

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

**Years Ended June 30, 2018 and 2017**

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, 2018 and 2017, 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 review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Culver CPA Group

September 24, 2018

**Algoma Christian School**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 204,752	\$ 399,949
Accounts Receivable - Students	7,755	14,688
Reimbursements Receivable	12,400	-
Property and Equipment	<u>679,736</u>	<u>656,977</u>
<b>Total Assets</b>	<u>\$ 904,643</u>	<u>\$ 1,071,614</u>
<b>LIABILITIES</b>		
Accounts Payable - Trade	\$ 44,246	\$ 4,028
Accrued Payroll	59,913	49,743
Deposit	-	41,445
Agency Funds	42,392	44,575
Deferred Revenue	72,742	127,331
Long-Term Debt	<u>277,830</u>	<u>321,448</u>
<b>Total Liabilities</b>	497,123	588,570
<b>NET ASSETS</b>		
Unrestricted	395,689	469,663
Temporarily Restricted	<u>11,831</u>	<u>13,381</u>
<b>Total Net Assets</b>	<u>407,520</u>	<u>483,044</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 904,643</u>	<u>\$ 1,071,614</u>

See accompanying notes and independent accountants' review report.

**Algoma Christian School**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	%	<u>2017</u>	%
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
<b>Revenue and Support</b>				
Program Services	\$ 1,366,554	80.7	\$ 1,404,175	86.1
Contributions	221,026	13.1	158,872	9.7
Other	<u>3,443</u>	<u>0.2</u>	<u>379</u>	<u>-</u>
<b>Total Unrestricted Revenue and Support</b>	<b>1,591,023</b>	<b>94.0</b>	<b>1,563,426</b>	<b>95.9</b>
Net Assets Released From Restrictions	<u>101,655</u>	<u>6.0</u>	<u>67,073</u>	<u>4.1</u>
<b>Total Unrestricted Revenue, Support, and Net Assets Released from Restrictions</b>	<b>1,692,678</b>	<b>100.0</b>	<b>1,630,499</b>	<b>100.0</b>
<b>Expenses</b>				
Program Services	1,400,246	82.7	1,269,553	77.9
General & Administrative	310,257	18.3	316,479	19.4
Fundraising	<u>56,149</u>	<u>3.3</u>	<u>12,985</u>	<u>0.8</u>
<b>Total Expenses</b>	<b><u>1,766,652</u></b>	<b><u>104.4</u></b>	<b><u>1,599,017</u></b>	<b><u>98.1</u></b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>(73,974)</b>	<b>(4.4)</b>	<b>31,482</b>	<b>1.9</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>				
Contributions	100,105	5.9	65,637	4.0
Net Assets Released From Restrictions	<u>(101,655)</u>	<u>(6.0)</u>	<u>(67,073)</u>	<u>(4.1)</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	<b><u>(1,550)</u></b>	<b><u>(0.1)</u></b>	<b><u>(1,436)</u></b>	<b><u>(0.1)</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>(75,524)</u></b>	<b><u>(4.5)</u></b>	<b><u>30,046</u></b>	<b><u>1.8</u></b>
Beginning Net Assets	<u>483,044</u>		<u>452,998</u>	
Ending Net Assets	<u>\$ 407,520</u>		<u>\$ 483,044</u>	

See accompanying notes and independent accountants' review report.

**Algoma Christian School**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (75,524)	\$ 30,046
Adjustments to reconcile Increase (Decrease) in Net Assets to Cash provided by (used in) operating activities:		
Depreciation and Amortization	104,802	105,076
Loss (Gain) on Disposal of Assets	(3,100)	-
Decrease (Increase) in Operating Assets:		
Accounts Receivable - Students	6,933	27,978
Reimbursements Receivable	(12,400)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable - Trade	40,218	(2,511)
Accrued Payroll	10,170	(3,976)
Deposit	(41,445)	41,445
Agency Funds	(2,183)	980
Deferred Revenue	(54,589)	73,573
Total Adjustments	<u>48,406</u>	<u>242,565</u>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>(27,118)</b>	<b>272,611</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(127,561)	(36,890)
Proceeds from Sale of Property and Equipment	<u>3,100</u>	<u>-</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(124,461)</b>	<b>(36,890)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-Term Debt Repayments	<u>(43,618)</u>	<u>(41,119)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(43,618)</b>	<b>(41,119)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(195,197)</b>	<b>194,602</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>399,949</u>	<u>205,347</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 204,752</u>	<u>\$ 399,949</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	17,599	20,098

