

**ALGOMA CHRISTIAN SCHOOL
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2017 and 2016

Culver CPA Group
1419 Coit Ave NE
Grand Rapids, MI 49505

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Algoma Christian School
Kent City, Michigan

We have reviewed the accompanying financial statements of Algoma Christian School (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of School management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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Supplementary Information

The accompanying schedules of program services and other revenue, and program services, general and administrative, and fundraising expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and do not express an opinion on such information.

Culver CPA Group

December 13, 2017

Algoma Christian School
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ 399,949	\$ 205,348
Accounts Receivable - Students	14,688	42,666
Property and Equipment	<u>656,977</u>	<u>725,163</u>
Total Assets	<u>\$ 1,071,614</u>	<u>\$ 973,177</u>
LIABILITIES		
Accounts Payable - Trade	\$ 4,028	\$ 6,539
Accrued Teacher Salaries	49,743	53,719
Deposit	41,445	-
Agency Funds	44,575	43,595
Deferred Revenue	127,331	53,758
Long-Term Debt	<u>321,448</u>	<u>362,567</u>
Total Liabilities	588,570	520,178
NET ASSETS		
Unrestricted	469,663	438,182
Temporarily Restricted	<u>13,381</u>	<u>14,817</u>
Total Net Assets	<u>483,044</u>	<u>452,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,071,614</u>	<u>\$ 973,177</u>

See accompanying notes and independent accountants' review report.

Algoma Christian School
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	%	<u>2016</u>	%
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and Support				
Program Services	\$ 1,404,175	86.1	\$ 1,332,085	82.0
Contributions	158,871	9.7	153,365	9.4
Other	<u>379</u>	-	<u>8,052</u>	<u>0.5</u>
Total Unrestricted Revenue and Support	1,563,425	95.9	1,493,502	92.0
Net Assets Released From Restrictions	<u>67,073</u>	<u>4.1</u>	<u>130,523</u>	<u>8.0</u>
Total Unrestricted Revenue, Support, and Net Assets Released from Restrictions	1,630,498	100.0	1,624,025	100.0
Expenses				
Program Services	1,219,241	74.8	1,161,087	71.5
General & Administrative	366,791	22.5	371,266	22.9
Fundraising	<u>12,985</u>	<u>0.8</u>	<u>15,195</u>	<u>0.9</u>
Total Expenses	<u>1,599,017</u>	<u>98.1</u>	<u>1,547,548</u>	<u>95.3</u>
Increase in Unrestricted Net Assets	31,481	1.9	76,477	4.7
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	65,637	4.0	100,166	6.2
Net Assets Released From Restrictions	<u>(67,073)</u>	<u>(4.1)</u>	<u>(130,523)</u>	<u>(8.0)</u>
Decrease in Temporarily Restricted Net Assets	<u>(1,436)</u>	<u>(0.1)</u>	<u>(30,357)</u>	<u>(1.9)</u>
Increase in Net Assets	30,045	<u><u>1.8</u></u>	46,120	<u><u>2.8</u></u>
Beginning Net Assets	<u>452,999</u>		<u>406,879</u>	
Ending Net Assets	<u>\$ 483,044</u>		<u>\$ 452,999</u>	

See accompanying notes and independent accountants' review report.

Algoma Christian School
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 30,045	\$ 46,120
Adjustments to reconcile Increase in Net Assets to net Cash provided by (used in) operating activities:		
Depreciation and Amortization	105,076	107,275
Loss (Gain) on Disposal of Assets	-	(7,800)
Decrease (Increase) in Operating Assets:		
Accounts Receivable - Students	27,978	(15,290)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable - Trade	(2,511)	(1,305)
Accrued Teacher Salaries	(3,976)	(627)
Payroll Related Withholdings	-	(1,916)
Deposit	41,445	-
Agency Funds	980	1,345
Deferred Revenue	73,573	(92,893)
Total Adjustments	<u>242,565</u>	<u>(11,211)</u>
Net Cash Provided By (Used in) Operating Activities	272,610	34,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(36,890)	(101,329)
Proceeds From Sale of Property and Equipment	-	7,800
Net Cash Provided By (Used In) Investing Activities	(36,890)	(93,529)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Line of Credit Borrowings (Repayments)	-	(100,000)
Long-Term Debt Borrowings	-	120,000
Long-Term Debt Repayments	(41,119)	(13,979)
Net Cash Provided By (Used In) Financing Activities	(41,119)	6,021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,601	(52,599)
BEGINNING CASH AND CASH EQUIVALENTS	205,348	257,947
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 399,949</u>	<u>\$ 205,348</u>
SUPPLEMENTAL DISCLOSURES		
Interest Paid	20,098	22,355

See accompanying notes and independent accountants' review report.

Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE A - Nature of Activities and Summary of Significant Accounting Policies

Nature of 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. It is also an educational institution that discipules 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.

Basis of Presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Restricted and Unrestricted Revenue

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The School has no permanently restricted net assets.

Basis of Accounting

The financial statements of Algoma Christian School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The School uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the School considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents.

