

CONCORD CHRISTIAN ACADEMY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2013

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CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 11
SUPPLEMENTAL SCHEDULES	12 - 13

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Concord Christian Academy
Concord, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of Concord Christian Academy (a New Hampshire not-for-profit Corporation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concord Christian Academy as of June 30, 2013, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of expenses on pages 12 and 13 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The prior year summarized comparative information has been derived from the Concord Christian Academy's 2012 financial statements that were audited by a predecessor firm which has ceased operations. In their report, dated August 24, 2012, they expressed an unqualified opinion.

Marilyn L. Chandler, CPA, PLLC

Contoocook, New Hampshire
August 14, 2013

CONCORD CHRISTIAN ACADEMY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash - operating	\$ 26,992	\$ 23,900
Cash - savings	92,302	66,437
Accounts receivable	8,620	4,170
Prepaid expenses	3,203	639
Total current assets	<u>131,117</u>	<u>95,146</u>
PROPERTY AND EQUIPMENT		
Land and land improvements	418,963	413,963
Building	3,774,606	3,774,606
Equipment	34,240	24,395
Equipment - computers	184,008	175,736
Equipment - buses	62,000	62,000
	<u>4,473,817</u>	<u>4,450,700</u>
Less accumulated depreciation	<u>(816,869)</u>	<u>(681,825)</u>
Property and equipment - net	3,656,948	3,768,875
OTHER ASSETS		
Campaign pledges receivable	475,248	237,955
Less time value discount	(54,157)	(4,451)
Less reserve for uncollectible	(13,262)	(7,139)
Total other assets	<u>407,829</u>	<u>226,365</u>
TOTAL ASSETS	<u>\$ 4,195,894</u>	<u>\$ 4,090,386</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 26,695	\$ 31,930
Accrued interest payable	25,872	23,391
Other accrued expenses	45,035	57,170
Rental deposits	1,800	1,800
Current portion - notes payable	60,177	78,305
Current portion - mortgage payable	123,495	119,535
Deferred revenue	45,149	90,107
Total current liabilities	<u>328,223</u>	<u>402,238</u>
LONG TERM LIABILITIES		
Notes payable - net of current portion above	981,495	1,007,510
Mortgage payable - net of current portion above	2,288,652	2,410,451
Total long-term liabilities	<u>3,270,147</u>	<u>3,417,961</u>
TOTAL LIABILITIES	3,598,370	3,820,199
NET ASSETS		
Unrestricted	91,748	(3,038)
Temporarily restricted	505,776	273,225
TOTAL NET ASSETS	<u>597,524</u>	<u>270,187</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,195,894</u>	<u>\$ 4,090,386</u>

The accompanying notes are an integral part of the financial statements.

CONCORD CHRISTIAN ACADEMY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDING JUNE 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
REVENUE AND SUPPORT				
Gross tuition and curriculum fees	\$ 1,805,468	\$	\$ 1,805,468	\$ 1,650,932
Legacy	61,502		61,502	61,324
Less: Affordability initiatives	<u>(657,737)</u>		<u>(657,737)</u>	<u>(498,309)</u>
	1,209,233		1,209,233	1,213,947
Contributions	161,854	11,794	173,648	46,084
Fundraising	126,227		126,227	92,829
Capital Campaign		229,736	229,736	271,725
Alliance support	38,000		38,000	59,339
Investment income	184		184	83
Miscellaneous	27,342		27,342	24,115
In-kind and non-cash donations	7,819		7,819	6,273
Net assets released from restrictions	<u>8,979</u>	<u>(8,979)</u>		
TOTAL REVENUE AND SUPPORT	1,579,638	232,551	1,812,189	1,714,395
EXPENSES				
Program				
Personnel	617,704		617,704	637,825
Education	130,294		130,294	125,008
Athletics	49,082		49,082	47,905
Information technology	16,213		16,213	23,671
Occupancy	87,853		87,853	85,156
Office and related	26,652		26,652	23,657
Transportation	13,635		13,635	11,063
Depreciation	117,826		117,826	129,705
Other expenses	<u>22,005</u>		<u>22,005</u>	<u>27,748</u>
Total program expenses	1,081,264		1,081,264	1,111,738
Fundraising expenses				
Events	<u>15,362</u>		<u>15,362</u>	<u>27,643</u>
Total fundraising expenses	15,362		15,362	27,643
Supporting services				
Payroll and related	215,978		215,978	202,168
General and administrative	15,613		15,613	13,583
Interest	139,417		139,417	160,540
Depreciation	<u>17,218</u>		<u>17,218</u>	<u>18,955</u>
Total support services	388,226		388,226	395,246
TOTAL EXPENSES	1,484,852		1,484,852	1,534,627
CHANGE IN NET ASSETS	94,786	232,551	327,337	179,768
NET ASSETS-BEGINNING OF YEAR	<u>(3,038)</u>	<u>273,225</u>	<u>270,187</u>	<u>90,419</u>
NET ASSETS-END OF YEAR	<u>\$ 91,748</u>	<u>\$ 505,776</u>	<u>\$ 597,524</u>	<u>\$ 270,187</u>

