



COOKSON HILLS CHRISTIAN SCHOOLS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2018 and 2017

COOKSON HILLS CHRISTIAN SCHOOLS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cookson Hills Christian School, Inc.
Kansas, Oklahoma

We have audited the accompanying financial statements of Cookson Hills Christian School, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Board of Directors
Cookson Hills Christian School, Inc.
Kansas, Oklahoma

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cookson Hills Christian School, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
October 1, 2018

COOKSON HILLS CHRISTIAN SCHOOLS, INC.

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 2,276,230	\$ 1,999,528
Prepaid expenses and other assets	87,181	84,845
Contributions receivable–net	150,000	450
Investments	4,642,620	4,231,301
Property and equipment–net	11,483,931	11,681,435
Total Assets	\$ 18,639,962	\$ 17,997,559
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 33,729	\$ 84,071
Accrued expenses and other liabilities	122,787	136,396
Defined benefit pension liability	464,000	486,000
Total liabilities	620,516	706,467
Net assets:		
Unrestricted	16,532,847	16,507,313
Temporarily restricted	1,476,599	773,779
Permanently restricted	10,000	10,000
Total net assets	18,019,446	17,291,092
Total Liabilities and Net Assets	\$ 18,639,962	\$ 17,997,559

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Activities

	Year Ended June 30,							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Contributions	\$ 2,416,558	\$ 728,173	\$ -	\$ 3,144,731	\$ 2,367,010	\$ 333,347	\$ -	\$ 2,700,357
Investment income	431,198	-	-	431,198	51,898	-	-	51,898
Program, rent, and other	165,837	-	-	165,837	436,742	-	-	436,742
Total Revenue and Support	3,013,593	728,173	-	3,741,766	2,855,650	333,347	-	3,188,997
NET ASSETS RELEASED:								
Purpose restrictions	23,071	(23,071)	-	-	56,659	(56,659)	-	-
Time restrictions	2,282	(2,282)	-	-	3,533	(3,533)	-	-
EXPENSES:								
Program services:								
Home	1,531,123	-	-	1,531,123	1,761,676	-	-	1,761,676
School	858,899	-	-	858,899	768,926	-	-	768,926
Therapy	30,248	-	-	30,248	42,168	-	-	42,168
General and administrative	436,750	-	-	436,750	430,602	-	-	430,602
Fund-raising	136,392	-	-	136,392	154,811	-	-	154,811
Total Expenses	2,993,412	-	-	2,993,412	3,158,183	-	-	3,158,183
Change in Net Assets from Operating Activity	45,534	702,820	-	748,354	(242,341)	273,155	-	30,814
NON-OPERATING ACTIVITY:								
Change in net assets related to:								
Defined benefit pension liability	(20,000)	-	-	(20,000)	(40,000)	-	-	(40,000)
Change in Net Assets	25,534	702,820	-	728,354	(282,341)	273,155	-	(9,186)
Net Assets, Beginning of Year	16,507,313	773,779	10,000	17,291,092	16,789,654	500,624	10,000	17,300,278
Net Assets, End of Year	\$ 16,532,847	\$ 1,476,599	\$ 10,000	\$ 18,019,446	\$ 16,507,313	\$ 773,779	\$ 10,000	\$ 17,291,092

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 728,354	\$ (9,186)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	661,684	674,610
Non-cash additions of property and equipment	(21,297)	-
Loss on disposal of property and equipment	46,529	146,002
Net unrealized and realized (gain) loss on investments	(436,746)	4,578
Contributions restricted for long-term purposes	(544,476)	(301,389)
Change in defined benefit pension liability	(22,000)	(21,000)
Changes in:		
Contributions receivable	(149,550)	3,433
Prepaid expenses and other assets	(2,336)	7,721
Accounts payable	(50,342)	37,505
Accrued expenses and other liabilities	(13,609)	5,719
Net Cash Provided by Operating Activities	196,211	547,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(489,412)	(139,507)
Grants to other ministries	-	(74,258)
Proceeds from disposal of property and equipment	-	20,200
Receipt of loan receivable	-	100,000
Purchase of investments	(32,054)	(2,065,028)
Proceeds from sales of investments	57,481	2,266,043
Net Cash Provided (Used) by Investing Activities	(463,985)	107,450
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	544,476	301,389
Net Cash Provided by Financing Activities	544,476	301,389
Change in Cash and Cash Equivalents	276,702	956,832
Cash and Cash Equivalents, Beginning of Year	1,999,528	1,042,696
Cash and Cash Equivalents, End of Year	\$ 2,276,230	\$ 1,999,528