Accounts Receivable - Students

Accounts receivable from students are stated at unpaid balances. 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 as charges to bad debt expense have not been material to the financial statements.

Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE A - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

Property and Equipment

The School capitalizes all property and equipment with a cost of \$ 1,000 or more if purchased, and with a fair market value of \$ 1,000 or more at date of donation if received by contribution. Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are stated at cost or at their estimated fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Revenue

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

Tuition, Scholarships, and Financial Aid

Tuition and fees is reported in program services revenue net of scholarships given on the basis of financial need. Dependents of the School's teachers pay reduced tuition rates. The dependent tuition reduction amount is included in tuition and fees in program services revenue and in salaries and wages in program services expenses.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. There were no contributed services recognized as revenue during the years ended June 30, 2017 and 2016, respectively. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Advertising

The School expenses advertising costs as they are incurred. Advertising costs totaled \$ 11,015 and \$ 13,916 for the years ended June 30, 2017 and 2016, respectively.

Income Tax Status

The School is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2017 and 2016, respectively. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE B - Cash and Cash Equivalents

Cash and cash equivalents consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Checking Accounts	\$ 321,635	\$ 126,609
Money Market Account	20,358	20,327
Cash Temporarily Restricted by Donors	13,381	14,817
Cash Held Under Agency Agreements	<u>44,575</u>	<u>43,595</u>
	\$ 399,949	\$ 205,348
	=====	=====

NOTE C - Property and Equipment

Property and equipment consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land	\$ 17,000	\$ 17,000
Site Improvements	76,306	76,306
Building	2,341,530	2,320,547
Buses	89,010	83,801
Office Equipment	58,138	58,138
Furniture and Fixtures	157,723	155,948
Classroom Equipment	21,952	21,952
Computer Hardware	129,350	120,427
Computer Software	7,990	18,727
Telephone Equipment	28,290	28,290
Security System	21,601	21,601
Sound and Light Equipment	9,380	9,380
Mowing Equipment	<u>6,747</u>	<u>6,747</u>
	2,965,017	2,938,864
Accumulated Depreciation	<u>2,308,040</u>	<u>2,213,701</u>
	\$ 656,977	\$ 725,163
	=====	=====

Depreciation expense totaled \$ 105,076 and \$ 107,275 for the years ended June 30, 2017 and 2016, respectively.

NOTE D - Deposit

The School building sustained wind damage to a portion of the roof in March 2017. The School's insurance company reached an agreed price of \$ 63,688 with the roof contractor to repair the roof, which was repaired in August 2017. The roof contractor was paid by the School in September 2017, as the School received the insurance proceeds on behalf of the roof contractor. The school had received \$ 41,445 of insurance proceeds as of June 30, 2017.

Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE E - Agency Funds

Agency funds consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
TRIP Family Account Funds	\$ 7,921	\$ 11,281
Class Funds	11,917	11,998
PTF Funds	<u>24,737</u>	<u>20,316</u>
	\$ 44,575	\$ 43,595
	=====	=====

NOTE F - Line of Credit

The School has a revolving line of credit of \$ 40,000 with ChoiceOne Bank of which there were no borrowings outstanding at June 30, 2017 and 2016, respectively. The line of credit matures in December 2018 and carries an interest rate of the bank's prime rate plus 1.25%. The prime rate was 4.25% and 3.5% at June 30, 2017 and 2016, respectively. 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 notes are cross-collateralized and have cross-default provisions.

NOTE G - Long-term Debt

The School's long-term debt consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ChoiceOne Bank note #1	\$ 235,332	\$ 246,160
ChoiceOne Bank note #2	<u>86,116</u>	<u>116,407</u>
	\$ 321,448	\$ 362,567
	=====	=====

The ChoiceOne Bank note #1 is secured by the School's land and building, requires monthly installments of \$ 2,126 including interest at 6% per annum, and matures in January 2021 with a balloon payment in the amount of approximately \$ 191,000.

The ChoiceOne Bank note #2 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 January 2026.

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

<u>Year Ended</u>	
June 30, 2018	\$ 22,960
June 30, 2019	24,317
June 30, 2020	25,754
June 30, 2021	211,276
June 30, 2022	14,018
Thereafter	<u>23,123</u>
	\$ 321,448
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Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE H - Unrestricted Net Assets

Unrestricted net assets consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Undesignated	\$ 467,936	\$ 437,682
Designated by the School Board	<u>1,727</u>	<u>500</u>
	<u>\$ 469,663</u>	<u>\$ 438,182</u>

NOTE I - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Advertising	\$ -	\$ 1,278
Missions Trip	1,000	-
Property and Equipment	-	1,332
Salaries and Wages	-	5
Sports	2,050	2,300
Tuition Assistance	<u>10,331</u>	<u>9,902</u>
	<u>\$ 13,381</u>	<u>\$ 14,817</u>

NOTE J - Concentration of Credit Risk

From time to time throughout the year, the School may have cash deposits in excess of the FDIC insured limits.

NOTE K - Concentration of Contribution Revenue

The top five donors provided approximately 41% and 42% of total contributions for the years ended June 30, 2017 and 2016, respectively, three of which were part of the top five donors both years.

