



COOKSON HILLS CHRISTIAN
SCHOOLS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

COOKSON HILLS CHRISTIAN SCHOOL, 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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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, 2019 and 2018, 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.

Emphasis of Matter

Cookson Hills Christian School, Inc. has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
October 8, 2019

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and cash equivalents	\$ 2,224,459	\$ 2,276,230
Prepaid expenses and other assets	108,429	87,181
Contributions receivable–net	-	150,000
Investments	4,729,896	4,642,620
Property and equipment–net	<u>11,304,518</u>	<u>11,483,931</u>
Total Assets	<u>\$ 18,367,302</u>	<u>\$ 18,639,962</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 41,929	\$ 33,729
Accrued expenses and other liabilities	110,727	122,787
Defined benefit pension liability	<u>365,000</u>	<u>464,000</u>
Total liabilities	<u>517,656</u>	<u>620,516</u>
Net assets:		
Without donor restrictions	16,405,768	16,532,847
With donor restrictions	<u>1,443,878</u>	<u>1,486,599</u>
Total net assets	<u>17,849,646</u>	<u>18,019,446</u>
Total Liabilities and Net Assets	<u>\$ 18,367,302</u>	<u>\$ 18,639,962</u>

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions	\$ 2,299,082	\$ 252,949	\$ 2,552,031	\$ 2,416,558	\$ 728,173	\$ 3,144,731
Investment income	101,762	-	101,762	431,198	-	431,198
Program, rent, and other	95,345	-	95,345	165,837	-	165,837
Total Revenue and Support	2,496,189	252,949	2,749,138	3,013,593	728,173	3,741,766
NET ASSETS RELEASED:						
Purpose restrictions	145,670	(145,670)	-	23,071	(23,071)	-
Time restrictions	150,000	(150,000)	-	2,282	(2,282)	-
EXPENSES:						
Program services:						
Home	1,434,720	-	1,434,720	1,531,125	-	1,531,125
School	972,820	-	972,820	858,898	-	858,898
Therapy	15,788	-	15,788	30,249	-	30,249
General and administrative	390,102	-	390,102	436,748	-	436,748
Fund-raising	171,508	-	171,508	136,392	-	136,392
Total Expenses	2,984,938	-	2,984,938	2,993,412	-	2,993,412
Change in Net Assets from Operating Activity	(193,079)	(42,721)	(235,800)	45,534	702,820	748,354
NON-OPERATING ACTIVITY:						
Change in net assets related to:						
Defined benefit pension liability	66,000	-	66,000	(20,000)	-	(20,000)
Change in Net Assets	(127,079)	(42,721)	(169,800)	25,534	702,820	728,354
Net Assets, Beginning of Year	16,532,847	1,486,599	18,019,446	16,507,313	783,779	17,291,092
Net Assets, End of Year	<u>\$ 16,405,768</u>	<u>\$ 1,443,878</u>	<u>\$ 17,849,646</u>	<u>\$ 16,532,847</u>	<u>\$ 1,486,599</u>	<u>\$ 18,019,446</u>

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statement of Functional Expenses

	Year Ended June 30, 2019					
	Home	School	Therapy	General and Administrative	Fund- raising	Total
Operating Expenses:						
Salaries and benefits	\$ 775,917	\$ 561,130	\$ 1,260	\$ 160,367	\$ 30,845	\$ 1,529,519
Depreciation	363,996	132,362	-	165,453	-	661,811
Occupancy	106,311	75,709	4,885	14,973	3,337	205,215
Advertising and other fees	15,071	5,453	5,232	12,687	94,362	132,805
Food and other campus supplies	60,937	38,067	3,459	5,692	7,263	115,418
Information technology	20,444	86,004	529	7,552	756	115,285
Office expense and education materials	9,903	49,968	319	6,945	25,737	92,872
Vehicles and equipment	68,564	6,392	52	13,669	1,924	90,601
Staff development	13,577	17,735	52	2,764	7,284	41,412
	\$ 1,434,720	\$ 972,820	\$ 15,788	\$ 390,102	\$ 171,508	\$ 2,984,938
Total Operating Expenses						
Percentage of Total Expenses	48%	32%	1%	13%	6%	100%

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	\$ 798,597	\$ 491,672	\$ 10,389	\$ 124,157	\$ 54,150	\$ 1,478,965
Depreciation	363,926	132,337	-	165,421	-	661,684
Occupancy	166,718	89,455	6,333	39,288	2,658	304,452
Food and other campus supplies	117,077	40,641	4,662	16,983	4,951	184,314
Advertising and other fees	143	6	5,500	69,101	40,696	115,446
Office expense and education materials	12,125	36,508	3,037	6,950	22,970	81,590
Information technology	7,986	54,587	258	2,393	1,020	66,244
Vehicles and equipment	50,685	2,616	45	10,292	1,541	65,179
Staff development	13,868	11,076	25	2,163	8,406	35,538
Total Operating Expenses	\$ 1,531,125	\$ 858,898	\$ 30,249	\$ 436,748	\$ 136,392	\$ 2,993,412
Percentage of Total Expenses	51%	29%	1%	14%	5%	100%

