30, 2012		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 161,000		\$ 161,000
Buildings and improvements	5,202,178	\$ 546,458	4,655,720
Furniture and fixtures	92,810	27,466	65,344
Computer equipment	93,295	83,975	9,320
Automobiles	36,187	29,071	7,116
	<u>\$ 5,585,470</u>	<u>\$ 686,970</u>	<u>\$ 4,898,500</u>

Depreciation expense totaled \$150,049 and \$146,534 for the years ended June 30, 2013 and 2012, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended June 30, 2008, the Academy entered into a lease for land with the Cardinal Ritter College Prep High School (the "School") for a term of 99 years. The lease required a one-time payment of \$86,000, which has been capitalized and included in land. The lease states that the land will be used to construct a gymnasium for the Academy. Upon expiration of the 99-year term, the lease will automatically continue in 10-year increments until terminated by either party. Upon expiration or termination of the lease, the Academy will surrender the land and the gymnasium to the School.

NOTE 7 – LINE OF CREDIT

The Academy has a \$2,000,000 line of credit available with a bank which expires on May 30, 2014. Interest only is payable monthly at a rate of 1.75% plus the one-month LIBOR. Principal is payable on May 30, 2014.

The line of credit is collateralized by the balance in the Academy's investment account. At June 30, 2013, the Academy had no outstanding balance due on the line of credit. The outstanding balance on the line of credit was \$236,885 at June 30, 2012.

NOTE 8 – NOTE PAYABLE

The Academy has a \$250,000 note payable to an individual dated February 28, 2002. The original note was due and payable on March 1, 2004. At June 30, 2013, the due date of the note has been extended to September 1, 2015. The note is unsecured and non-interest bearing.

NOTE 9 – BOARD DESIGNATED UNRESTRICTED NET ASSETS

At the April 2013 Board of Directors meeting, the Board approved a \$50,000 reserve for future building repairs. The Academy's total Board designated fund balance at June 30, 2013 was \$50,000.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Capital campaign program	\$ 5,035	\$ 25,516
Restricted for time - operations	<u>229,777</u>	<u>220,000</u>
	<u>\$ 234,812</u>	<u>\$ 245,516</u>

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets were released from restrictions as follows during the years ended June 30:

	<u>2013</u>	<u>2012</u>
Capital campaign program	\$ 23,500	\$ 220,920
Restricted for purpose and time	129,325	88,050
Restricted for time - operations	<u>103,279</u>	<u>121,750</u>
	<u>\$ 256,104</u>	<u>\$ 430,720</u>

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

The Academy follows FASB ASC 858-205-50 *Endowments of Not-For-Profit Organizations*, which requires that the Academy adhere to the State Prudent Management of Institutional Funds Act ("SPMIFA").

The Academy's endowment consists of contributions received through the "Framework for the Future Campaign", which was held in order to establish an endowment for the Academy that would provide earnings for ongoing operating expenses. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Academy has interpreted the SPMIFA 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. As a result of this interpretation, the Academy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Academy 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 organization and the donor-restricted endowment fund
- (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 of the Academy
- (7) The investment policies of the Academy

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2013 and 2012 is as follows:

	<u>Permanently Restricted</u>	
	<u>2013</u>	<u>2012</u>
Donor-restricted endowment funds		
Investment in perpetuity, the income from which is to support the operations of the Academy	<u>\$ 3,029,325</u>	<u>\$ 2,889,825</u>
Total endowment funds	<u>\$ 3,029,325</u>	<u>\$ 2,889,825</u>

Changes in permanently restricted endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Endowment net assets, beginning of year	<u>\$ 2,889,825</u>	<u>\$ 2,889,825</u>
Contributions	<u>139,500</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,029,325</u>	<u>\$ 2,889,825</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the SPMIFA requires the Academy to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2013 and 2012.

The Academy has adopted an endowment fund policy which defines annual income available for appropriation in the amount of up to 5% of the average fair value of the assets held in the endowment fund on the first business day of each of the preceding 12 fiscal quarters.

The Academy has also adopted an investment policy with the objective of enhancing the real purchasing power of the principal while providing a predictable stream of income at an acceptable level of risk and an above average long-term total return. Under this policy, approved by the Board of Trustees, funds restricted by the donor for endowment are invested to produce a minimum 9% total return annually in a market cycle (three to five year time horizon). Performance is evaluated by attainment of the total annual return and comparison to the S&P 500, Lehman Government/Corporate Intermediate Bond, or similar indexes. The policy states that the investment portfolios will be divided between fixed income (30% to 60%) and equities (40% to 70%).