NOTE L - Interest Expense

The School incurred interest of \$ 20,038 and \$ 22,359 for the years ended June 30, 2017 and 2016, respectively, all of which was charged to expense.

NOTE M - Fundraising Expense

Total fundraising expense was \$ 12,985 and \$ 15,195 for the years ended June 30, 2017 and 2016, respectively.

Algoma Christian School
NOTES TO FINANCIAL STATEMENTS

NOTE N - Retirement Plan

The School sponsors a defined contribution plan covering all employees who agree to make contributions to the plan. The School matches participants' contributions to the plan on a 50% basis up to 2% of the individual participant's compensation. The School's matching contributions were \$ 8,982 and \$ 9,309 for the years ended June 30, 2017 and 2016, respectively.

NOTE O - Contingent Liabilities

The School is classified as a reimbursing employer by the Michigan Unemployment Insurance Agency. As such, unemployment monies that are paid to former employees are charged to the School. Total unemployment paid was zero and \$ 6,483 for the years ended June 30, 2017 and 2016, respectively.

NOTE P - Commitment

The School has a three year employment contract with the School superintendent, which extends through June 30, 2018.

NOTE Q - Subsequent Events

Management has evaluated subsequent events through December 13, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Algoma Christian School
SCHEDULES OF PROGRAM SERVICES AND OTHER REVENUE
Years Ended June 30, 2017 and 2016

	<u>2017</u>	%	<u>2016</u>	%
PROGRAM SERVICES REVENUE				
Tuition and Fees	\$ 998,421	61.2	\$ 964,963	59.4
Sports	24,301	1.5	24,935	1.5
Food Service	46,147	2.8	52,762	3.2
Bus Fees	23,066	1.4	25,257	1.6
Miscellaneous	1,253	0.1	2,425	0.1
Yearbook	298	-	1,389	0.1
Drama	1,705	0.1	844	0.1
Day Care	<u>308,984</u>	<u>19.0</u>	<u>259,510</u>	<u>16.0</u>
Total Program Services Revenue	<u>\$ 1,404,175</u>	<u>86.1</u>	<u>\$ 1,332,085</u>	<u>82.0</u>
 OTHER REVENUE				
Interest	\$ 379	-	\$ 252	-
Gain on Sale of Assets	<u>-</u>	<u>-</u>	<u>7,800</u>	<u>0.5</u>
Total Other Revenue	<u>\$ 379</u>	<u>-</u>	<u>\$ 8,052</u>	<u>0.5</u>

See independent accountants' review report.

Algoma Christian School
SCHEDULES OF PROGRAM SERVICES, GENERAL & ADMINISTRATIVE,
AND FUNDRAISING EXPENSES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	%	<u>2016</u>	%
PROGRAM SERVICES EXPENSES				
Salaries and Wages	\$ 799,956	49.1	\$ 738,978	45.5
Payroll Taxes & Workers Comp. Insurance	62,312	3.8	62,359	3.8
403(b) Retirement Plan	7,015	0.4	7,084	0.4
Employee Education, Training & Life Insurance	13,400	0.8	9,080	0.6
Classroom	63,184	3.9	60,783	3.7
Utilities	42,331	2.6	41,817	2.6
Food Service	30,326	1.9	32,916	2.0
Interest	20,038	1.2	22,359	1.4
Depreciation	105,076	6.4	107,275	6.6
Bad Debts	5,901	0.4	1,951	0.1
Yearbook	142	-	292	-
Drama	1,050	0.1	1,021	0.1
Day Care	25,926	1.6	22,981	1.4
Vehicle Operating	13,871	0.9	25,216	1.6
Missions Trip	2,900	0.2	-	-
Sports	25,813	1.6	26,975	1.7
	<u>\$ 1,219,241</u>	<u>74.8</u>	<u>\$ 1,161,087</u>	<u>71.5</u>
GENERAL & ADMINISTRATIVE EXPENSES				
Salaries and Wages	\$ 224,174	13.7	\$ 232,109	14.3
Payroll Taxes & Workers Comp. Insurance	17,473	1.1	19,585	1.2
403(b) Retirement Plan	1,967	0.1	2,225	0.1
Building Maintenance & Insurance	43,417	2.7	44,748	2.8
Telephone and Internet	3,857	0.2	4,310	0.3
Office	20,912	1.3	19,267	1.2
Memberships, Dues & Subscriptions	18,142	1.1	9,431	0.6
Advertising	11,015	0.7	13,916	0.9
Development Consultants	11,250	0.7	7,800	0.5
Professional Fees	10,500	0.6	10,455	0.6
Contracted IT Services	4,084	0.3	7,420	0.5
	<u>\$ 366,791</u>	<u>22.5</u>	<u>\$ 371,266</u>	<u>22.9</u>
FUNDRAISING EXPENSES				
Development Consultants	\$ 7,800	0.5	\$ 8,150	0.5
Fundraising	5,185	0.3	7,045	0.4
	<u>\$ 12,985</u>	<u>0.8</u>	<u>\$ 15,195</u>	<u>0.9</u>

See independent accountants' review report.