



**COOKSON HILLS CHRISTIAN
SCHOOLS, INC.**

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 5, 2020

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Financial Position

| | June 30, | |
|--|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS: | | |
| Cash and cash equivalents | \$ 1,690,159 | \$ 2,224,459 |
| Prepaid expenses and other assets | 140,343 | 108,429 |
| Investments | 5,005,179 | 4,729,896 |
| Property and equipment–net | <u>11,187,998</u> | <u>11,304,518</u> |
| Total Assets | <u>\$ 18,023,679</u> | <u>\$ 18,367,302</u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable | \$ 74,670 | \$ 41,929 |
| Accrued expenses and other liabilities | 82,422 | 110,727 |
| Defined benefit pension liability | <u>379,000</u> | <u>365,000</u> |
| Total liabilities | <u>536,092</u> | <u>517,656</u> |
| Net assets: | | |
| Without donor restrictions | 17,241,768 | 16,405,768 |
| With donor restrictions | <u>245,819</u> | <u>1,443,878</u> |
| Total net assets | <u>17,487,587</u> | <u>17,849,646</u> |
| Total Liabilities and Net Assets | <u>\$ 18,023,679</u> | <u>\$ 18,367,302</u> |

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Activities

| | Year Ended June 30, | | | | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | 2020 | | | 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT: | | | | | | |
| Contributions | \$ 2,213,010 | \$ 296,968 | \$ 2,509,978 | \$ 2,299,082 | \$ 252,949 | \$ 2,552,031 |
| Investment income | 269,093 | - | 269,093 | 101,762 | - | 101,762 |
| Program, rent, and other | 127,739 | - | 127,739 | 95,345 | - | 95,345 |
| Total Revenue and Support | 2,609,842 | 296,968 | 2,906,810 | 2,496,189 | 252,949 | 2,749,138 |
| NET ASSETS RELEASED: | | | | | | |
| Purpose restrictions | 1,495,027 | (1,495,027) | - | 145,670 | (145,670) | - |
| Time restrictions | - | - | - | 150,000 | (150,000) | - |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Home | 1,566,127 | - | 1,566,127 | 1,434,720 | - | 1,434,720 |
| School | 1,008,667 | - | 1,008,667 | 972,820 | - | 972,820 |
| Therapy | 34,251 | - | 34,251 | 15,788 | - | 15,788 |
| General and administrative | 440,376 | - | 440,376 | 390,102 | - | 390,102 |
| Fundraising | 171,448 | - | 171,448 | 171,508 | - | 171,508 |
| Total Expenses | 3,220,869 | - | 3,220,869 | 2,984,938 | - | 2,984,938 |
| Change in Net Assets from Operating Activity | 884,000 | (1,198,059) | (314,059) | (193,079) | (42,721) | (235,800) |
| NON-OPERATING ACTIVITY: | | | | | | |
| Change in net assets related to: | | | | | | |
| Defined benefit pension liability | (48,000) | - | (48,000) | 66,000 | - | 66,000 |
| Change in Net Assets | 836,000 | (1,198,059) | (362,059) | (127,079) | (42,721) | (169,800) |
| Net Assets, Beginning of Year | 16,405,768 | 1,443,878 | 17,849,646 | 16,532,847 | 1,486,599 | 18,019,446 |
| Net Assets, End of Year | <u>\$ 17,241,768</u> | <u>\$ 245,819</u> | <u>\$ 17,487,587</u> | <u>\$ 16,405,768</u> | <u>\$ 1,443,878</u> | <u>\$ 17,849,646</u> |

