

Calhoun Christian School

Financial Report

June 30, 2018

Calhoun Christian School

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To the Board of Directors, Parents and Staff of Calhoun Christian School

The attached financial statements as of and for the year ended June 30, 2018 have been compiled from the books and records of Calhoun Christian School (“the School”) in accordance with generally accepted accounting principles by the Finance Committee of Calhoun Christian School.

The School is not required to have an annual audit or review but we do ensure appropriate internal controls are in place and we have the ACSI Financial Statement checklist completed by an outside financial person, a retired CPA with not for profit experience annually with the most recent checklist completed for the year ended June 30, 2018. That checklist has to be completed by October 31 of each year. The last external audit for the School was completed for the year ended June 30, 2015.

If there are any questions, please feel free to contact any member of the Finance Committee – Jason Woodard, Vicki Milroy and Necia DiTrapani

November 27, 2018

Calhoun Christian School

Statement of Financial Position As of June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 199,727	\$ 170,502
Accounts receivable - Net	32,281	8,510
Investments (Note 2)	43,036	41,544
inventory	15,497	12,822
Prepaid expenses and other costs	20,000	1,220
Property and equipment - Net (Note 3)	336,750	338,434
Total assets	<u>\$ 647,291</u>	<u>\$ 573,032</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 17,285	\$ 19,794
Accrued compensation	69,369	67,401
Deferred revenue	96,673	70,268
Due to agency	4,988	4,544
Notes payable (Note 4)	147,079	168,786
Total liabilities	335,394	330,793
Net Assets		
Unrestricted:		
Unrestricted	183,303	135,696
Board Designated	28,187	27,415
Temporarily restricted (Note 5)	60,697	44,398
Permanently restricted	39,710	34,730
Total net assets	<u>311,897</u>	<u>242,239</u>
Total liabilities and net assets	<u>\$ 647,291</u>	<u>\$ 573,032</u>

Calhoun Christian School

Statement of Activities and Changes in Net Assets For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, Other Support, and Assets Released from Restrictions								
Tuition and fees, net of scholarships of \$239,698 and \$175,983, respectively	\$ 827,311	\$ 31,833	\$ -	\$ 859,144	\$ 752,101	\$ 14,683	\$ -	\$ 766,784
Auxiliary activities	68,441	-	-	68,441	67,181	-	-	67,181
Donations	81,769	-	4,980	86,749	81,815	-	7,360	89,175
Fundraising events	322,277	33,105	-	355,382	272,034	34,183	-	306,217
Net realized and unrealized gain (loss) on investments	-	987	-	987	-	1,849	-	1,849
Dividend income	-	925	-	925	-	1,441	-	1,441
Rental income	-	-	-	-	175	-	-	175
Miscellaneous income	658	-	-	658	56	-	-	56
Total revenue, gains, other support, and reclassifications	1,300,456	66,850	4,980	1,372,286	1,173,362	52,156	7,360	1,232,878
Net assets released from restrictions (Note 6)	50,551	(50,551)	-	-	40,333	(40,333)	-	-
Total revenue, gains, other support, and net assets released from restrictions	1,351,007	16,299	4,980	1,372,286	1,213,695	11,823	7,360	1,232,878
Expenses								
Educational costs:								
Instructional	740,717	-	-	740,717	697,552	-	-	697,552
Auxiliary activities	136,942	-	-	136,942	118,900	-	-	118,900
General and administrative	199,478	-	-	199,478	178,778	-	-	178,778
Fundraising	225,491	-	-	225,491	218,517	-	-	218,517
Total expenses	1,302,628	-	-	1,302,628	1,213,747	-	-	1,213,747
Increase (Decrease) in Net Assets	48,379	16,299	4,980	69,658	(52)	11,823	7,360	19,131
Net Assets - Beginning of year	163,111	44,398	34,730	242,239	163,163	32,575	27,370	223,108
Net Assets - End of year	\$ 211,490	\$ 60,697	\$ 39,710	\$ 311,897	\$ 163,111	\$ 44,398	\$ 34,730	\$ 242,239

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Statement of Cash Flows For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	\$ 69,658	\$ 19,131
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	17,141	12,980
Amortization	590	590
Bad debt expense	171	569
Net realized and unrealized (gain) loss on investments	(987)	(1,849)
Contributions restricted for long-term purposes	(4,980)	(7,360)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(23,942)	13,175
Inventory	(2,675)	(5,179)
Prepaid expenses and other costs	(19,370)	449
Accounts payable	(2,509)	2,588
Accrued compensation	1,968	(9,296)
Due to agency	444	2,059
Deferred revenue	26,405	(32,329)
Net cash provided by (used in) operating activities	61,914	(4,472)
Cash Flows from Investing Activities		
Purchase of property and equipment	(15,457)	(5,109)
Purchases of investments	(5,905)	(8,801)
Proceeds from sales and maturities of investments	5,400	599
Net cash used in investing activities	(15,962)	(13,311)
Cash Flows from Financing Activities		
Contributions restricted for long term purposes	4,980	7,360
Repayment of bank notes payable	(21,707)	(20,594)
Net cash used in financing activities	(16,727)	(13,234)
Net Increase (Decrease) in Cash	29,225	(31,017)
Cash - Beginning of year	170,502	201,519
Cash - End of year	<u>\$ 199,727</u>	<u>\$ 170,502</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 8,380</u>	<u>\$ 9,493</u>