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statement of Functional Expenses

	Year Ended June 30, 2018					
	Home	School	Therapy	General and Administrative	Fund- raising	Total
Operating Expenses:						
Salaries and benefits	\$ 574,000	\$ 400,433	\$ 8,445	\$ 96,382	\$ 48,924	\$ 1,128,184
Depreciation	363,927	132,337	-	165,421	-	661,685
Occupancy	171,665	91,721	6,184	40,210	2,956	312,736
Office expense	37,773	50,860	3,281	13,673	23,944	129,531
Food, clothing, and medical	81,909	17,386	-	16,981	841	117,117
Insurance	65,851	21,440	369	22,228	146	110,034
Other employee benefits	48,187	27,988	936	3,260	1,955	82,326
Payroll taxes	38,262	27,502	639	2,288	3,124	71,815
Information technology	6,481	48,732	174	1,641	6,308	63,336
Activities and program	35,155	17,250	4,662	-	4,110	61,177
Travel	35,493	2,940	58	5,839	6,542	50,872
Retiree expenses	31,290	13,410	-	-	-	44,700
Student work program	41,004	-	-	-	-	41,004
Investment management fees	-	-	-	31,160	-	31,160
Advertising and promotion	-	-	-	-	27,763	27,763
Accounting fees	-	-	-	26,415	-	26,415
Other service fees	126	-	5,500	949	6,250	12,825
Legal fees	-	-	-	10,303	-	10,303
Scholarships	-	6,900	-	-	-	6,900
Conferences	-	-	-	-	2,301	2,301
Professional and fund-raising	-	-	-	-	1,228	1,228
	\$ 1,531,123	\$ 858,899	\$ 30,248	\$ 436,750	\$ 136,392	\$ 2,993,412
Total Operating Expenses						
Percentage of Total Expenses	51%	29%	1%	14%	5%	100%

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statement of Functional Expenses

	Year Ended June 30, 2017					
	Home	School	Therapy	General and Administrative	Fund- raising	Total
Operating Expenses:						
Salaries and benefits	\$ 562,074	\$ 330,446	\$ 24,218	\$ 93,306	\$ 40,753	\$ 1,050,797
Depreciation	371,036	134,922	-	168,653	-	674,611
Contribution expense	299,268	-	-	-	-	299,268
Occupancy	106,090	72,466	2,243	24,120	2,669	207,588
Office expense	40,897	56,032	1,215	16,278	36,441	150,863
Food, clothing, and medical	84,256	21,452	454	33,843	1,490	141,495
Insurance	64,200	19,429	1,101	20,737	203	105,670
Other employee benefits	48,125	20,094	1,817	3,095	3,119	76,250
Payroll taxes	37,026	23,549	1,772	6,505	2,809	71,661
Activities and program	33,394	23,547	2,957	-	6,502	66,400
Information technology	9,570	31,483	243	1,493	10,483	53,272
Travel	35,090	3,466	34	4,624	5,369	48,583
Retiree expenses	31,290	13,410	-	-	-	44,700
Advertising and promotion	-	-	-	-	40,733	40,733
Student work program	38,993	-	-	-	-	38,993
Investment management fees	-	-	-	30,694	-	30,694
Accounting fees	-	-	-	18,960	-	18,960
Scholarships	-	17,500	-	-	-	17,500
Other service fees	367	1,130	6,114	7,134	362	15,107
Conferences	-	-	-	-	2,617	2,617
Professional and fund-raising	-	-	-	-	1,261	1,261
Legal fees	-	-	-	1,160	-	1,160
	<u>\$ 1,761,676</u>	<u>\$ 768,926</u>	<u>\$ 42,168</u>	<u>\$ 430,602</u>	<u>\$ 154,811</u>	<u>\$ 3,158,183</u>
Total Operating Expenses						
Percentage of Total Expenses	<u>56%</u>	<u>24%</u>	<u>1%</u>	<u>14%</u>	<u>5%</u>	<u>100%</u>

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION:

Cookson Hills Christian School, Inc. (the School) is a not-for-profit corporation established under the laws of the State of Oklahoma, and operates as a religious organization. The School has been providing home, school, and therapy for kids who are at risk, since 1957.

We believe that every child needs a home that provides love, structure, and spiritual guidance. At Cookson Hills, kids move into a home with married houseparents (trained in trauma-informed care) along with house brothers and sisters. A healthy family where each child is a valued member is the best place to learn how to cooperate, love, and respect others.