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (169,800)	\$ 728,354
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	661,811	661,684
Non-cash additions of property and equipment	-	(21,297)
Loss on disposal of property and equipment	21,594	46,529
Net unrealized and realized gain on investments	(64,298)	(436,746)
Contributions restricted for long-term purposes	(168,606)	(544,476)
Changes in:		
Contributions receivable	150,000	(149,550)
Prepaid expenses and other assets	(21,248)	(2,336)
Accounts payable	8,200	(50,342)
Accrued expenses and other liabilities	(12,060)	(13,609)
Defined benefit pension liability	(99,000)	(22,000)
Net Cash Provided by Operating Activities	306,593	196,211
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(534,142)	(489,412)
Proceeds from disposal of property and equipment	30,150	-
Purchase of investments	(88,329)	(32,054)
Proceeds from sales of investments	65,351	57,481
Net Cash Used by Investing Activities	(526,970)	(463,985)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	168,606	544,476
Net Cash Provided by Financing Activities	168,606	544,476
Change in Cash and Cash Equivalents	(51,771)	276,702
Cash and Cash Equivalents, Beginning of Year	2,276,230	1,999,528
Cash and Cash Equivalents, End of Year	\$ 2,224,459	\$ 2,276,230

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the School had cash and cash equivalents on deposit with financial institutions that exceeded federally insured balances by approximately \$1,295,000 and \$1,523,000, respectively. The School has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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 without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 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 net assets with donor restrictions to net assets without donor restrictions 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, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The following classes of net assets are maintained:

Net assets without donor restrictions represent those net assets whose use is not restricted by the donors; however, their use may be limited by board designation. Included in net assets without donor restrictions are resources that are used to support current operations, including property and equipment. Board designated amounts are not available to management for operations.

Net assets with donor restrictions 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. Net assets with donor restrictions also include assets restricted in perpetuity, which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. Contributions receivable that are due in future periods and are not restricted in perpetuity are classified as restricted by time.

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 net assets restricted in perpetuity (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 net assets restricted in perpetuity to reflect the historical cost value of the endowment. All gains will be added to the net assets with donor restrictions until which time a determination is made as to its disposition. If there are capital losses, those losses will go against the endowment funds with donor restrictions.

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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for use without restrictions unless specifically restricted by the donor.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT, continued

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 statements of functional expenses report certain categories of expenses that are attributable to program or support activities of the School. Accordingly, certain costs relating to more than one function, such as salaries and benefits, depreciation, and occupancy have been allocated among the program services and supporting activities. Depreciation is allocated based on square footage. All other expenses, such as salaries and benefits, are allocated based on estimates of time and effort.

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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The School adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (Note 3), and the statements of functional expenses were added.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the School's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, designated by the board of directors for specific purposes not expected to be met with one year, or long-term receivables and not available for general expenditure.

Financial assets:	
Cash and cash equivalents	\$ 2,224,459
Investments	4,729,896
Financial assets, at year-end	<u>6,954,355</u>
Less those unavailable for general expenditures within one year, due to:	
Board designated funds not expected to be used within one year	(4,265,512)
Scholarship funds not expected to be used within one year	<u>(166,628)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,522,215</u>

The School has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows through board meetings and detailed financial analysis.

4. 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.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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

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.

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

	June 30, 2019	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	\$ 623,479	\$ 623,479	\$ -	\$ -
Fixed income & bond funds	161,672	161,672	-	-
Other investments	14,135	12,697	1,438	-
	799,286	\$ 797,848	\$ 1,438	\$ -
Reconciling items:				
Cash and money markets	2,176,660			
Interest in privately held entities	1,050,000			
Investment on equity method	703,950			
Total investments on the statement of financial position	\$ 4,729,896			

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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

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

	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	\$ 1,129,443	\$ 1,129,443	\$ -	\$ -
Fixed income & bond funds	141,437	141,437	-	-
Other investments	51,999	50,639	1,360	-
	1,322,879	\$ 1,321,519	\$ 1,360	\$ -
Reconciling items:				
Cash and money markets	1,615,603			
Interest in privately held entities	1,050,000			
Investment on equity method	654,138			
Total investments on the statement of financial position	\$ 4,642,620			

5. CONTRIBUTIONS RECEIVABLE:

During the year ended June 30, 2018, the School had a contribution receivable, related to a capital campaign, for \$150,000. During the year ended June 30, 2019, this amount was received in full.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

6. INVESTMENTS AND INVESTMENT INCOME:

The following is a summary of investments:

	June 30,	
	2019	2018
Cash and money markets	\$ 2,176,660	\$ 1,615,603
Equity securities	623,479	1,129,443
Fixed income and bond funds	161,672	141,437
Other investments	14,135	51,999
Interest in privately held entities	1,050,000	1,050,000
Investment on equity method	703,950	654,138
Total investments	<u>\$ 4,729,896</u>	<u>\$ 4,642,620</u>

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

	June 30,	
	2019	2018
Revenues and support:		
Interest and dividends	\$ 69,363	\$ 31,544
Net realized and unrealized gains (losses)	(12,871)	329,765
Income from interest in privately held entities	45,270	69,889
Total investment income	<u>\$ 101,762</u>	<u>\$ 431,198</u>

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

6. 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 able to be estimated. As of June 30, 2019, there are no identified events or changes in circumstances that would have a significant adverse effect on the cost basis of the investments.