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 1 - Nature of Entity and Summary of Significant Accounting Policies

Calhoun Christian School (the "School") is an educational institution providing educational instruction to approximately 250 students in grades preschool through 12 on its campus in Battle Creek, Michigan. The School, a nonprofit Michigan corporation, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Calhoun Christian School mission is to provide academic excellence while upholding God's truth and challenging children to serve. The School's purpose of "Challenging Children to Serve" not only serves as our school's motto, but as a basis for our entire school program. Calhoun Christian School seeks to prepare young people to live full, productive, servant lives, by offering a challenging, Christ-centered college preparatory education committed to pursuing excellence. Our goal is not only to provide a strong academic foundation but also a firm Christian perspective for life.

Basis of Accounting - The financial statements have been prepared and maintained on an accrual basis.

The School classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed purpose or time restrictions. A description of the three categories is as follows:

- **Unrestricted Activities**- Unrestricted activities consist of net assets not subject to donor stipulations as to time or purpose. Unrestricted net assets may be designated for specific purposes by action of the board of directors.
- **Temporarily Restricted Activities** - Temporarily restricted net assets are restricted by purpose and consist of unappropriated earnings on endowment funds.
- **Permanently Restricted Activities** - Permanently restricted activities consist of net assets that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Other policies relative to the recording of financial transactions are as follows:

Use of Estimates - The preparation of 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 in the financial statements. Actual results could differ from those estimates.

Accounts Receivable -The administration of the School records student accounts receivable at net collectible value. An allowance for doubtful accounts is established based on a specific assessment of student accounts that remain unpaid during the school year. At June 30, all amounts deemed uncollectible are charged against income for that school year. There was no allowance for doubtful accounts as of June 30.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 1 - Nature of Entity and Summary of Significant Accounting Policies (Continued)

Inventory - Inventory consists of gift card inventory. Inventory is recorded at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market and net of purchase discount provided by vendor.

Investments - Investments in equity securities are recorded at fair value based on quoted market prices. Investments sold are valued using the specific identification method.

Contributions - All contributions are considered to be available for unrestricted use unless specifically time- or purpose-restricted by the donor. However, contributions with restrictions that are met in the same year as received are reported as unrestricted revenue. Contributions and restrictions that are not met in the same year as received or earned are recorded as temporarily restricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Land, Buildings, and Equipment - Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred. The School uses a capitalization threshold of \$1,000 or more.

Deferred Tuition and Fees - The School receives advance payments on tuition and fees for the subsequent school year, which are reported as deferred revenue and recognized when earned.

Tuition Discount - The School has various programs of financial aid to students which are reported net of contractual tuition and fees. Total tuition assistance was \$239,698 and \$175,983 at June 30, 2018 and 2017, respectively.

Auxiliary Activities - The School, in addition to core tuition and fees revenue, also generates revenue and expenses from programs that occur in alignment with the school operations. The current activities consist of camps, field trips, classroom activities, lunch program, cougar athletic boosters, yearbook and miscellaneous other school activities.

Allocation of Expenses - The School adheres to generally accepted accounting principles in reporting expenses by their functional classification. Accordingly, depreciation, plant operations, interest, and maintenance expenses have been allocated to functional classifications based on proportionate share of direct costs. Although the methods used are considered reasonable, other methods could be used that would result in different amounts.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 1 - Nature of Entity and Summary of Significant Accounting Policies (Continued)

Board Designated Net Assets – The School board has set aside funds designated for certain purposes as follows:

	2018	2017
Cougar athletic boosters	\$ 12,826	\$ 16,692
Art supplies	2,268	-
Technology improvements	8,921	4,931
Buildings and grounds	4,172	5,792
Total	<u>\$ 28,187</u>	<u>\$ 27,415</u>

Tax Status - The School is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). The School is required to file Internal Revenue Service Form 990 annually. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the School and recognize a tax liability if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the School and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Due to Agency - The School receives funds from clubs and groups designating the resources to specified school activities for various purposes. The School collects these resources and assists with disbursing the funds to pay expenses for the clubs and groups. The revenue and expenses related to these clubs and groups are not for the benefit of the School and therefore, are not included in the School's statement of activities and changes in net assets. The primary clubs and groups excluded are the PIT crew and the Key Club.

Donated Services and Assets - Donated materials are recorded at fair values at the date of gift. No amounts have been recorded in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and its fundraising events.

Concentrations - The School maintains cash balances at primarily one bank and the accounts are insured up to \$250,000 per bank. In addition, the Organization maintains accounts at investment companies that are insured up to \$500,000 (with a limit of \$250,000 for cash equivalents) by the Securities Investor Protection Corporation.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 27, 2018, which is the date the financial statements were available to be issued.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 2 - Investments

Investments stated at fair value at June 30 consist of equity mutual funds. The School's investments is held by an investment advisor. The investments represent its endowment assets and related earnings. Realized gains and losses are determined using the specific identification of the investments sold. There was no realized gains or losses for the year ended June 30, 2018 and 2017.

