



ALGOMA CHRISTIAN SCHOOL
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



Kiekover, Scholma & Shumaker, PC
Certified Public Accountants and Consultants



Kiekover Scholma & Shumaker PC

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

December 16, 2022

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 statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 company 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 the 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. We are required to be independent of Algoma Christian School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, 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.

Kiekover, Scholma & Shumaker, PC
Zeeland, Michigan

**ALGOMA CHRISTIAN SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|----------------|
| Checking and savings accounts | \$ 1,297,370 |
| Cash held under agency agreements | 68,995 |
| Accounts receivable | 30,414 |
| Grants receivable | <u>160,550</u> |

Total Current Assets 1,557,329

PROPERTY AND EQUIPMENT

| | |
|--------------------------|---------------|
| Land | 17,000 |
| Land improvements | 152,513 |
| Building | 2,448,189 |
| Furniture and fixtures | 125,962 |
| Buses | 46,817 |
| Equipment | 310,139 |
| Construction in progress | <u>27,227</u> |

3,127,847
Less accumulated depreciation (2,319,607)

Property and Equipment 808,240

TOTAL ASSETS \$ 2,365,569

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|---------------|
| Accounts payable | \$ 142,893 |
| Accrued payroll | 126,933 |
| Agency funds | 68,995 |
| Deferred revenue | 242,155 |
| Current maturities of long-term liabilities | <u>14,439</u> |

Total Current Liabilities 595,415

LONG-TERM LIABILITIES

14,439
TOTAL LIABILITIES 609,854

NET ASSETS

| | |
|----------------------------|----------------|
| Without donor restrictions | 1,546,073 |
| With donor restrictions | <u>209,642</u> |

Total Net Assets 1,755,715

TOTAL LIABILITIES AND NET ASSETS \$ 2,365,569

**ALGOMA CHRISTIAN SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| REVENUES AND SUPPORT | | | |
| Tuition and fees | \$ 1,617,924 | \$ - | \$ 1,617,924 |
| Sports | 46,247 | - | 46,247 |
| Food service | 54,919 | - | 54,919 |
| Bus fees | 13,765 | - | 13,765 |
| Daycare | 773,354 | - | 773,354 |
| Grants | | | |
| EANS grant | 234,558 | - | 234,558 |
| Child Care Stabilization grant | 357,345 | - | 357,345 |
| Other grants | 31,210 | - | 31,210 |
| Cash contributions | 67,538 | 258,347 | 325,885 |
| Non-cash contributions | 17,680 | - | 17,680 |
| Special events | | | |
| Event revenue and cash contributions | 176,349 | - | 176,349 |
| Event non-cash contributions | 44,647 | - | 44,647 |
| Miscellaneous income | 5,578 | - | 5,578 |
| Gain (loss) on disposal of property and equipment | (4,724) | - | (4,724) |
| Net assets released from restrictions | 67,921 | (67,921) | - |
| Total Revenues and Support | 3,504,311 | 190,426 | 3,694,737 |
| EXPENSES | | | |
| Program services | 2,404,565 | - | 2,404,565 |
| Management and general | 254,749 | - | 254,749 |
| Fundraising | 95,161 | - | 95,161 |
| Total Expenses | 2,754,475 | - | 2,754,475 |
| CHANGE IN NET ASSETS | 749,836 | 190,426 | 940,262 |
| NET ASSETS - BEGINNING OF YEAR | 796,237 | 19,216 | 815,453 |
| NET ASSETS - END OF YEAR | \$ 1,546,073 | \$ 209,642 | \$ 1,755,715 |