The accompanying notes are an integral part of the financial statements.

CONCORD CHRISTIAN ACADEMY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 327,337	\$ 179,768
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	135,044	148,660
(Increase) decrease in assets		
Accounts receivable	(4,450)	17,750
Prepaid expenses	(2,564)	(639)
Pledges receivables	(181,464)	(226,365)
Increase (decrease) in liabilities		
Accounts payable	(5,235)	111
Accrued expenses	(12,135)	17,914
Accrued interest	2,481	(8,852)
Deferred revenue	<u>(44,958)</u>	<u>32,939</u>
Net cash provided by operating activities	214,056	161,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	<u>(23,117)</u>	<u>(75,702)</u>
Net cash (used) by investing activities	(23,117)	(75,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest added to principal	24,522	36,388
Long-term debt added to contribution		(5,000)
Repayment of long-term debt	<u>(186,504)</u>	<u>(150,966)</u>
Net cash (used) by financing activities	<u>(161,982)</u>	<u>(119,578)</u>
NET INCREASE (DECREASE) IN CASH	28,957	(33,994)
CASH - BEGINNING OF YEAR	<u>90,337</u>	<u>124,331</u>
CASH - END OF YEAR	<u>\$ 119,294</u>	<u>\$ 90,337</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 111,320</u>	<u>\$ 178,244</u>

The accompanying notes are an integral part of the financial statements.

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - ORGANIZATION

Concord Christian Academy (the Academy) was incorporated in the State of New Hampshire on June 2, 2006, as a voluntary not-for-profit corporation pursuant to New Hampshire Revised Statutes Annotated Chapter 292. The Academy's mission is stated as follows:

Concord Christian Academy
An Educational Community
Building Integrity & Modeling Service

Christian day school operations for pre-kindergarten through 12th grade are conducted in accordance with the Academy's Statement of Faith and the Statements of Mission, Vision, Values, and Community Life, all as set forth in the Academy's Bylaws. The school provides a safe and focused environment, nurturing the child and developing the student. The Core Curriculum provides Bible, Language Arts, Math, Social Studies and Science while the Specials offer Music, Spanish, Art, Computers and Physical Education. The Academy takes pride in offering Dual Credit courses in conjunction with NH Technical Institute and Southern NH University which provide both high school and transferable college credits.

Speakers and other leaders work alongside faculty and staff encouraging spiritual formation and strength in scholarship. Academic excellence and service to others are the goals.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Academy are prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Presentation of Statements

The Academy presents its financial statements according to generally accepted accounting principles for not-for-profit organizations and classifies its revenues and net assets in accordance with donor imposed restrictions. The Academy's net assets are presented as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Academy and/or the passage of time. When a restriction expires, net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net asset subject to donor-imposed stipulation that they be maintained permanently by the Academy. For the year ended June 30, 2013, there were no permanently restricted net assets.

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Academy considers cash and cash equivalents to include only cash on hand and cash in checking accounts, savings accounts and money market accounts if readily available for current operations.

Property and Equipment

Property and equipment is recorded at cost. Assets purchased with a useful life in excess of one year and a cost greater than \$1,000 are capitalized. Donations of property and equipment are recorded as support at estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Provision is made by the straight-line method for depreciation by annual charges to operations calculated to absorb the costs over the estimated useful lives of the assets as follows:

Buildings	40 years
Land improvements	15 years
Furniture and equipment	5 years

Deferred Revenue

At June 30, 2013 and 2012, the Academy held \$45,149 and \$90,107 respectively in deferred revenue, comprising tuition and fees paid in advance of the next school year which begins July 1, 2013.