Note 3 - Property and Equipment

The cost of property and equipment and depreciable lives are summarized as follows:

	2018	2017	Depreciable Lives - Years
Land	\$ 180,000	\$ 180,000	-
Buildings and building improvements	167,972	161,463	25
Land improvements	75,961	75,961	10-20
Furniture, fixtures, and equipment	<u>34,429</u>	<u>26,071</u>	3-10
Total cost	458,362	443,495	
Accumulated depreciation	<u>(121,612)</u>	<u>(105,061)</u>	
Net carrying amount	<u>\$ 336,750</u>	<u>\$ 338,434</u>	

Depreciation expense for the years ended June 30, 2018 and 2017 was \$17,141 and \$12,980, respectively.

Note 4 – Note Payable

The School has a note payable to a bank with monthly principal and interest payments of \$2,507.26. Interest is charged at 5.20 percent and the note is collateralized by the School's fixed assets. The note matures on February 19, 2024.

The principal payments in each of the next five fiscal years and in the aggregate for the five years thereafter are as follows:

Years Ending June 30	Amount
2019	\$ 23,016
2020	24,241
2021	25,533
2022	26,892
2023	28,325
2024 and thereafter	<u>19,072</u>
Total	<u>\$ 147,079</u>

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Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 5 - Restricted Net Assets

Temporarily restricted net assets, consisting primarily of earnings on permanently restricted endowments, and purpose restricted gifts consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Athletic programs	\$ 1,467	\$ 5,691
Mission programs	54,283	34,096
Library renovations	3,088	3,488
Art related programs	<u>1,859</u>	<u>1,123</u>
Total temporarily restricted net assets	<u>\$ 60,697</u>	<u>\$ 44,398</u>

Permanently restricted net assets consist of donor restricted gifts, to be held in perpetuity, for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Athletic programs	\$ 23,640	\$ 21,320
Art related programs	<u>16,070</u>	<u>13,410</u>
Total permanently restricted net assets	<u>\$ 39,710</u>	<u>\$ 34,730</u>

Note 6 - Net Assets Released from Restriction

Net assets that were released from restrictions by incurring expenses satisfying the restricted purposes for athletic programs and mission trips for the years ended June 30 as follows:

	<u>2018</u>	<u>2017</u>
Athletic programs	\$ 5,400	\$ 599
Library renovaton	400	-
Mission programs	<u>44,751</u>	<u>39,734</u>
Net assets released by restriction	<u>\$ 50,551</u>	<u>\$ 40,333</u>

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Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 7 - Community Foundation

During the year ended June 30, 2015, the board of the former Battle Creek Christian School requested that the endowment fund for their benefit held by the Battle Creek Community Foundation (BCCF) be transferred for the benefit of Calhoun Christian School. The Boards of both Schools and BCCF approved this transfer.

BCCF owns the fund, but the earnings, subject to BCCF's spending rate, are available to the School on an annual basis. The value of the fund at BCCF for the benefit of the School as of June 30, 2018 and 2017 was and \$228,842 and \$223,947, respectively. Distributions received during the years ended June 30, 2018 and 2017 were \$8,460 and \$10,120, respectively, and were used for scholarships. Earnings available for distribution during the year ended June 30, 2019 can be up to \$8,730.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the School has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The fair value of investments at June 30, 2018 and 2017 consist solely of equity mutual funds classified as Level 1. The School held no investments at or during the year ended June 30 that would be considered Level 2 or Level 3 assets.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2018 and 2017

Note 9 - Endowments

The School has donor restricted funds held for certain purposes that are used to support continuous financial solvency of the School and to provide flexibility for new organizational directions. The finance committee determines the estimated amount to be distributed from the fund based on budgetary needs of the Organization and returns on the investments.

The board of directors of 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. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) related earnings. In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Organization considers the following factors in making a determination to invest or appropriate donor-restricted funds primarily based on the purposes of the School and the donor-restricted endowment fund, general economic conditions, and other resources of the School

Endowment Net Asset Composition by Type of Fund as of June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment - 2018	\$ -	\$ 3,326	\$ 39,710	\$ 43,036
Donor-restricted endowment - 2017	\$ -	\$ 6,814	\$ 34,730	\$ 41,544

Changes in Endowment Net Assets for the Years Ended June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	\$ -	\$ 4,123	\$ 27,370	\$ 31,493
Investment income	-	1,441	-	1,441
Contributions	-	-	7,360	7,360
Net appreciation in market value	-	1,849	-	1,849
Appropriation of endowment net assets for expenditures	-	(599)	-	(599)
Endowment net assets at June 30, 2017	-	6,814	34,730	41,544
Investment income	-	925	-	925
Contributions	-	-	4,980	4,980
Net appreciation in market value	-	987	-	987
Appropriation of endowment net assets for expenditures	-	(5,400)	-	(5,400)
Endowment net assets at June 30, 2018	\$ -	\$ 3,326	\$ 39,710	\$ 43,036