NOTE 12 – RETIREMENT PLAN

The Academy maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees. The Academy contributes 5% of gross wages to eligible participants' accounts. The Academy's contributions to the plan were \$34,005 and \$32,174 for the years ended June 30, 2013 and 2012, respectively.

NOTE 13 – CONDITIONAL PROMISE TO GIVE

During 2012, the Academy received a conditional promise to give in the amount of \$200,000. Disbursements from the grant are contingent upon the Academy securing new or increased contributors. The grantor will provide up to \$100,000 to match new revenue raised by the Academy during each of the 2012-2013 and the 2013-2014 fiscal years. Gifts from donors who have never given before or who have not given in the past two years will be considered new revenue. If a current donor increases the past year's gift, the increment will count as new revenue for purposes of the match. The conditions for the 2012 – 2013 period were met, therefore total payments on the grant were \$100,000 for the year ended June 30, 2013.

NOTE 14 – COMMITMENTS

The Academy entered into a lease agreement for office equipment on August 25, 2012. The non-cancelable operating lease expires after 60 monthly lease payments. At June 30, 2013, the future minimum lease payments required under the lease are as follows:

Year ending June 30,	Amount
2014	\$ 5,168
2015	5,168
2016	5,168
2017	5,168
2018	861
	<u>\$ 21,533</u>

Rental expenses for the years ended June 30, 2013 and 2012 were \$4,776 and \$2,815, respectively.

NOTE 15 – RISKS AND UNCERTAINTIES

Financial instruments that potentially subject the Academy to credit and market risk consist principally of cash and cash equivalents, investments, and accounts and pledges receivable.

The Academy places all of its temporary cash investments with one major financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 under the FDIC's general deposit insurance rules. The Academy maintains cash accounts in excess of FDIC insured amounts. As of June 30, 2013, the uninsured amount was approximately \$85,000.

The Academy also has investments in stocks and bonds that are subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Concentration of credit risk with respect to accounts and pledges receivable is limited due to the nature of these receivables.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

In May 2012, a donor pledged \$100,000, half of which was to be paid in each of the two subsequent fiscal years. The Academy mistakenly did not record the grant until July 2012 when the initial payment was received. This was discovered during the year ended June 30, 2013, resulting in net assets as of June 30, 2012 being understated by \$100,000. As a result of this prior period adjustment, pledges receivable, grants and net assets increased by \$100,000 as of and for the year ended June 30, 2012. The comparative totals have been restated to reflect this correction.

SUPPLEMENTAL INFORMATION

CPV 2210 CBERL

LOYOLA ACADEMY OF ST. LOUIS

SCHEDULES OF OPERATING INCOME

YEARS ENDED JUNE 30, 2013-2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PUBLIC SUPPORT				
Contributions	\$ 776,860	\$ 910,361	\$ 573,590	\$ 555,539
Grants	344,794	346,469	262,423	247,683
Special events	456,784	634,417	80,356	96,135
In-kind donations	<u>51,348</u>	<u>90,045</u>	<u>17,492</u>	<u>10,461</u>
Total public support	1,629,786	1,981,292	933,861	909,818
REVENUES				
Tuition and fees	40,713	54,111	69,826	59,747
State lunch program	44,365	38,678	31,775	37,598
Miscellaneous income	<u>16,476</u>	<u>24,048</u>	<u>-</u>	<u>18</u>
Total revenues	<u>101,554</u>	<u>116,837</u>	<u>101,601</u>	<u>97,363</u>
Total Operating Revenue and Support	1,731,340	2,098,129	1,035,462	1,007,181
EXPENSES				
Program services	1,202,528	1,112,810	1,094,286	1,099,093
Management and general	177,613	174,781	171,226	186,810
Fundraising	<u>475,131</u>	<u>554,509</u>	<u>214,036</u>	<u>198,601</u>
Total expenses	<u>1,855,272</u>	<u>1,842,100</u>	<u>1,479,548</u>	<u>1,484,504</u>
NET OPERATING INCOME (LOSS)	<u><u>\$ (123,932)</u></u>	<u><u>\$ 256,029</u></u>	<u><u>\$ (444,086)</u></u>	<u><u>\$ (477,323)</u></u>
Contributions subject to permanent restrictions included in Public Support	<u><u>\$ 139,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.