

Calhoun Christian School

Financial Report

June 30, 2020

Calhoun Christian School

Contents

Report Letter	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-16



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, 2020 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, 2020. 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.

For the year ended June 30, 2020, the School was impacted by COVID-19 which is further discussed in Note 1 as well as received relief by participating in the PPP loan program which is further discussed in Note 11.

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

February 22, 2021

Calhoun Christian School

Statements of Financial Position As of June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 293,848	\$ 222,046
Accounts receivable - Net	23,616	19,610
Investments (Note 2)	59,997	53,198
Inventory	11,512	19,221
Prepaid expenses and other costs	27,804	36,159
Property and equipment - Net (Note 3)	360,377	367,272
Total assets	<u>\$ 777,154</u>	<u>\$ 717,506</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 29,598	\$ 11,991
Accrued compensation	84,826	86,714
Deferred revenue	76,772	142,785
Due to agency	5,891	4,910
Notes payable (Note 4)	168,356	183,286
Total liabilities	365,443	429,686
Net Assets		
Without donor restrictions (Note 5)	248,925	166,356
With donor restrictions (Note 5)	162,786	121,464
Total net assets	<u>411,711</u>	<u>287,820</u>
Total liabilities and net assets	<u>\$ 777,154</u>	<u>\$ 717,506</u>

Calhoun Christian School

Statement of Activities and Changes in Net Assets For the Years Ended June 30, 2020 and 2019

	Year Ended June 30			Year Ended June 30		
	2020			2019		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
Revenue, Gains, Other Support, and Assets Released from Restrictions						
Tuition and fees, net of scholarships of \$338,486 and \$324,210, respectively	\$ 1,016,662	\$ 35,052	\$ 1,051,714	\$ 908,319	\$ 32,771	\$ 941,090
Auxiliary activities	51,426	-	51,426	83,710	-	83,710
Federal grant	172,500	-	172,500	-	-	-
Donations	103,089	8,175	111,264	149,267	7,940	157,207
Fundraising events	237,280	16,298	253,578	296,557	22,060	318,617
Net realized and unrealized (loss) gain on investments	-	(1,819)	(1,819)	-	530	530
Dividend and interest income	-	1,887	1,887	-	1,692	1,692
Rental income	-	-	-	-	-	-
Miscellaneous income	1,042	-	1,042	2,432	-	2,432
Total revenue, gains (losses), other support, and reclassifications	1,581,999	59,593	1,641,592	1,440,285	64,993	1,505,278
Net assets released from restrictions (Note 6)	18,271	(18,271)	-	38,710	(38,710)	-
Total revenue, gains (losses), other support, and net assets released from restrictions	1,600,270	41,322	1,641,592	1,478,995	26,283	1,505,278
Expenses						
Educational costs:						
Instructional	930,170	-	930,170	914,245	-	914,245
Auxiliary activities	45,299	-	45,299	91,943	-	91,943
Cougar sports	73,006	-	73,006	55,892	-	55,892
General and administrative	236,121	-	236,121	208,290	-	208,290
Development and community relations	233,105	-	233,105	254,790	-	254,790
Total expenses	1,517,701	-	1,517,701	1,525,160	-	1,525,160
Increase (Decrease) in Net Assets	82,569	41,322	123,891	(46,165)	26,283	(19,882)
Net Assets - Beginning of year	166,356	121,464	287,820	212,521	95,181	307,702
Net Assets - End of year	\$ 248,925	\$ 162,786	\$ 411,711	\$ 166,356	\$ 121,464	\$ 287,820