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. 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.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, 2018 and 2017, 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 \$ 20,885 and \$ 11,015 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018</u>	<u>June 30, 2017</u>
Checking Accounts	\$ 107,669	\$ 321,635
Money Market Account	42,860	20,358
Cash Temporarily Restricted by Donors	11,831	13,381
Cash Held Under Agency Agreements	<u>42,392</u>	<u>44,575</u>
	\$ 204,752	\$ 399,949
	=====	=====

**NOTE C - Property and Equipment**

Property and equipment consists of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 17,000	\$ 17,000
Site Improvements	86,731	76,306
Building	2,413,247	2,341,530
Buses	53,406	89,010
Office Equipment	58,138	58,138
Furniture and Fixtures	171,306	157,723
Classroom Equipment	21,952	21,952
Computer Hardware	158,490	129,350
Computer Software	7,990	7,990
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>
	3,054,278	2,965,017
Accumulated Depreciation	<u>2,374,542</u>	<u>2,308,040</u>
	\$ 679,736	\$ 656,977
	=====	=====

Depreciation expense totaled \$ 104,802 and \$ 105,076 for the years ended June 30, 2018 and 2017, 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, and received \$ 19,743 of insurance proceeds in September 2017.

**Algoma Christian School**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - Agency Funds**

Agency funds consists of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
TRIP Family Account Funds	\$ 8,879	\$ 7,921
Class Funds	14,021	11,917
PTF Funds	<u>19,492</u>	<u>24,737</u>
	\$ 42,392	\$ 44,575
	=====	=====

**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, 2018 and 2017, 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 5% and 4.25% at June 30, 2018 and 2017, 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, 2018</u>	<u>June 30, 2017</u>
ChoiceOne Bank note #1	\$ 223,827	\$ 235,332
ChoiceOne Bank note #2	<u>54,003</u>	<u>86,116</u>
	\$ 277,830	\$ 321,448
	=====	=====

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, 2019	\$ 25,482
June 30, 2020	26,984
June 30, 2021	212,814
June 30, 2022	<u>12,550</u>
	\$ 277,830
	=====

**Algoma Christian School**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H - Unrestricted Net Assets**

Unrestricted net assets consists of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Undesignated	\$ 394,216	\$ 467,936
Designated by the School Board	<u>1,473</u>	<u>1,727</u>
	<u>\$ 395,689</u>	<u>\$ 469,663</u>

**NOTE I - Temporarily Restricted Net Assets**

Temporarily restricted net assets consists of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Missions Trip	\$ -	\$ 1,000
Salaries and Wages	1,500	-
Sports	-	2,050
Tuition Assistance	<u>10,331</u>	<u>10,331</u>
	<u>\$ 11,831</u>	<u>\$ 13,381</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 35% and 41% of total contributions for the years ended June 30, 2018 and 2017, respectively, three of which were part of the top five donors both years.

**NOTE L - Interest Expense**

The School incurred interest of \$ 17,510 and \$ 20,038 for the years ended June 30, 2018 and 2017, respectively, all of which was charged to expense.

**NOTE M - Fundraising Expense**

Total fundraising expense was \$ 56,149 and \$ 12,985 for the years ended June 30, 2018 and 2017, 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 \$ 9,385 and \$ 8,982 for the years ended June 30, 2018 and 2017, 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 \$ 770 and zero for the years ended June 30, 2018 and 2017, respectively.

**NOTE P - Commitment**

At June 30, 2017, the School had an employment contract with the School superintendent which ended June 30, 2018.

