



**ALGOMA CHRISTIAN SCHOOL**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**





# Kiekoer Scholma & Shumaker PC

Certified Public Accountants

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

November 30, 2021

Board of Directors  
Algoma Christian School  
Kent City, Michigan

Management is responsible for the accompanying financial statements of Algoma Christian School (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

*Kiekoer, Scholma & Shumaker, PC*  
Zeeland, Michigan

**ALGOMA CHRISTIAN SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	
Checking accounts	\$ 394,995
Savings accounts	33,168
Cash held under agency agreements	62,049
Accounts receivable	15,657
Grants receivable	75,921
Employee Retention Credit receivable	<u>65,669</u>
<b>Total Current Assets</b>	<u>647,459</u>

**PROPERTY AND EQUIPMENT**

Land	17,000
Land improvements	105,620
Building	2,424,612
Furniture and fixtures	101,775
Buses	24,979
Equipment	<u>160,723</u>
	2,834,709
Less accumulated depreciation	<u>(2,253,041)</u>
<b>Property and Equipment</b>	<u>581,668</u>

**TOTAL ASSETS**

\$ 1,229,127

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 37,257
Accrued payroll	79,675
Accrued interest	25
Agency funds	62,049
Deferred revenue	222,019
Current maturities of long-term debt	<u>12,649</u>
<b>Total Current Liabilities</b>	<u>413,674</u>

**LONG-TERM LIABILITIES**

Note payable - bank	12,649
Less current maturities of long-term debt	<u>(12,649)</u>
<b>Total Long-term Liabilities</b>	<u>-</u>

**TOTAL LIABILITIES**

413,674

**NET ASSETS**

Without donor restrictions	796,237
With donor restrictions	<u>19,216</u>
<b>Total Net Assets</b>	<u>815,453</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,229,127

**ALGOMA CHRISTIAN SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Tuition and fees	\$ 1,229,068	\$ -	\$ 1,229,068
Sports	47,388	-	47,388
Food service	23,740	-	23,740
Bus fees	12,446	-	12,446
Daycare	475,619	-	475,619
Contributions	134,052	73,204	207,256
EANS grant	75,921	-	75,921
CCRF grant	106,523	-	106,523
Fundraising and special events	144,203	-	144,203
Miscellaneous income	1,094	-	1,094
Gain (loss) on disposal of property and equipment	(11,300)	-	(11,300)
PPP loan forgiveness	219,529	-	219,529
Empoyee Retention Credit	65,669	-	65,669
Net assets released from restrictions	80,910	(80,910)	-
<b>Total Revenues and Support</b>	<u>2,604,862</u>	<u>(7,706)</u>	<u>2,597,156</u>
<b>EXPENSES</b>			
Program services	1,763,395	-	1,763,395
Management and general	241,606	-	241,606
Fundraising	58,252	-	58,252
<b>Total Expenses</b>	<u>2,063,253</u>	<u>-</u>	<u>2,063,253</u>
<b>CHANGE IN NET ASSETS</b>	541,609	(7,706)	533,903
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>254,628</u>	<u>26,922</u>	<u>281,550</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 796,237</u>	<u>\$ 19,216</u>	<u>\$ 815,453</u>