ALGOMA CHRISTIAN SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services | | | | | Total Expenses |
|--------------------------------------|--|-------------------|---------------------|---------------------------|------------------|---------------------|
| | Instruction and Academic Support | Day Care | Program Totals | Management and General | Fundraising | |
| Salaries and wages | \$ 1,027,119 | \$ 502,975 | \$ 1,530,094 | \$ 208,342 | \$ - | \$ 1,738,436 |
| Payroll taxes | 50,662 | 24,809 | 75,471 | 10,276 | - | 85,747 |
| Retirement contributions | 12,354 | 6,050 | 18,404 | 2,506 | - | 20,910 |
| Advertising | - | 200 | 200 | 12,160 | - | 12,360 |
| Auction | - | - | - | - | 60,108 | 60,108 |
| CCRF refunds | - | 53,606 | 53,606 | - | - | 53,606 |
| Continuing education and development | 3,033 | 1,339 | 4,372 | - | - | 4,372 |
| Depreciation | 101,973 | 9,759 | 111,732 | 4,281 | - | 116,013 |
| Project Luke 9 | - | - | - | - | 31,198 | 31,198 |
| Food | - | 4,366 | 4,366 | - | - | 4,366 |
| Hot lunch | 47,680 | - | 47,680 | - | - | 47,680 |
| Insurance - building and liability | 22,938 | 2,195 | 25,133 | 963 | - | 26,096 |
| Insurance - workers' compensation | 6,659 | 3,261 | 9,920 | 1,351 | - | 11,271 |
| Insurance - other | 9,834 | - | 9,834 | - | - | 9,834 |
| Memberships and dues | 28,051 | - | 28,051 | - | - | 28,051 |
| Miscellaneous | 7,611 | 5,694 | 13,305 | 720 | 3,855 | 17,880 |
| Missions | 6,898 | - | 6,898 | - | - | 6,898 |
| Office equipment and supplies | 32,361 | 820 | 33,181 | - | - | 33,181 |
| Other instructional expenses | 9,505 | - | 9,505 | - | - | 9,505 |
| Professional fees | - | - | - | 8,160 | - | 8,160 |
| Repairs and maintenance | 99,921 | 9,563 | 109,484 | 4,196 | - | 113,680 |
| Retreats and field trips | 6,626 | - | 6,626 | - | - | 6,626 |
| Sports | 58,952 | - | 58,952 | - | - | 58,952 |
| Supplies | 24,773 | 9,000 | 33,773 | - | - | 33,773 |
| Technology | 79,974 | - | 79,974 | - | - | 79,974 |
| Textbooks | 65,919 | - | 65,919 | - | - | 65,919 |
| Utilities | 42,713 | 4,088 | 46,801 | 1,794 | - | 48,595 |
| Transportation | 21,284 | - | 21,284 | - | - | 21,284 |
| | <u>\$ 1,766,840</u> | <u>\$ 637,725</u> | <u>\$ 2,404,565</u> | <u>\$ 254,749</u> | <u>\$ 95,161</u> | <u>\$ 2,754,475</u> |

See Accompanying Notes and Accountant's Report

**ALGOMA CHRISTIAN SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

| | |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase (decrease) in net assets | \$ 940,262 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 116,013 |
| (Gain) loss on disposal of property and equipment | 4,724 |
| (Increase) decrease in operating assets | |
| Accounts receivable | (14,757) |
| Grants receivable | (84,629) |
| Employee Retention Credit receivable | 65,669 |
| Increase (decrease) in operating liabilities | |
| Accounts payable | 105,636 |
| Accrued payroll | 47,258 |
| Accrued interest | (25) |
| Agency funds | 6,946 |
| Deferred revenue | 20,136 |
| | <u>1,207,233</u> |
| Net Cash Provided (Used) By Operating Activities | <u>1,207,233</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of property and equipment | (320,631) |
| Proceeds from disposal of property and equipment | 2,200 |
| | <u>(318,431)</u> |
| Net Cash Provided (Used) By Investing Activities | <u>(318,431)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal payments on long-term debt | (12,649) |
| | <u>(12,649)</u> |
| Net Cash Provided (Used) By Financing Activities | <u>(12,649)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 876,153 |
| Cash and Cash Equivalents - Beginning of Year | <u>490,212</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,366,365</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION DISCLOSURES | |
| Cash paid for interest | \$ 300 |
| Non-cash transactions: | |
| Property and equipment financed by capital lease | \$ 28,878 |
| Statement of Financial Position presentation: | |
| Checking and savings accounts | \$ 1,297,370 |
| Cash held under agency agreements | 68,995 |
| Total cash and cash equivalents - end of year | <u>\$ 1,366,365</u> |

See Accompanying Notes and Accountant's Report

**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 also has a daycare program with the goal of providing the highest quality childcare services for young children by promoting the growth of each child, especially in developing emotional, social, intellectual, and physical skills. The School is supported primarily through program service revenues and public contributions.

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 for 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, 2022. 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 material to the financial statements. Accounts receivable amounted to \$190,964 and \$91,578 as of June 30, 2022 and July 1, 2021, respectively.

Contributions and Promises to Give – Contributions are recognized when a donor makes a promise to give the 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 restrictions are reclassified to net assets without donor restrictions. At June 30, 2022, 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 – The 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 day care revenue, 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.

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.

**ALGOMA CHRISTIAN SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and it is included in their wages. The dependent tuition reduction amount is included in gross tuition and fees as well as salaries and wages in the statement of activities.

Donated Goods and Services – Donated services are recognized as contributions if the services a) create or enhance a nonfinancial asset or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets and materials are recognized at fair market value when received. The value of in-kind donations meeting the requirements for recognition in the financial statements was \$62,327 for the year ended June 30, 2022.