We believe that every child needs a quality education that can prepare them for success and a hopeful future. Our 1st-12th grade (ACSI accredited) Christian school, dedicated teachers, caring staff, one-on-one coaching, small class sizes, and trauma-informed care environment gives kids the opportunity to be understood and get back on track academically.

We believe that every child needs the opportunity to heal from life's hurts. Our creative, faith-based, therapeutic services utilize professionals, as well as equine experiences, to get to the source of the hurt and find healing. For families seeking reunification, we offer family therapy and parent education courses.

The School is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the School is subject to federal income tax on any unrelated business taxable income. In addition, the School is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

The School uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and savings accounts. As of June 30, 2018 and 2017, amounts exceeding the federally insured limits were approximately \$1,480,000 and \$1,210,000, respectively. The School has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE–NET

The financial statements present contributions received and unconditional promises to give as revenue in the period received or promised and are reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

INVESTMENTS AND INVESTMENT INCOME

All investments with readily determinable fair values are recorded at fair market value. Unrealized gains or losses in fair value are recognized in the year in which they occur and reflected on the statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Interests in privately held equities that are held at cost and evaluated for impairment if any triggering event occurs. Interests in privately held equities that are not held at cost are recorded using the equity method of accounting.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, or if donated, at fair value as of the date of the gift. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Purchases in excess of \$3,000 are capitalized with lesser amounts expensed in the year of purchase. All capital assets other than land are depreciated using the straight-line method of depreciation over these asset lives:

Vehicles	5 years
Equipment	5-10 years
Improvements	7-15 years
Buildings	10-39 years

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The following classes of net assets are maintained:

Unrestricted net assets represent those net assets whose use is not restricted by the donors; however, their use may be limited by board designation. Included in unrestricted net assets are resources that are used to support current operations, including property and equipment. Board designated amounts are not available to management for operations.

Temporarily restricted net assets include assets of the School related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose or to later periods of time or after specified dates. Contributions receivable that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized.

Management 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. This will then cause the permanently restricted net assets to reflect the historical cost value of the endowment. All gains will be added to the temporarily restricted net assets until which time a determination is made as to its disposition. If there are capital losses, those losses will go first against the temporarily restricted endowment funds and then be recorded in the unrestricted net asset category. All future gains will go first to cover those losses before returning to the temporarily restricted net asset category.

SPENDING POLICIES AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The School has a policy of reinvesting the quasi-endowment's earnings. The primary investment objective of quasi-endowment funds is to follow those policies that will preserve the principal value and provide predictable stable income stream to further the endowments original intentions.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Investment income is recognized when earned. Unrealized gains/losses are recorded to reflect the investments at their fair market value.

Program, rent, and other revenue is recognized when earned. There are no advance receipts of payments and all payments are collected when the item is sold, creating no accounts receivable.

FUNCTIONAL EXPENSES

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, have been allocated among the program services and supporting activities benefited.

ADVERTISING

The School uses advertising for fund-raising purposes and to keep constituents informed and current on operations and programs. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$27,763 and \$40,733, respectively.

OPERATING AND NON-OPERATING ACTIVITIES

The activity of the School has been reported in the statements of activities in the following two categories: operating and non-operating. Operating includes the core ministry and education activities of the School. Non-operating includes all other activity that is not considered to be "core ministry and education", such as actuarial gains and losses for the defined pension benefit liability.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENT:

The School follows the provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This standard defines fair value as 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. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This hierarchy consists of three levels of inputs that may be used to measure fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The School uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the School measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

Fair values of assets measured on a recurring basis are as follows:

	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equity securities:				
Mid cap	\$ 74,259	\$ 74,259	\$ -	\$ -
Large cap	26,742	26,742	-	-
Blended	113,226	113,226	-	-
Growth	33,505	33,505	-	-
Value	28,535	28,535	-	-
Basic materials	61,500	61,500	-	-
Industrial goods	258,691	258,691	-	-
Consumer goods	285,916	285,916	-	-
Financial Services	7,041	7,041	-	-
Energy	240,028	240,028	-	-
Fixed income & bond funds:				
High yield	14,352	14,352	-	-
International	11,602	11,602	-	-
Total return	49,401	49,401	-	-
Corporate bonds	31,586	31,586	-	-
Short term	34,496	34,496	-	-
Other investments:				
Fixed	38,280	38,280	-	-
Total return	12,359	12,359	-	-
REITs	1,360	-	1,360	-
	<u>1,322,879</u>	<u>\$ 1,321,519</u>	<u>\$ 1,360</u>	<u>\$ -</u>
Reconciling items at cost:				
Cash and money markets	1,615,603			
Interest in privately held entities	1,050,000			
Investment on equity method	<u>654,138</u>			
Total investments on the statement of financial position	<u>\$ 4,642,620</u>			