Calhoun Christian School

Statement of Functional Expenditures For the Year Ended June 30, 2020

	Program Services				Support Services					Total
	Educational Expenses	Auxiliary Activities	Cougar Sports	Total Program Services	Administrative and General	Development and Community Relations	Plant Operations	Total Support Services		
Salaries and wages	\$ 693,432	\$ -	\$ 27,575	\$ 721,007	\$ 150,437	\$ 18,279	\$ 22,660	\$ 191,376	\$ 912,383	
Fringe benefits and payroll taxes	70,094	-	1,828	71,922	16,070	1,527	1,893	19,490	91,412	
Total salaries and related costs	763,526	-	29,403	792,929	166,507	19,806	24,553	210,866	1,003,795	
Student supplies	38,830	-	1,658	40,488	-	-	-	-	40,488	
Food and beverage	-	15,082	1,452	16,534	-	2,706	-	2,706	19,240	
Sports equipment and uniforms	-	-	16,027	16,027	-	-	-	-	16,027	
Tournaments and camps	-	-	1,305	1,305	-	-	-	-	1,305	
Mission and field trips	-	16,733	-	16,733	-	-	-	-	16,733	
Other student expenses	11,284	8,403	4,055	23,742	-	-	-	-	23,742	
Contracted services	-	-	7,643	7,643	-	198,390	-	198,390	206,033	
Consulting and professional	-	-	-	-	998	-	-	998	998	
Telephone and and technology	757	-	-	757	7,986	-	5,609	13,595	14,352	
Advertising and community relations	-	-	-	-	-	3,574	-	3,574	3,574	
Professional development	9,248	-	-	9,248	-	-	-	-	9,248	
Bad debt expense	2,478	-	-	2,478	-	-	-	-	2,478	
Office supplies	-	-	-	-	6,041	-	-	6,041	6,041	
Postage and shipping	-	-	-	-	2,274	-	-	2,274	2,274	
Recruiting expenses	-	-	-	-	5,900	-	-	5,900	5,900	
Dues and publications	-	-	-	-	6,644	1,660	-	8,304	8,304	
Repairs, rentals and maintenance	-	-	3,274	3,274	12,003	2,841	35,881	50,725	53,999	
Insurance	-	-	-	-	-	-	14,131	14,131	14,131	
Interest	-	-	-	-	-	-	9,254	9,254	9,254	
Utilities	-	-	-	-	-	-	44,911	44,911	44,911	
Depreciation	-	-	-	-	-	-	13,359	13,359	13,359	
Allocation of Plant Operations	104,047	5,081	8,189	117,317	26,487	3,894	(147,698)	(117,317)	-	
Miscellaneous	-	-	-	-	1,281	234	-	1,515	1,515	
Total functional expense	\$ 930,170	\$ 45,299	\$ 73,006	\$ 1,048,475	\$ 236,121	\$ 233,105	\$ -	\$ 469,226	\$ 1,517,701	

Calhoun Christian School

Statement of Functional Expenditures For the Year Ended June 30, 2019

	Program Services				Support Services					Total
	Educational Expenses	Auxiliary Activities	Cougar Sports	Total Program Services	Administrative and General	Development and Community Relations	Plant Operations	Total Support Services		
Salaries and wages	\$ 664,932	\$ -	\$ 21,726	\$ 686,658	\$ 123,571	\$ 20,250	\$ 20,891	\$ 164,712	\$ 851,370	
Fringe benefits and payroll taxes	65,072	-	1,882	66,954	12,906	1,549	1,809	16,264	83,218	
Total salaries and related costs	730,004	-	23,608	753,612	136,477	21,799	22,700	180,976	934,588	
Student supplies	38,928	-	-	38,928	-	-	-	-	38,928	
Food and beverage	-	21,630	2,175	23,805	-	4,834	-	4,834	28,639	
Sports equipment and uniforms	-	-	8,572	8,572	-	-	-	-	8,572	
Tournaments and camps	-	-	1,280	1,280	-	-	-	-	1,280	
Mission and field trips	-	57,494	-	57,494	-	-	-	-	57,494	
Other student expenses	21,519	7,733	1,131	30,383	-	-	-	-	30,383	
Contracted services	-	-	8,360	8,360	-	219,261	-	219,261	227,621	
Consulting and professional	-	-	-	-	4,061	1,633	-	5,694	5,694	
Telephone and and technology	-	-	-	-	6,264	-	6,973	13,237	13,237	
Advertising and community relations	-	-	-	-	1,958	20	-	1,978	1,978	
Professional development	2,946	-	-	2,946	-	-	-	-	2,946	
Bad debt expense	3,068	-	-	3,068	-	-	-	-	3,068	
Office supplies	-	-	-	-	7,459	-	-	7,459	7,459	
Postage and shipping	-	-	-	-	1,735	650	-	2,385	2,385	
Recruiting expenses	-	-	-	-	2,388	-	-	2,388	2,388	
Dues and publications	-	-	-	-	6,675	-	-	6,675	6,675	
Repairs, rentals and maintenance	-	-	3,566	3,566	12,261	1,760	35,523	49,544	53,110	
Insurance	-	-	-	-	-	-	14,108	14,108	14,108	
Interest	-	-	-	-	-	-	8,386	8,386	8,386	
Utilities	-	-	-	-	-	-	59,251	59,251	59,251	
Depreciation	-	-	-	-	-	-	13,888	13,888	13,888	
Allocation of Plant Operations	117,780	4,438	7,200	129,418	26,834	4,577	(160,829)	(129,418)	-	
Miscellaneous	-	648	-	648	2,178	256	-	2,434	3,082	
Total functional expense	\$ 914,245	\$ 91,943	\$ 55,892	\$ 1,062,080	\$ 208,290	\$ 254,790	\$ -	\$ 463,080	\$ 1,525,160	