**ALGOMA CHRISTIAN SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services					
	Instruction and Academic Support	Day Care	Program Totals	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 784,650	\$ 345,598	\$ 1,130,248	\$ 196,510	\$ -	\$ 1,326,758
Payroll taxes	37,186	16,379	53,565	9,313	-	62,878
SIMPLE IRA retirement plan	11,332	4,991	16,323	2,838	-	19,161
Advertising	-	193	193	12,265	-	12,458
Auction	-	-	-	-	12,250	12,250
Band	2,187	-	2,187	-	-	2,187
Bank charges	-	-	-	345	-	345
Continuing education and development	4,861	928	5,789	-	-	5,789
Depreciation	78,864	7,548	86,412	3,311	-	89,723
Drama	1,985	-	1,985	-	-	1,985
Feed the Need	-	-	-	-	42,102	42,102
Food	-	3,395	3,395	-	-	3,395
Graduation	2,620	-	2,620	-	-	2,620
Hot lunch	21,570	-	21,570	-	-	21,570
Insurance - building	17,912	1,714	19,626	752	-	20,378
Insurance - liability	6,478	620	7,098	272	-	7,370
Insurance - vehicle	2,422	-	2,422	-	-	2,422
Insurance - workers' compensation	4,740	2,088	6,828	1,187	-	8,015
Insurance - other	5,499	-	5,499	-	-	5,499
Interest	-	-	-	6,408	-	6,408
Licensing	-	536	536	-	-	536
Library	1,809	-	1,809	-	-	1,809
Memberships and dues	22,513	-	22,513	-	-	22,513
Miscellaneous	931	2,215	3,146	-	3,900	7,046
Missions	4,200	-	4,200	-	-	4,200
Office equipment and supplies	21,439	1,018	22,457	-	-	22,457
Professional fees	-	-	-	5,000	-	5,000
Repairs and maintenance	44,289	4,239	48,528	1,860	-	50,388
Retreats and field trips	4,856	-	4,856	-	-	4,856
Sports	60,675	-	60,675	-	-	60,675
Supplies	40,931	7,616	48,547	-	-	48,547
Technology	27,524	-	27,524	-	-	27,524
Textbooks	35,375	-	35,375	-	-	35,375
Utilities	36,802	3,522	40,324	1,545	-	41,869
Transportation	22,990	-	22,990	-	-	22,990
CCRF refunds	-	54,155	54,155	-	-	54,155
	<u>\$ 1,306,640</u>	<u>\$ 456,755</u>	<u>\$ 1,763,395</u>	<u>\$ 241,606</u>	<u>\$ 58,252</u>	<u>\$ 2,063,253</u>

**ALGOMA CHRISTIAN SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 533,903
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation	89,723
(Gain) loss on disposal of property and equipment	11,300
Paycheck Protection Program loan forgiveness	(219,529)
(Increase) decrease in operating assets	
Accounts receivable	(14,272)
Grants receivable	(75,921)
Employee Retention Credit receivable	(65,669)
Increase (decrease) in operating liabilities	
Accounts payable	30,559
Accrued payroll	16,700
Accrued interest	(459)
Agency funds	6,661
Deferred revenue	<u>52,354</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>365,350</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(179,488)
Proceeds from disposal of property and equipment	<u>1,200</u>
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>(178,288)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on long-term debt	<u>(213,205)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(26,143)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>516,355</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 490,212</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION DISCLOSURES</b>	
Interest Paid	<u><u>\$ 6,867</u></u>

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Programs and Activities** – Algoma Christian School (the School) is an ACSI accredited elementary and secondary education ministry located near Kent City, Michigan that places God's truth as central to all education. The School disciplines students to know and apply God's truth, focusing on academic excellence, Christ-like character, and service to others. The School is supported primarily through program service revenues and public contributions. The School also has a daycare program. Instruction and daycare are the School's two programs.

**Basis of Accounting** – The School prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of Presentation** – The School reports information regarding its financial position and activities based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions:** Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of these net assets are the broad limits resulting from the nature of the School, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The School's board may designate assets without restrictions for specific purposes from time to time.

**Net Assets With Donor Restrictions:** Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Unspent contributions are included in this class if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, Algoma Christian School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The School has maintained appropriate amounts of cash and cash equivalents to comply with donor-imposed restrictions.

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable** – Receivables consist of outstanding tuition amounts as of June 30, 2021. It is the School’s policy to charge off accounts receivable directly to bad debt expense when management determines they will not be collected. The School does not provide for losses using the allowance method, since charges to bad debt expense are not been material to the financial statements.

**Promises to give and Contributions** – Contributions are recognized when a donor makes a promise to give to Algoma Christian School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions. At June 30, 2021, the School had no unconditional promises to give.