Revenue Recognition

The Academy is supported primarily through tuition payments and donor contributions. Promises to give that are expected to be collected in future years are measured at fair value using the present value of their estimated future cash flows. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and accepted as such by the Academy with written documentation of the restrictions. Amounts received that are restricted for future periods or for specific purposes are reported as temporarily restricted and permanently restricted support, depending on the nature of the restriction. When a restriction expires (a time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Tuition and Fees Receivable

Tuition and various fees are recorded at gross with financial aid and other discounts stated separately. Tuition and fees receivable represent amounts due by the end of the academic year (June 30) and are stated at the amount management expects to collect from outstanding balances. The Academy does not charge interest on outstanding balances. The Academy has had very little experience in bad debt since all prior year balances must be paid in full before enrollment in the next school year. There is no allowance for uncollectible tuition. Minor balances due are directly written off to tuition revenue.

Income Taxes

The Academy is a not-for-profit corporation and has been recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and as a public charity pursuant to Section 170(b)(1)(A)(II) of that Code. An Internal Revenue Service determination letter was issued confirming such status effective June 2, 2006. The Academy is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes.

The Academy complies with *Accounting for Uncertainty in Income Taxes* standard, as required by generally accepted accounting principles. Accordingly, management has evaluated its tax positions and has concluded that the School has maintained its tax exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment or disclosure in its financial statements. The Academy does not expect that the amounts of unrecognized tax transactions will change significantly within the next twelve months. With few exceptions, the School is no longer subject to income tax examinations by the U.S. Federal or state tax authorities for years before 2009.

Advertising

The Academy expenses advertising costs as incurred. Advertising costs totaled \$5,466 and \$11,622 for the years ended June 30, 2013 and 2012, respectively.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2012, from which the summarized information has been derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets comprise the following at June 30, 2013:

	Balance <u>6/30/2012</u>	<u>Additions</u>	Funds <u>released</u>	Balance <u>6/30/2013</u>
Capital campaign pledges	\$ 226,365	\$ 181,464		\$ 407,829
Capital campaign received	45,360	56,373	(14,804)	86,929
Soccer field funds	1,500	3,779		5,279
Appeal pledges		4,000		4,000
Grandparents' Day funds		4,015	(2,276)	1,739
	<u>\$ 273,225</u>	<u>\$ 249,631</u>	<u>\$ (17,080)</u>	<u>\$ 505,776</u>

NOTE D – CONCENTRATION OF CREDIT RISK

The Academy maintains its cash balances with a local financial institution. The balances are insured by the Federal Deposit Insurance Corporation and at June 30, 2013, the School's balances were fully insured.

NOTE E – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Academy's various programs and supporting has been summarized on a functional basis. Most costs are directly expensed to the appropriate function. Certain personnel costs have been allocated between program and administrative based on an estimate of time.

NOTE F – CAPITAL CAMPAIGN

The Academy has initiated a capital campaign with the goal of raising sufficient funds to add a gymnasium and additional classrooms. Promises to give and contributions collected are recorded as temporarily restricted revenue and net assets. The Academy plans to begin construction once sufficient cash and pledges are in hand to assure completion of the project. As of June 2013, the project was estimated to cost \$1,000,000.

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE G – NOTES PAYABLE

The Academy had the following notes payable as of June 30, 2013:

	<u>2013</u>	<u>2012</u>
A mortgage note payable to Merrimack County Savings Bank at an interest rate of 3.56%. Payments are \$17,302 per month, including principal and interest. The loan is collateralized by real estate at 37 Regional Drive, Concord, NH and will mature in 2028.	\$ 2,412,147	\$ 2,529,987
A note payable to Bank of New Hampshire at a rate of 6.75%. Payments of \$1,647 per month include interest and principal. The loan is secured by general business assets and will mature in 2015.	228,834	233,758
A note payable to Merrimack County Savings Bank at an interest rate of 7%. Payments of \$1,228 per month include interest and principal. The loan is secured by vehicles and will mature in 2015.	31,632	43,706
Private notes at varying interest rates (2% to 5%) payable within one year.	42,053	23,391
Private notes at varying interest rates (0% to 5.99%) payable within two to five years.	739,152	784,959
Total notes payable	<u>\$ 3,453,818</u>	<u>\$ 3,615,801</u>
Less short term liabilities:		
Bank notes due within one year	141,618	136,449
Private notes due within one year	42,053	61,391
Long-term debt	<u>\$ 3,270,147</u>	<u>\$ 3,417,961</u>