Calhoun Christian School

Statement of Cash Flows For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 123,891	\$ (19,882)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	13,359	13,543
Bad debt expense	2,478	3,068
Net realized and unrealized loss (gain) on investments	1,819	(530)
Contributions restricted for long-term purposes	(7,675)	(7,940)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(6,484)	24,867
Inventory	7,709	(3,724)
Prepaid expenses and other costs	8,355	(19,159)
Accounts payable	17,607	(7,182)
Accrued compensation	(1,888)	17,345
Due to agency	981	(78)
Deferred revenue	(66,013)	29,179
Net cash provided by operating activities	94,139	29,507
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,464)	(41,066)
Purchases of investments	(10,062)	(9,632)
Proceeds from sales and maturities of investments	1,444	-
Net cash used in investing activities	(15,082)	(50,698)
Cash Flows from Financing Activities		
Contributions restricted for long term purposes	7,675	7,940
Refinancing of bank note payable, net of repayments	(14,930)	36,207
Net cash (used in) provided by financing activities	(7,255)	44,147
Net Increase in Cash	71,802	22,956
Cash - Beginning of year	222,046	199,090
Cash - End of year	<u>\$ 293,848</u>	<u>\$ 222,046</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 9,254</u>	<u>\$ 8,386</u>

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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 280 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. For external financial reporting purposes, the School presents its financial statements by net asset classification. The School's significant accounting policies are described below.

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.

Classification of Net Assets - The School classifies resources for accounting and reporting purposes into two net asset categories based on the presence or absence of donor-imposed restrictions.

- **Net Assets without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired and been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the School. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
- **Net Assets with Donor Restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor.

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.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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

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

Contribution Revenue ASU 2018-08 – As of June 30, 2019, the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The School adopted the new standard on a modified prospective basis and it had no impact on the recognition of contributions and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

Contribution Revenue – Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. The School has adopted the policy of recording donor-restricted contributions as if they were without donor restriction if the restriction is met and released in the same accounting period.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue without donor restriction and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as donor restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of donor restricted net assets to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts, expected to be collected within one year, are reported at their net realizable value. There is no allowance for uncollectible contributions based on past collection experience with contributions.

Government Grants – Support funded by grants is recognized as the School performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Property and Equipment - Property 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.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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

Revenue Recognition for Contract Revenue ASU 2014-09 – As of the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The School adopted the new standard using the modified retrospective method to all contracts effective July 1, 2018 and is using a portfolio approach to group contracts with similar characteristics, primarily tuition contracts. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in net assets was recorded as the adoption of the ASU did not impact the School's reported historical revenue.

Revenue Recognition – Revenue for tuition is generally recognized ratably over the applicable school year. The nature, amount, timing and uncertainty of the School's tuition revenue vary depending on the date of enrollment for K-12th grade students. Preschool revenue is subject to fluctuation due to varying days and times of attendance that can be changed throughout the year.