**Property and Equipment and Depreciation** – It is the policy of the School to capitalize property and equipment costs which exceed \$1,000. Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as an increase in support under net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated lives of the assets placed in service.

**Revenue and Revenue Recognition** – Algoma Christian School recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year.

The School recognizes contributions, grants, and other non-tuition revenue when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional contributions and grants (that is, those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Contributions, grants, tuition and fees, non-tuition revenue, and other promises to give are reported as increases in net assets without donor restrictions unless specifically restricted by the donor or grantor.

**Government Grants** - Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

*Grant Awards That Are Contributions* - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

*Grant Awards That Are Exchange Transactions* - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.



**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Revenue** – Deferred revenue results from the School recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

**Tuition and Financial Aid** – Gross tuition and fees reflects the School’s normal tuition rates for all students. Dependents of the School’s faculty pay reduced tuition rates. The dependent tuition reduction amount is included in gross tuition and fees in the statement of activities.

**Donated Assets** – Contributions of donated non-cash assets are recorded at their fair values in the period received.

**Donated Services** – During the year ended June 30, 2021, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time to perform a variety of tasks that assist Algoma Christian School in fund raising and special projects, but these services do not meet the criteria for recognition as contributed services.

**Advertising Costs** – The School incurred and expensed \$12,458 of advertising costs for the year ended June 30, 2021.

**Functional Allocation of Expenses** – The School is required to report the functional allocation of the School’s expenses as they relate to program, management and general, and fundraising functions. This allocation has been determined by management on a reasonable basis that is consistently applied. Allocated expenses have been allocated on the basis of estimates of time and effort in addition to square-footage considerations.

**Income Taxes** – Algoma Christian School is a not-for-profit organization and has applied to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes.

**Date of Management’s Review** – In preparing these financial statements, Algoma Christian School has evaluated events and transactions for potential recognition or disclosure through November 30, 2021, the date the financial statements were available to be issued.

**NOTE B: LINE OF CREDIT**

The School has available up to \$40,000 under a line of credit with ChoiceOne Bank, expiring January, 2023. Borrowings on the line bear interest at 0.75% over the bank’s prime rate. The line of credit is secured by the School’s land, building, equipment, and accounts receivable. The ChoiceOne Bank line of credit and long-term note are cross-collateralized and have cross-default provisions. Outstanding borrowings were \$0 as of June 30, 2021.

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C: AGENCY FUNDS**

Agency funds consists of the following:

TRIP Family Accounts	\$	5,930
Class Funds		50,948
PTF Funds		<u>5,171</u>
	\$	<u><u>62,049</u></u>

**NOTE D: LONG-TERM DEBT**

The School's long-term debt consists of a single note payable to ChoiceOne Bank. The loan has an outstanding balance of \$12,649 as of June 30, 2021. The ChoiceOne Bank note is secured by the School's land and building, requires monthly installments of \$1,309 including interest at 5.5% per annum, and matures in April 2022.

The following is a summary of future schedule maturities of long-term debt:

Year ended <u>June 30,</u>	<u>Amount</u>
2022	<u>\$ 12,649</u>

**NOTE E: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of amounts restricted for the following:

Math/Science	\$	274
Buildings		3,300
Baseball diamond		6,000
Tuition assistance		<u>9,642</u>
	\$	<u><u>19,216</u></u>

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F : LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 are:

Financial assets:	
Cash and cash equivalents	\$ 490,212
Accounts receivable	<u>157,247</u>
Total financial assets	647,459
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted funds	<u>(19,216)</u>
Amount available for general expenditures within one year	<u><u>\$ 628,243</u></u>

**NOTE G : CONCENTRATION OF CREDIT RISK**

**Concentration of Credit Risk** - Algoma Christian School maintains its cash balances in financial institutions located in West Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. At June 30, 2021 the School had bank balances exceeding FDIC insurance limits of \$212,266.

**Concentration of Contribution Revenue** - For the year ended June 30, 2021, approximately 39% of total contributions were received from six donors.