Scheduled future maturities of long-term debt are as follows:

Fiscal year ending June 30:	
2014	\$ 183,671
2015	885,343
2016	144,574
2017	143,751
2018	149,166
Thereafter	1,947,313
	<u>\$ 3,453,818</u>

CONCORD CHRISTIAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE H – AFFORDABILITY INITIATIVES

To help sustain affordability for families, Concord Christian Academy offered tuition reductions under a variety of programs during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Members of the Alliance	\$ 128,200	\$ 124,000
Legacy tuition	66,050	82,782
Needs-based financial aid and others	459,737	291,527
Referral discount	3,750	
	<u>\$ 657,737</u>	<u>\$ 498,309</u>

NOTE I – VOLUNTEERS

Parents and other family members volunteer their time and efforts to the Academy to further the academic goals and the values expressed in the school's mission. Because these services are not specialized services, they are not reflected in the financial statements as support and expenditures. The value of this time and effort, while significant and necessary to the Academy's success, cannot be determined and is not included.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated the effect subsequent events would have on the financial statements through August 14, 2013, which is the date the financial statements were available to be issued and has noted no transactions that require disclosure.

CONCORD CHRISTIAN ACADEMY

SUPPLEMENTAL SCHEDULES

FOR THE YEARS ENDING JUNE 30, 2013 AND 2012

PROGRAM EXPENSES		<u>2013</u>	<u>2012</u>
Personnel			
Payroll		\$ 532,476	\$ 557,223
Payroll taxes		39,058	43,449
Payroll benefits		34,179	29,809
Workers' compensation		3,715	1,944
Substitute teachers		<u>8,276</u>	<u>5,400</u>
Total Personnel expenses		617,704	637,825
Education			
Art		596	2,276
Music		2,646	3,451
Science		663	2,789
Electives		510	
Curriculum expenses		119,901	113,618
Teaching supplies		<u>5,978</u>	<u>2,874</u>
Total Education expenses		130,294	125,008
Athletics			
League and tournaments		3,390	5,710
Officials		7,430	6,070
Equipment		1,526	1,994
Uniforms		5,362	6,146
Awards and gifts		845	1,035
Field rental		<u>30,529</u>	<u>26,950</u>
Total Athletics expenses		49,082	47,905
Information technology		16,213	23,671
Occupancy		87,853	85,156
Office and related		26,652	23,657
Transportation		13,635	11,063
Depreciation		117,826	129,705
Other expenses			
Graduation awards and gofts		1,255	1,354
Nursing supplies		448	364
Training supplies		653	828
Advertising		5,466	11,622
Insurance		<u>14,183</u>	<u>13,580</u>
Total Other expenses		22,005	27,748
Total Program expenses		<u><u>\$ 1,081,264</u></u>	<u><u>\$ 1,111,738</u></u>

The accompanying notes are an integral part of the financial statements.

CONCORD CHRISTIAN ACADEMY

SUPPLEMENTAL SCHEDULES

FOR THE YEARS ENDING JUNE 30, 2013 AND 2012

ADMINISTRATIVE EXPENSES		
	<u>2013</u>	<u>2012</u>
Personnel		
Payroll	\$ 180,476	\$ 167,904
Payroll taxes	13,743	13,290
Payroll benefits	20,724	20,105
Workers' compensation	<u>1,035</u>	<u>869</u>
Total Personnel expenses	215,978	202,168
General		
Bank charges	1,676	543
Professional services - management	6,737	6,118
Professional services - legal and accounting	7,200	6,922
Depreciation	17,218	18,955
Interest	<u>139,417</u>	<u>160,540</u>
Total General expenses	<u>172,248</u>	<u>193,078</u>
Total Administrative expenses	<u>\$ 388,226</u>	<u>\$ 395,246</u>

The accompanying notes are an integral part of the financial statements.