Mission fees are charged to all 1st-12th grade students are recognized ratably of the applicable school year. Other fees are recognized at the time received or at the beginning of each school year.

The transaction price of a contract with a family is the amount of consideration to which the School expects to be entitled in exchange for transferring promised services to the family's student(s). To determine the transaction price of a contract, the School considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the School assumes that the services will be transferred to the family as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified. For tuition and fees, the amount of consideration to which the School will be entitled is variable as long as a family can withdraw student(s) from the semester and receive a refund. The School excludes estimated refunds from the transaction price (and from the disclosure of the amounts of transaction prices allocated to remaining performance obligations).

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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

Services that the School transfers to students are performed by the School. The School typically satisfies its performance obligations over time, as services are rendered, because students typically obtain the benefits of such services as the services are performed. For students enrolled in dual programs, the School coordinates online enrollment in classes at the local community college, the local career center or local math science center. In these cases, the charges for services is not incurred by the School and is handled between the third party providing the services and its funding sources.

Scholarships and multi-child discounts are the difference between the stated charge for services provided by the School and the amount that is paid by the families and/or third parties making payments on the families' behalf. Families apply for scholarships which are approved by the School's finance committee primarily based on financial need. Scholarships and discounts were \$338,386 and \$324,210 for the years ended June 30, 2020 and 2019, respectively.

Accounts receivable are stated at the amount billed to the families less applied scholarships or multi-child discounts. The School does not provide an allowance for doubtful accounts due to almost all accounts being paid in full before the end of the school year. Any accounts written off as bad debt are done so after exhaustive collection efforts, no recourse, and approval by the School's finance committee. Tuition is paid up front for the entire school year, in semi-annual installments, or monthly, where payments are due as outlined in the applicable payment plan.

For the year ended June 30, 2020, the closing balances of the School's student accounts receivable and unearned revenue (tuition and fees) were \$9,991 and \$76,772, respectively. For the year ended June 30, 2019, the closing balances of the School's student accounts receivable and unearned revenue (tuition and fees) were \$15,690 and \$142,785, respectively. All unearned revenue is recognized in the following fiscal year.

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, mission trips, field trips, classroom activities, lunch program, yearbook and miscellaneous other school activities.

Cougar Sports – The School generates revenue and expenses from its athletic program. The current activities consist of sports fees, concessions, fundraising conducted by the athletic boosters and are used to offset the cost of the athletic program.

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, 2020 and 2019

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

Income Taxes - The School is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

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.

Impact of COVID-19 - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the School's operations have also been impacted. Due to the "shelter-at-home" guidelines during mid-March through May 2020, the School shifted to a remote online learning environment and cancelled high school mission trips and elementary and middle school field trips as well as all spring sports. The School also had to cancel fundraising events which resulted in lost revenues for the School for 2020. To offset the financial impact to students and the losses incurred by the School due to the disruption caused by COVID-19, the applied for and received a paycheck protection program loan in order to cover expenses and continue paying all staff.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including February 22, 2021, which is the date the financial statements were available to be issued.

Note 2 - Investments

Investments stated at fair value at June 30 consist of equity mutual funds. The School's investments are 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, 2020 and 2019.

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

Note 3 - Property and Equipment

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

	2020	2019	Depreciable Lives - Years
Land	\$ 180,000	\$ 180,000	-
Buildings and building improvements	217,166	211,322	25
Land improvements	78,005	75,961	10-20
Furniture, fixtures, and equipment	<u>36,327</u>	<u>35,145</u>	3-10
Total cost	511,498	502,428	
Accumulated depreciation	<u>(151,121)</u>	<u>(135,156)</u>	
Net carrying amount	<u>\$ 360,377</u>	<u>\$ 367,272</u>	

Depreciation expense for the years ended June 30, 2020 and 2019 was \$13,359 and \$13,888, respectively.

Note 4 – Note Payable

The School has a note payable to a bank during the year ended June 30, 2019. The school pays monthly principal and interest payments of \$2,507.26 which changed to \$2,015.32 effective April 19, 2019. Interest was charged at 5.20 percent through March 31, 2019 and then changed to 5.50 percent. The note is collateralized by the School's property and equipment. The note now matures on April 19, 2029.