In addition, many individuals volunteer their time to perform a variety of tasks that assist the School in fund raising and special projects. These services do not meet the criteria for recognition as contributed services and, accordingly, no related amounts are reflected in the financial statements.

Advertising Costs – The School incurred and expensed \$12,360 of advertising costs for the year ended June 30, 2022.

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 – The 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.

New Accounting Pronouncements – In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization’s financial statements.

Date of Management’s Review – In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 16, 2022, 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. Outstanding borrowings were \$0 as of June 30, 2022.

**ALGOMA CHRISTIAN SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE C: AGENCY FUNDS

Agency funds consist of the following:

| | | | |
|----------------------|--|----|----------------------|
| TRIP family accounts | | \$ | 5,970 |
| Class funds | | | <u>63,025</u> |
| | | \$ | <u><u>68,995</u></u> |

NOTE D: LONG-TERM DEBT

The School has a construction loan with Choice One Bank. The loan has an outstanding balance of \$0 as of June 30, 2022. The note is secured by the School’s land and building, includes interest at 4.35% per annum, and matures in July 2029.

NOTE E: LEASE OBLIGATIONS

Capital Leases - During the year ended June 30, 2022, the School has entered into a lease arrangement for financing the acquisition of a school bus valued at \$43,317. This arrangement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The vehicle has a five-year estimated useful life. During the year ended June 30, 2022, amortization of the leased equipment of \$7,220 was included in depreciation expense. The leased school bus is included in property and equipment as follows:

| | | | |
|-------------------------------|--|----|----------------------|
| Buses | | \$ | 43,317 |
| Less accumulated depreciation | | | <u>(7,220)</u> |
| Total | | \$ | <u><u>36,097</u></u> |

At June 30, 2022, the future minimum lease payments under the operating and capital leases are as follows:

| | | | |
|------------------------------|--|----|----------------------|
| | | | |
| Year ended | | | |
| <u>June 30,</u> | | | |
| 2023 | | \$ | 14,439 |
| 2024 | | | <u>14,439</u> |
| Total minimum lease payments | | \$ | <u><u>28,878</u></u> |

NOTE F: NET ASSETS WITH DONOR RESTRICTIONS

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

| | | | |
|--------------------|--|----|-----------------------|
| Buildings | | \$ | 200,000 |
| Tuition assistance | | | <u>9,642</u> |
| | | \$ | <u><u>209,642</u></u> |

**ALGOMA CHRISTIAN SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE G : 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, 2022 are:

| | |
|--|--------------|
| Financial assets: | |
| Checking and savings accounts | \$ 1,295,685 |
| Accounts receivable | 30,414 |
| Grants receivable | 160,550 |
| Total financial assets | 1,486,649 |
| Less financial assets held to meet donor-imposed restrictions: | |
| Donor-restricted funds | (209,642) |
| Amount available for general expenditures within one year | \$ 1,277,007 |

NOTE H : CONCENTRATION OF CREDIT RISK

Concentration of Credit Risk - The 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, 2022 the School had bank balances exceeding FDIC insurance limits of \$1,128,106.

Concentration of Contribution Revenue - For the year ended June 30, 2022, approximately 36% of total contributions were received from one donor.

NOTE I: 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, 2022. The School’s matching contributions were \$20,910 for the year ended June 30, 2022.

NOTE J: GRANT REVENUE

Emergency Assistance for Nonpublic Schools (EANS)

The School has been awarded \$348,256 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.

**ALGOMA CHRISTIAN SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE J: GRANT REVENUE (Continued)

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, 2022 the school has been reimbursed \$149,929 for expenses qualified under the EANS Grant. As of June 30, 2022, the School has incurred additional reimbursable expenses under the EANS program, and accordingly, the School has recognized revenue and expenses under this award totaling \$234,558 for the year ended June 30, 2022.

Child Care Stabilization Grant

The School has been awarded \$357,345 under the Child Care Stabilization Grant program to address difficulties that child care providers face as a result of COVID-19. The program provides for reimbursement of certain allowable expenditures incurred from January 2020 through July 2023.

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 reported the full amount of the award in revenues and support for the year ended June 30, 2022.

NOTE K: NON-CASH CONTRIBUTIONS

The organization’s non-cash contributions consisted of the following:

| Description | Usage | Amount |
|-------------------------|---------------------------------------|-----------|
| Special event inventory | Instruction and academic support | \$ 44,847 |
| Band equipment | Instruction and academic support | 980 |
| Phone system | Capitalized as property and equipment | 15,000 |
| HVAC installation | Capitalized as property and equipment | 1,500 |
| | | \$ 62,327 |

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 consistent with the current guidance. The new lease guidance will be effective for the School’s year ending June 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.