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statement of Functional Expenses

| | Year Ended June 30, 2020 | | | | | |
|--|--------------------------|---------------------|------------------|-------------------------------|-------------------|---------------------|
| | Home | School | Therapy | General and Administrative | Fundraising | Total |
| Operating Expenses: | | | | | | |
| Salaries and benefits | \$ 721,246 | \$ 581,996 | \$ 14,312 | \$ 118,415 | \$ 43,559 | \$ 1,479,528 |
| Depreciation | 412,290 | 149,924 | - | 187,405 | - | 749,619 |
| Occupancy | 205,510 | 90,222 | 4,823 | 25,626 | 3,181 | 329,362 |
| Advertising and other fees | 26,273 | 9,521 | 3,932 | 45,197 | 90,965 | 175,888 |
| Food and other campus supplies | 70,992 | 40,494 | 8,612 | 10,393 | 1,310 | 131,801 |
| Office expense and education materials | 22,364 | 43,838 | 293 | 17,400 | 20,900 | 104,795 |
| Information technology | 23,170 | 71,425 | 1,725 | 7,232 | 979 | 104,531 |
| Vehicles and equipment | 56,323 | 8,324 | 36 | 21,178 | 2,041 | 87,902 |
| Staff development | 27,959 | 12,923 | 518 | 7,530 | 8,513 | 57,443 |
| Total Operating Expenses | \$ 1,566,127 | \$ 1,008,667 | \$ 34,251 | \$ 440,376 | \$ 171,448 | \$ 3,220,869 |
| Percentage of Total Expenses | 50% | 31% | 1% | 13% | 5% | 100% |

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 | Fundraising | 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 |
| Food and other campus supplies | 15,071 | 5,453 | 5,232 | 12,687 | 94,362 | 132,805 |
| Advertising and other fees | 60,937 | 38,067 | 3,459 | 5,692 | 7,263 | 115,418 |
| Office expense and education materials | 20,444 | 86,004 | 529 | 7,552 | 756 | 115,285 |
| Information technology | 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 |
| Total Operating Expenses | \$ 1,434,720 | \$ 972,820 | \$ 15,788 | \$ 390,102 | \$ 171,508 | \$ 2,984,938 |
| Percentage of Total Expenses | 48% | 32% | 1% | 13% | 6% | 100% |

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (362,059) | \$ (169,800) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 749,619 | 661,811 |
| (Gain) Loss on disposal of property and equipment | (9,501) | 21,594 |
| Net unrealized and realized gain on investments | (199,647) | (32,754) |
| Reinvested dividends and interest | (49,678) | (31,544) |
| Contributions restricted for long-term purposes | (168,606) | (168,606) |
| Forgiveness of paycheck protection program loan | (246,600) | - |
| Changes in: | | |
| Contributions receivable | - | 150,000 |
| Prepaid expenses and other assets | (31,914) | (21,248) |
| Accounts payable | 32,741 | 8,200 |
| Accrued expenses and other liabilities | (28,305) | (12,060) |
| Defined benefit pension liability | 14,000 | (99,000) |
| Net Cash Provided (Used) by Operating Activities | (299,950) | 306,593 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (650,198) | (534,142) |
| Proceeds from disposal of property and equipment | 26,600 | 30,150 |
| Purchase of investments | (3,503,324) | (88,329) |
| Proceeds from sales of investments | 3,477,366 | 65,351 |
| Proceeds from paycheck protection program loan | 246,600 | - |
| Net Cash Used by Investing Activities | (402,956) | (526,970) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributions restricted for long-term purposes | 168,606 | 168,606 |
| Net Cash Provided by Financing Activities | 168,606 | 168,606 |
| Change in Cash and Cash Equivalents | (534,300) | (51,771) |
| Cash and Cash Equivalents, Beginning of Year | 2,224,459 | 2,276,230 |
| Cash and Cash Equivalents, End of Year | \$ 1,690,159 | \$ 2,224,459 |

See notes to financial statements

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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 K-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, 2020 and 2019, the School had cash and cash equivalents on deposit with financial institutions that exceeded federally insured balances by approximately \$975,000 and \$1,295,000, 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, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 | 5-15 years |
| Buildings | 10-39 years |

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.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

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.

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.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 PRONOUNCEMENTS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The School adopted the provisions of this new standard during the year ended June 30, 2020. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction. The adoption of this ASU had no material impact on revenue or net assets for the School.

In 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost & Net Periodic Postretirement Benefit Cost*. The School adopted the provisions of this new standard during the year ended June 30, 2020. The new standard modifies the presentation of the service cost component and other components of net periodic benefit cost within the consolidated statement of activities. The adoption of this ASU had no material impact on revenue or net assets for the School.