**NOTE Q - Subsequent Events**

Management has evaluated subsequent events through September 24, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

**Algoma Christian School**  
**SCHEDULES OF PROGRAM SERVICES AND OTHER REVENUE**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	%	<u>2017</u>	%
<b>PROGRAM SERVICES REVENUE</b>				
Tuition and Fees	\$ 988,735	58.4	\$ 998,421	61.2
Sports	15,248	0.9	24,301	1.5
Food Service	40,530	2.4	46,147	2.8
Bus Fees	16,175	1.0	23,066	1.4
Miscellaneous	1,802	0.1	1,253	0.1
Yearbook	130	-	298	-
Drama	1,060	0.1	1,705	0.1
Day Care	<u>302,874</u>	<u>17.9</u>	<u>308,984</u>	<u>19.0</u>
<b>Total Program Services Revenue</b>	<u>\$ 1,366,554</u>	<u>80.7</u>	<u>\$ 1,404,175</u>	<u>86.1</u>
 <b>OTHER REVENUE</b>				
Interest	\$ 343	-	\$ 379	-
Gain on Sale of Assets	<u>3,100</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
<b>Total Other Revenue</b>	<u>\$ 3,443</u>	<u>0.2</u>	<u>\$ 379</u>	<u>-</u>

See independent accountants' review report.

**Algoma Christian School**  
**SCHEDULES OF PROGRAM SERVICES, GENERAL & ADMINISTRATIVE,**  
**AND FUNDRAISING EXPENSES**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	%	<u>2017</u>	%
<b>PROGRAM SERVICES EXPENSES</b>				
Salaries and Wages	\$ 879,853	52.0	\$ 800,806	49.1
Payroll Taxes & Workers Comp. Insurance	70,848	4.2	62,312	3.8
403(b) Retirement Plan	7,583	0.4	7,015	0.4
Employee Education, Training & Life Insurance	7,203	0.4	13,400	0.8
Classroom	71,064	4.2	63,184	3.9
Utilities	41,438	2.4	42,331	2.6
Building Maintenance & Insurance	61,030	3.6	43,417	2.7
Telephone and Internet	3,788	0.2	3,857	0.2
Contracted IT Services	21,131	1.2	4,084	0.3
Memberships, Dues & Subscriptions	23,529	1.4	18,142	1.1
Food Service	26,275	1.6	30,326	1.9
Depreciation	104,802	6.2	105,076	6.4
Bad Debts	2,486	0.1	5,901	0.4
Yearbook	18	-	142	-
Drama	1,471	0.1	1,050	0.1
Day Care	23,429	1.4	25,926	1.6
Vehicle Operating	13,813	0.8	13,871	0.9
Missions Trip	10,000	0.6	2,900	0.2
Sports	30,485	1.8	25,813	1.6
<b>Total Program Services Expenses</b>	<u>\$ 1,400,246</u>	<u>82.7</u>	<u>\$ 1,269,553</u>	<u>77.9</u>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>				
Salaries and Wages	\$ 209,382	12.4	\$ 223,324	13.7
Payroll Taxes & Workers Comp. Insurance	16,835	1.0	17,473	1.1
403(b) Retirement Plan	1,802	0.1	1,967	0.1
Office	20,343	1.2	20,912	1.3
Advertising	20,885	1.2	11,015	0.7
Development Consultants	13,000	0.8	11,250	0.7
Interest	17,510	1.0	20,038	1.2
Professional Fees	10,500	0.6	10,500	0.6
<b>Total General &amp; Administrative Expenses</b>	<u>\$ 310,257</u>	<u>18.3</u>	<u>\$ 316,479</u>	<u>19.4</u>
<b>FUNDRAISING EXPENSES</b>				
Development Consultants	\$ 7,800	0.5	\$ 7,800	0.5
Fundraising	48,349	2.9	5,185	0.3
<b>Total Fundraising Expenses</b>	<u>\$ 56,149</u>	<u>3.3</u>	<u>\$ 12,985</u>	<u>0.8</u>

See independent accountants' review report.