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENT, continued:

Fair values of assets measured on a recurring basis are as follows, continued:

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equity securities:				
Mid cap	\$ 65,065	\$ 65,065	\$ -	\$ -
Large cap	24,772	24,772	-	-
Blended	109,705	109,705	-	-
Growth	30,348	30,348	-	-
Value	27,600	27,600	-	-
Basic materials	789,375	789,375	-	-
Industrial goods	104,105	104,105	-	-
Consumer goods	161,790	161,790	-	-
Options	(21,837)	-	(21,837)	-
Fixed income & bond funds:				
High yield	9,247	9,247	-	-
International	11,155	11,155	-	-
Total return	51,074	51,074	-	-
Corporate bonds	33,115	33,115	-	-
Index	1,979	1,979	-	-
Short term	34,608	34,608	-	-
Other investments:				
Fixed	51,462	51,462	-	-
Total return	11,708	11,708	-	-
REITs	1,341	-	1,341	-
Certificates of deposit	15,002	15,002	-	-
	1,511,614	\$ 1,532,110	\$ (20,496)	\$ -
Reconciling items at cost:				
Cash and money markets	2,169,687			
Interest in privately held entities	550,000			
Total investments on the statement of financial position	\$ 4,231,301			

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

4. CONTRIBUTIONS RECEIVABLE:

Contributions receivable, related to a capital campaign, are as follows:

	June 30,	
	2018	2017
Due within one year	\$ -	\$ 150
Due in one to five years	150,000	300
	<u>\$ 150,000</u>	<u>\$ 450</u>
Total contributions receivable	<u>\$ 150,000</u>	<u>\$ 450</u>

5. INVESTMENTS AND INVESTMENT INCOME:

The following is a summary of investments:

	June 30,	
	2018	2017
Cash and money markets	\$ 1,615,603	\$ 2,169,687
Equity securities	1,129,443	1,290,923
Fixed income and bond funds	141,437	141,178
Other investments	51,999	64,511
Certificates of deposit	-	15,002
Interest in privately held entities	1,050,000	550,000
	<u>\$ 3,988,482</u>	<u>\$ 4,231,301</u>
Total investments	<u>\$ 3,988,482</u>	<u>\$ 4,231,301</u>

Investment income (loss) is comprised of the following for the year ended:

	June 30,	
	2018	2017
Revenues and support:		
Interest and dividends	\$ 31,544	\$ 25,362
Net realized and unrealized gains (losses)	329,765	(4,578)
Income from interest in privately held entities	69,889	31,114
	<u>\$ 431,198</u>	<u>\$ 51,898</u>
Total investment income	<u>\$ 431,198</u>	<u>\$ 51,898</u>

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

5. INVESTMENTS AND INVESTMENT INCOME, continued:

During the year ended June 30, 2017, the School invested \$550,000 in private equities of two entities. The School accounts for these investments under the cost method. The fair value of the investments are not estimated, as there are no identified events or changes in circumstances that would have a significant adverse effect on the fair value of the investments. Additionally, the School is exempt from estimating annual fair values.

During the year ended June 30, 2018, the School invested \$500,000 in a third privately held entity. The School accounts for this investment under the cost method. The fair value of the investments are not estimated, as there are no identified events or changes in circumstances that would have a significant adverse effect on the fair value of the investments. Additionally, the School is exempt from estimating annual fair values.

During the year ended June 30, 2018, the School invested \$600,000 in a fourth privately held entity, Cedarwood Ranch, LLC (Cedarwood). Cedarwood invests in the construction of homes in Kingman, Arizona. The School's ownership percentage in Cedarwood is approximately 75% as of the year ended June 30, 2018, with one other investor making up the remainder of the 25% interest. The School accounts for this investment under the equity method of accounting. Included within investments is \$654,138, which represents the School's investment in Cedarwood as of June 30, 2018.