In 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The School adopted the provisions of this new standard during the year ended June 30, 2020. The new standard enhances the reporting model for financial instruments, addressing certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including cost method investments. The adoption of this ASU had no material impact on revenue or net assets for the School.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the School's financial assets 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.

| | June 30, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Financial assets: | | |
| Cash and cash equivalents | \$ 1,690,159 | \$ 2,224,459 |
| Investments | 5,005,179 | 4,729,896 |
| Financial assets, at year-end | <u>6,695,338</u> | <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 | (4,554,124) | (4,265,512) |
| Scholarship funds not expected to be used within one year | (185,819) | (166,628) |
| Endowment funds restricted in perpetuity | <u>(10,000)</u> | <u>(10,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,945,395</u> | <u>\$ 2,512,215</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.

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

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.

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

| | June 30, 2020 | 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 | \$ 1,709,170 | \$ 1,709,170 | \$ - | \$ - |
| Fixed income & bond funds | 1,492,042 | 1,492,042 | - | - |
| Miscellaneous investments | 11,784 | 9,993 | 1,791 | - |
| | \$ 3,212,996 | \$ 3,211,205 | \$ 1,791 | \$ - |
| Reconciling items: | | | | |
| Cash and money markets | 12,557 | | | |
| Interest in privately held entities | 1,050,000 | | | |
| Investment on equity method | 729,626 | | | |
| Total investments on the statement of financial position | \$ 5,005,179 | | | |

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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, 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 | - | - |
| Miscellaneous 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, 2020 and 2019

5. INVESTMENTS AND INVESTMENT INCOME:

The following is a summary of investments:

| | June 30, | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Cash and money markets | \$ 12,557 | \$ 2,176,660 |
| Equity securities | 1,709,170 | 623,479 |
| Fixed income and bond funds | 1,492,042 | 161,672 |
| Miscellaneous investments | 11,784 | 14,135 |
| Interest in privately held entities | 1,050,000 | 1,050,000 |
| Investment on equity method | 729,626 | 703,950 |
| Total investments | <u>\$ 5,005,179</u> | <u>\$ 4,729,896</u> |

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

| | June 30, | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| Revenues and support: | | |
| Interest and dividends | \$ 46,311 | \$ 69,363 |
| Net realized and unrealized gains (losses) | 71,516 | (12,871) |
| Income from interest in privately held entities | 151,266 | 45,270 |
| Total investment income | <u>\$ 269,093</u> | <u>\$ 101,762</u> |

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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 is not able to be estimated. As of June 30, 2020, the COVID-19 pandemic has had a significant adverse effect on the business activities of both entities. However, just as the fair value of the investments are not able to be estimated, it is not possible to reliably assess the severity of the impact of COVID-19 on these two investments. Due to this uncertainty, the School is unable to determine a dollar value of impairment on these investments as of June 30, 2020, as no observable transactions exist to evaluate. As more information becomes available, this estimate may need to be revised. This decision has no material impact on revenue or net assets for the School.

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 is not able to be estimated. As of June 30, 2020, 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, 2020, 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 \$729,626 and \$703,950, representing the School's interest in Cedarwood as of June 30, 2020 and 2019, respectively.

Summary financial information of Cedarwood is as follows:

| | June 30, | |
|-------------------|------------|------------|
| | 2020 | 2019 |
| Total assets | \$ 972,835 | \$ 938,599 |
| Total liabilities | \$ - | \$ - |
| Net income | \$ 45,545 | \$ 71,036 |

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

6. PROPERTY AND EQUIPMENT:

Property and equipment–net, consist of:

| | June 30, | |
|----------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Land | \$ 21,355 | \$ 21,355 |
| Vehicles | 433,557 | 423,400 |
| Equipment | 1,156,010 | 1,231,860 |
| Improvements | 3,600,883 | 3,326,121 |
| Buildings | 11,750,641 | 10,327,309 |
| Construction-in-progress | 472,121 | 1,725,562 |
| | <u>17,434,567</u> | <u>17,055,607</u> |
| Less accumulated depreciation | <u>(6,246,569)</u> | <u>(5,751,089)</u> |
| Total property and equipment–net | <u>\$ 11,187,998</u> | <u>\$ 11,304,518</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, 2020 and 2019