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 able to be estimated. As of June 30, 2019, there are no identified events or changes in circumstances that would have a significant adverse effect on the cost basis of the investment.

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, 2019, with one other investor making up the remainder of the 25% interest. While the School has a significant interest in this entity, it is a passive investor with the other investor actively managing the operations for the entity. Accordingly, the School accounts for this investment under the equity method of accounting. Included within investments is \$703,950 and \$654,139, representing the School's interest in Cedarwood as of June 30, 2019 and 2018, respectively.

Summary financial information of Cedarwood is as follows:

	June 30,	
	2019	2018
Total assets	\$ 938,599	\$ 872,184
Total liabilities	\$ -	\$ -
Net income	\$ 71,036	\$ 72,184

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

7. PROPERTY AND EQUIPMENT:

Property and equipment—net, consist of:

	June 30,	
	2019	2018
Land	\$ 21,355	\$ 21,355
Vehicles	423,400	492,456
Equipment	1,231,860	1,195,510
Improvements	3,326,121	3,296,623
Buildings	10,327,309	10,410,297
Construction-in-progress	1,725,562	1,313,626
	<u>17,055,607</u>	<u>16,729,867</u>
Less accumulated depreciation	<u>(5,751,089)</u>	<u>(5,245,936)</u>
Total property and equipment—net	<u>\$ 11,304,518</u>	<u>\$ 11,483,931</u>

8. 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, 2019 and 2018

8. DEFINED BENEFIT PENSION LIABILITY, continued:

	June 30,	
	2019	2018
Change in benefit obligation:		
Benefit Obligation at Beginning of Year	\$ 464,000	\$ 486,000
Service cost	-	-
Interest cost	15,000	19,000
Actuarial (gain) loss	(66,000)	20,000
Benefits paid	(48,000)	(61,000)
Benefit Obligation at End of Year	\$ 365,000	\$ 464,000
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ -	\$ -
Employer contributions	48,000	61,000
Benefits paid	(48,000)	(61,000)
Fair Value of Plan Assets at End of Year	\$ -	\$ -
Reconciliation of Funded Status:		
Funded Status (Underfunded)	\$ 365,000	\$ 464,000
Defined Benefit Pension Liability	\$ 365,000	\$ 464,000
Net Periodic Benefit Cost:		
Service cost	\$ -	\$ -
Interest cost	15,000	19,000
Expected return on plan assets	-	-
Net Gain Amortization	(84,000)	(64,000)
Net Periodic Benefit Cost	\$ (69,000)	\$ (45,000)
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, 2019 and 2018

9. NET ASSETS:

	June 30,	
	2019	2018
Net assets without donor restrictions consist of:		
Undesignated	\$ 12,140,256	\$ 12,392,989
Board-designated endowment - Hallum Strategic Action Fund*	4,265,512	4,139,858
	\$ 16,405,768	\$ 16,532,847
Net assets with donor restrictions consist of:		
Scholarships	\$ 236,628	\$ 228,709
Buildings	1,197,250	1,057,728
Contributions receivable and other time restrictions	-	190,162
Restricted in perpetuity-Mefford charitable endowment	10,000	10,000
	\$ 1,443,878	\$ 1,486,599

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

10. ENDOWMENT FUNDS:

Changes in Endowment Net Assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions (Quasi)	With Donor Restrictions	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 4,139,858	\$ 576	\$ 10,000	\$ 4,150,434
Investment income	39,491	929	-	40,420
Board designated contributor Released	86,163	-	-	86,163
	-	(929)	-	(929)
Endowment net assets, end of year	\$ 4,265,512	\$ 576	\$ 10,000	\$ 4,276,088

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2019 and 2018

10. ENDOWMENT FUNDS, continued:

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

	Without Donor Restrictions (Quasi)	With Donor Restrictions	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 3,735,132	\$ 576	\$ 10,000	\$ 3,745,708
Investment income	376,718	123	-	376,841
Board designated contributor	28,008	-	-	28,008
Released	-	(123)	-	(123)
Endowment net assets, end of year	<u>\$ 4,139,858</u>	<u>\$ 576</u>	<u>\$ 10,000</u>	<u>\$ 4,150,434</u>

11. RELATED PARTIES:

The School has invested \$1,753,950 and \$1,904,139, for the years ended June 30, 2019 and 2018, respectively, in four 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. In April 2019, this board member rotated off the board.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 8, 2019, which is the date the financial statement were available to be issued.