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
2021	\$ 12,470
2022	15,889
2023	16,784
2024	17,731
2025	19,164
2026 and thereafter	<u>86,318</u>
Total	<u>\$ 168,356</u>

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

Note 5 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2020	2019
Board-designated net assets:		
Cougar athletic boosters	\$ 12,346	\$ 19,687
Art supplies	6,086	7,353
Technology improvements	16,582	11,273
Buildings and grounds	<u>19,742</u>	<u>17,067</u>
Total	54,756	55,380
Undesignated	<u>194,169</u>	<u>110,976</u>
Total	<u>\$ 248,925</u>	<u>\$ 166,356</u>

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose:		
Mission programs	\$ 102,789	\$ 65,178
Library renovations	-	3,088
Athletic equipment	500	-
Endowed programs subject to appropriation		
Athletic programs	31,898	29,950
Art related programs	<u>27,599</u>	<u>23,248</u>
Total	<u>\$ 162,786</u>	<u>\$ 121,464</u>

Note 6 - Net Assets Released from Restriction

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

	2020	2019
Athletic programs	\$ 1,444	-
Library renovation	3,088	-
Mission programs	<u>13,739</u>	<u>38,710</u>
Net assets released by restriction	<u>\$ 18,271</u>	<u>\$ 38,710</u>

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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, 2020 and 2019 was \$223,863 and \$232,046, respectively. Distributions received during the years ended June 30, 2020 and 2019 were \$8,800 and \$8,730, respectively, and were used for scholarships. Earnings available for distribution during the year ended June 30, 2021 can be up to \$8,970.

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, 2020 and 2019 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, 2020 and 2019

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 School 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.

	With Donor Restrictions Endowment Net Asset Composition	
	2020	2019
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 55,325	\$ 47,650
Accumulated investment gains	<u>4,172</u>	<u>5,548</u>
Total	<u>\$ 59,497</u>	<u>\$ 53,198</u>
	Changes in Endowment Net Assets	
	With Donor Restrictions	
Endowment net assets at June 30, 2018	\$ 43,036	
Investment income	1,692	
Contributions	7,940	
Net appreciation in market value	530	
Appropriation of endowment net assets for expenditures	<u>-</u>	
Endowment net assets at June 30, 2019	\$ 53,198	
Investment income	1,887	
Contributions	7,675	
Net appreciation in market value	(1,819)	
Appropriation of endowment net assets for expenditures	<u>(1,444)</u>	
Endowment net assets at June 30, 2019	<u>\$ 59,497</u>	

Calhoun Christian School

Notes to Financial Statements Years Ended June 30, 2020 and 2019

Note 10 – Liquidity and Availability of Resources

The following reflects the School's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the balance sheet date.

	2020	2019
Total Assets, at year end	\$ 777,154	\$ 701,816
Less: Fixed and Non-Financial Assets	<u>399,693</u>	<u>422,652</u>
Financial Assets, at year end	377,461	279,164
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(40,000)	(40,000)
Subject to appropriation and satisfaction of donor restrictions	(47,650)	(47,650)
Board Designations:		
Any other board designations	<u>(25,000)</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one ye	<u>\$ 289,811</u>	<u>\$ 191,514</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The School has a goal to maintain financial assets on hand to meet a portion of annual scholarship allocations, as well as general expenditures. The School also realizes there could be unanticipated liquidity needs.

Note 11 – Paycheck Protection Program (PPP)

During the year ended June 30, 2020, the School received a Paycheck Protection Program (PPP) loan in the amount of \$172,500. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The School used the funds on qualifying expenses (primarily payroll) over a covered period of up to 8 weeks which ended before June 30, 2020. Subsequent to year end, the School applied for and received notification of forgiveness of the entire loan balance of \$172,500 from the SBA on December 9, 2020. For the year ended June 30, 2020, the School recognized the forgiveness of the PPP loan as a government grant since the conditions were met.