**NOTE H: RETIREMENT PLAN**

The School sponsors a SIMPLE IRA Plan covering substantially all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year, or who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year. A trust company provides all custodial services for the plan including maintaining records, receiving all contributions, executing the investments, paying benefits, and issuing statements to participants.

The School typically matches 100% of a participant’s contributions to the plan up to 3% of the individual participant’s compensation. The School may reduce the 3% limit for the calendar year only if (1) the limit is not reduced below 1%; (2) the limit is not reduced for more than two calendar years during the five-year period ending with the calendar year the reduction is effective; and (3) each employee is notified of the reduced limit within a reasonable period of time before the employees’ sixty-day election period for the calendar year. The School matched 100% of a participant’s contributions up to 3% of the individual participant’s compensation for the year ended June 30, 2021. The School’s matching contributions were \$19,162 for the year ended June 30, 2021.

**NOTE I: SUBSEQUENT EVENTS**

In August 2021, the second round of the Emergency Assistance to Non-Public Schools Grant was awarded to Algoma Christian School for \$167,366. This activity will be included in the June 30, 2022 financial statements.

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J: COVID-19**

In March 2020, the World Health Organization classified the outbreak of a novel coronavirus (COVID-19) as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's operational and financial performance. The extent of the impact of COVID-19 on the School's financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, enrollment, contributions, and vendors, all of which cannot be reasonably predicted at this time. The School is unable to estimate the effects of the COVID-19 outbreak at this time.

**NOTE K: GRANT REVENUE**

***Emergency Assistance for Nonpublic Schools (EANS)***

The School was awarded \$167,366 under the Emergency Assistance for Nonpublic Schools (EANS) program to address educational disruptions caused by COVID-19. The EANS program provides for reimbursement of certain allowable expenditures incurred on or after March 13, 2020 and for the School to request certain direct services under the program through the Michigan Department of Education, through September 30, 2023.

The School determined the award is a conditional grant and has interpreted the condition of the award to be the incurrence of allowable expenses for reimbursement by MDE or approval by MDE for any direct service requests. As of June 30, 2021, the School has incurred reimbursable expenses under the EANS program, and accordingly, the School has recognized revenue and expenses under this award totaling \$75,921 for the year ended June 30, 2021.

***Child Care Relief Fund***

The School received grant awards under the Child Care Relief Fund (CCRF) through the State of Michigan during the year ended June 30, 2021. During the year ended June 30, 2021, the School received and expended \$106,523 on qualifying expenses under this program. Accordingly, the School recognized revenue and expenses in this amount for the year ended June 30, 2021.

***Paycheck Protection Program Loan***

In April 2020, the School secured a loan from ChoiceOne Bank of \$219,529 under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Such loans are guaranteed by the United States Small Business Administration ("SBA") and, provided employees are kept on the payroll for a certain period of time and the loan is used for qualifying expenses, the loan may be forgiven by the SBA. The School determined the award is a conditional grant and has interpreted the condition of the award to be the incurrence of qualifying expenses. The School incurred qualifying expenses in the amount of the award during the fiscal year and has received notification that its PPP loan was forgiven. Accordingly, this debt forgiveness is reported in revenues and support for the year ended June 30, 2021.

***Employee Retention Credit***

The School qualified for a \$65,669 Employee Retention Credit (ERC) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The School became eligible for the credit during the fiscal year ended June 30, 2021. The School determined the award is a conditional grant and has interpreted the condition of the award to be the incurrence of qualifying expenses. The School incurred qualifying expenses in the amount of the award prior to June 30, 2021, and has reported the ERC as a receivable as of June 30, 2021, and in revenues and support for the year ended June 30, 2021.

**ALGOMA CHRISTIAN SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENT**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will supersede the current lease requirements in Topic 840, *Leases*. ASU No. 2016-02 requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of income. Currently leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statement of income and cash flows will be generally consisted with the current guidance. The new lease guidance will be effective for Algoma Christian School's year ending July 30, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.