7. DEFINED BENEFIT PENSION LIABILITY, continued:

| | June 30, | |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| Change in benefit obligation: | | |
| Benefit Obligation at Beginning of Year | \$ 365,000 | \$ 464,000 |
| Service cost | - | - |
| Interest cost | 14,000 | 15,000 |
| Actuarial (gain) loss | 48,000 | (66,000) |
| Benefits paid | (48,000) | (48,000) |
| | <u>\$ 379,000</u> | <u>\$ 365,000</u> |
| Benefit Obligation at End of Year | <u>\$ 379,000</u> | <u>\$ 365,000</u> |
| Change in Plan Assets: | | |
| Fair Value of Plan Assets at Beginning of Year | \$ - | \$ - |
| Employer contributions | 48,000 | 48,000 |
| Benefits paid | (48,000) | (48,000) |
| | <u>\$ -</u> | <u>\$ -</u> |
| Fair Value of Plan Assets at End of Year | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of Funded Status: | | |
| Funded Status (Underfunded) | \$ 379,000 | \$ 365,000 |
| | <u>\$ 379,000</u> | <u>\$ 365,000</u> |
| Defined Benefit Pension Liability | <u>\$ 379,000</u> | <u>\$ 365,000</u> |
| Net Periodic Benefit Cost: | | |
| Service cost | \$ - | \$ - |
| Interest cost | 14,000 | 15,000 |
| Expected return on plan assets | - | - |
| Net Gain Amortization | (75,000) | (84,000) |
| | <u>\$ (61,000)</u> | <u>\$ (69,000)</u> |
| Net Periodic Benefit Cost | <u>\$ (61,000)</u> | <u>\$ (69,000)</u> |
| Weighted-average assumptions and method disclosures include: | | |
| Discount rate | 3% | 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, 2020 and 2019

8. NET ASSETS:

| | June 30, | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Net assets without donor restrictions consist of: | | |
| Undesignated | \$ 12,687,644 | \$ 12,140,256 |
| Board-designated endowment - Hallum Strategic Action Fund* | 4,554,124 | 4,265,512 |
| | \$ 17,241,768 | \$ 16,405,768 |
| Net assets with donor restrictions consist of: | | |
| Scholarships | \$ 235,819 | \$ 236,628 |
| Restricted in perpetuity-Mefford charitable endowment | 10,000 | 10,000 |
| Buildings | - | 1,197,250 |
| | \$ 245,819 | \$ 1,443,878 |

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

9. ENDOWMENT FUNDS:

Changes in Endowment Net Assets for the year ended June 30, 2020, are as follows:

| | Without Donor Restrictions (Quasi) | With Donor Restrictions | Restricted in Perpetuity | Total |
|--|--|----------------------------|-----------------------------|--------------|
| Endowment net assets, beginning of year | \$ 4,265,512 | \$ 576 | \$ 10,000 | \$ 4,276,088 |
| Investment income | 235,606 | 533 | - | 236,139 |
| Board designated contribution | 53,006 | - | - | 53,006 |
| Released | - | (1,109) | - | (1,109) |
| Endowment net assets, end of year | \$ 4,554,124 | \$ - | \$ 10,000 | \$ 4,564,124 |

COOKSON HILLS CHRISTIAN SCHOOL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

9. ENDOWMENT FUNDS, continued:

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 contribution | 86,163 | - | - | 86,163 |
| Released | - | (929) | - | (929) |
| Endowment net assets, end of year | \$ 4,265,512 | \$ 576 | \$ 10,000 | \$ 4,276,088 |

10. RELATED PARTIES:

The School has invested \$1,779,626 and \$1,753,950, for the years ended June 30, 2020 and 2019, respectively, in four LLCs that are being managed by a former board member who is also the brother of a previous executive director of the School. The former 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, and in August 2019, the previous executive director stepped down from his role.

11. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The School has continued to provide home, school, and therapy services for the children on campus, but has been forced to reduce some activities. Residents have been able to remain on campus during the pandemic and new student enrollment remains open. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the School for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 5, 2020, which is the date the financial statements were available to be issued.