Summary financial information of Cedarwood is as follows for the year ended June 30, 2018:

Total assets	\$	872,184
Total liabilities	\$	-
Net income	\$	72,184

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

6. PROPERTY AND EQUIPMENT:

Property and equipment—net, consist of:

	June 30,	
	2018	2017
Land	\$ 21,355	\$ 21,355
Vehicles	492,456	471,159
Equipment	1,195,510	1,241,863
Improvements	3,296,623	3,315,891
Buildings	10,410,297	10,444,740
Construction-in-progress	1,313,626	913,846
	<u>16,729,867</u>	<u>16,408,854</u>
Less accumulated depreciation	<u>(5,245,936)</u>	<u>(4,727,419)</u>
Total property and equipment—net	<u>\$ 11,483,931</u>	<u>\$ 11,681,435</u>

7. DEFINED BENEFIT PENSION LIABILITY:

The School established a defined benefit pension plan (the Plan) covering eligible employees who have completed at least five years of continuous service and remain on the School campus after retirement. Retirees who have completed 17 years of continuous service receive the maximum benefits, consisting of housing, utilities, transportation, and medical care, and employees with fewer years of service receive reduced benefits. The unfunded Plan has been phased out and replaced with a cash payout plan. The expected cost of the cash payout plan has been included in the calculations on the following page and is considered part of the Plan. Any participant retiring under the Plan may continue to receive benefits as long as they remain on the School campus. The funding policy is to review the Plan's status annually and make contributions in accordance with the Plan's objectives. The following table sets forth the School's pension plan's funded status and amounts recognized in the School's statements of financial position in accordance with the ASC topic for Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans:

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

7. DEFINED BENEFIT PENSION LIABILITY, continued:

	June 30,	
	2018	2017
Change in benefit obligation:		
Benefit Obligation at Beginning of Year	\$ 486,000	\$ 507,000
Service cost	-	-
Interest cost	19,000	20,000
Actuarial (gain) loss	20,000	40,000
Benefits paid	(61,000)	(81,000)
Benefit Obligation at End of Year	\$ 464,000	\$ 486,000
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ -	\$ -
Employer contributions	61,000	81,000
Benefits paid	(61,000)	(81,000)
Fair Value of Plan Assets at End of Year	\$ -	\$ -
Reconciliation of Funded Status:		
Funded Status (Underfunded)	\$ 464,000	\$ 486,000
Defined Benefit Pension Liability	\$ 464,000	\$ 486,000
Net Periodic Benefit Cost:		
Service cost	\$ -	\$ -
Interest cost	19,000	20,000
Expected return on plan assets	-	-
Net Gain Amortization	(64,000)	(78,000)
Net Periodic Benefit Cost	\$ (45,000)	\$ (58,000)
Weighted-average assumptions and method disclosures include:		
Discount rate	4%	4%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
General inflation	N/A	N/A

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

8. NET ASSETS:

Unrestricted net assets consist of:

	June 30,	
	2018	2017
Operating	\$ 909,058	\$ 1,090,746
Equity in property and equipment	11,483,931	11,681,435
Board-designated endowment - Hallum Strategic Action Fund*	4,139,858	3,735,132
	<u>\$ 16,532,847</u>	<u>\$ 16,507,313</u>
Temporarily restricted net assets consist of:		
Scholarships	\$ 228,709	\$ 218,967
Buildings	1,057,728	513,253
Contributions receivable and other time restrictions	190,162	41,559
	<u>\$ 1,476,599</u>	<u>\$ 773,779</u>
Permanently restricted net assets consist of:		
Mefford charitable endowment	<u>\$ 10,000</u>	<u>\$ 10,000</u>

* Available for operations as needed at the discretion and approval from the board of directors

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2018 and 2017

9. ENDOWMENT FUNDS:

Changes in Endowment Net Assets for the year ended June 30, 2018, are as follows:

	Unrestricted (Quasi)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,735,132	\$ 576	\$ 10,000	\$ 3,745,708
Investment gain	252,691	123	-	252,814
Investment income	124,027	-	-	124,027
Board designated contributor	28,008	-	-	28,008
Released	-	(123)	-	(123)
Endowment net assets, end of year	\$ 4,139,858	\$ 576	\$ 10,000	\$ 4,150,434

Changes in Endowment Net Assets for the year ended June 30, 2017, are as follows:

	Unrestricted (Quasi)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,716,768	\$ 576	\$ 10,000	\$ 3,727,344
Investment loss	(7,770)	(29)	-	(7,799)
Board designated contributor	26,134	-	-	26,134
Released	-	29	-	29
Endowment net assets, end of year	\$ 3,735,132	\$ 576	\$ 10,000	\$ 3,745,708

10. RELATED PARTIES:

During the year ended June 30, 2018, the School invested \$1,100,000 in two LLCs that are being managed by a board member who is also the brother to the executive director of the School. The board member has also invested in these LLCs which are funding real estate operations and is not receiving any fees for his management services.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 1, 2018, which is the date the financial statement were available to be issued.