

***BEREAN CHRISTIAN HIGH SCHOOL***

Consolidated Financial Statements

Year ended June 30, 2021

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# *LINDA SAMANIEGO CPA*

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## **Independent Accountant's Review Report**

Board of Directors  
BEREAN CHRISTIAN HIGH SCHOOL  
Walnut Creek, California

I have reviewed the accompanying financial statements of BEREAN CHRISTIAN HIGH SCHOOL (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, 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 Organization 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, I do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

My responsibility is to conduct the review engagement 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Linda Samaniego CPA*

San Lorenzo, CA

September 22, 2021

BEREAN CHRISTIAN HIGH SCHOOL  
Consolidated Statement of Financial Position  
June 30, 2021

Assets

Cash and cash equivalents (Note 4)	\$	3,498,387
Accounts receivables (net)		6,423
Employee retention credit receivable		422,597
Prepaid expenses and other assets		145,645
Property and equipment (net) (Note 5)		<u>1,472,684</u>
Total assets	\$	<u><u>5,545,736</u></u>

Liabilities and net assets

Liabilities

Accounts payable and accrued expenses	\$	136,570
Advance tuition and registration		451,214
Note payable, net of \$88,817 loan costs (Note 6)		<u>2,186,083</u>
Total liabilities		<u><u>2,773,867</u></u>

Net assets (Note 8)

Without donor restrictions		2,395,307
With donor restrictions		<u>376,562</u>
Total net assets		<u><u>2,771,869</u></u>

Total liabilities and net assets	\$	<u><u>5,545,736</u></u>
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BEREAN CHRISTIAN HIGH SCHOOL  
Consolidated Statement of Activities and Changes in Net Assets  
For the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Tuition and registration	\$ 4,646,732	\$ -	\$ 4,646,732
Sports, activities and other fees	110,298	163,820	274,118
Contributions	320,679	-	320,679
Employee retention credit	697,351	-	697,351
Other income	25,627	-	25,627
Investment earnings	12,336	-	12,336
Total revenue and other support	<u>5,813,023</u>	<u>163,820</u>	<u>5,976,843</u>
Net assets released from restrictions	<u>209,483</u>	<u>(209,483)</u>	<u>-</u>
Total revenue, support and reclassifications	<u>6,022,506</u>	<u>(45,663)</u>	<u>5,976,843</u>
Expenses:			
Program expenses	4,440,218	-	4,440,218
General and administrative	481,188	-	481,188
Fundraising	458	-	458
Total expenses	<u>4,921,864</u>	<u>-</u>	<u>4,921,864</u>
Change in net assets	1,100,642	(45,663)	1,054,979
NET ASSETS, beginning of year	<u>1,294,665</u>	<u>422,225</u>	<u>1,716,890</u>
NET ASSETS, end of year	<u>\$ 2,395,307</u>	<u>\$ 376,562</u>	<u>\$ 2,771,869</u>

See independent accountant's review report and accompanying notes.

BEREAN CHRISTIAN HIGH SCHOOL  
Consolidated Statement of Functional Expenses  
For the year ended June 30, 2021

	Instructional Program	Sports & Extracurricular Activities	Total Program	Management & General	Fundraising	Total
Salaries & wages	\$ 2,381,749	\$ 248,587	\$ 2,630,336	\$ 246,861	\$ -	\$ 2,877,197
Employee benefits	416,817	24,873	441,690	35,081	-	476,771
Payroll taxes and other personnel	179,578	20,474	200,052	18,290	-	218,342
Accreditation & annual dues	7,871	7,594	15,465	1,130	-	16,595
Athletics activities	-	71,870	71,870	-	-	71,870
Bad debts	29,506	-	29,506	-	-	29,506
Curriculum & instructional	173,180	-	173,180	-	-	173,180
Depreciation & amortization	180,985	90,493	271,478	30,164	-	301,642
Facilities offsite rental	806	14,913	15,719	3,226	-	18,945
Facility Maintenance	27,277	13,639	40,916	4,546	-	45,462
Insurance	45,955	23,196	69,151	11,018	-	80,169
Interest expense	56,481	28,241	84,722	9,414	-	94,136
Marketing	-	-	-	48,214	-	48,214
Miscellaneous	-	3,272	3,272	9,233	-	12,505
Professional fees & services	19,734	13,673	33,407	39,468	-	72,875
Scholarships	20,286	-	20,286	-	-	20,286
Small equipment & supplies	171,356	11,280	182,636	13,199	-	195,835
Staff development	9,984	1,699	11,683	1,096	-	12,779
Student Clubs	-	5,388	5,388	-	-	5,388
Student fundraisers	-	-	-	-	458	458
Student socials & service projects	-	12,803	12,803	-	-	12,803
Student transportation	30,981	3,442	34,423	-	-	34,423
Utilities, internet & telephone	61,490	30,745	92,235	10,248	-	102,483
	<u>\$ 3,814,036</u>	<u>\$ 626,182</u>	<u>\$ 4,440,218</u>	<u>\$ 481,188</u>	<u>\$ 458</u>	<u>\$ 4,921,864</u>

See independent accountant's review report and accompanying notes.

BEREAN CHRISTIAN HIGH SCHOOL  
Consolidated Statement of Cash Flows  
For the year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 1,054,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	286,604
Amortization of loan costs	14,541
(Increase) decrease in operating assets:	
Certificates of deposit	503,421
Receivables	21,271
Employee retention credit receivable	(188,312)
Prepaid expenses	(32,773)
Increase (decrease) in operating liabilities:	
Unearned tuition and registration	69,226
Other accrued expenses	18,455
Net cash provided by operating activities	<u>1,747,412</u>
Cash flows from investing activities:	
Payments for property and equipment	<u>(94,350)</u>
Net cash used by investing activities	<u>(94,350)</u>
Cash flows from financing activities:	
Payment of long-term debt	(2,379,839)
Proceeds from long-term debt	2,290,000
Payment of loan costs	(88,917)
Net cash used by financing activities	<u>(178,756)</u>
Increase in cash and cash equivalents	1,474,306
Beginning cash and cash equivalents	<u>2,024,081</u>
Ending cash and cash equivalents	\$ <u><u>3,498,387</u></u>
Supplemental cash flow disclosure:	
Interest paid	\$ <u><u>94,135</u></u>

See independent accountant's review report and accompanying notes.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 1 – Organization

BEREAN CHRISTIAN HIGH SCHOOL (The School) is a private Christian high school located in Walnut Creek, California. The School is dedicated to providing a quality, Bible-centered education to develop lifetime followers of Christ and is supported primarily through tuition paid by students' families. The School is accredited by the Western Association of Schools and Colleges and the Association of Christian Schools International.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Berean Christian High School and Berean Christian High School Foundation because the School has both control and an economic interest in the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "Berean Christian High School."

Basis of Presentation

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and the board of directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The School has no net assets with donor restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with initial maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts receivable

Accounts receivable consists primarily of tuition and fees due from prior years. The School has established an allowance for doubtful accounts based on prior experience. The allowance for doubtful accounts was \$36,000 as of June 30, 2021.

Property and equipment

Property and equipment are recorded at cost if purchased or fair market value on the date of donation if donated. Beginning July 1, 2015, the School capitalized long-term assets with costs and fair market values in excess of \$5,000. Prior to that, long-term assets with costs and fair market values in excess of \$10,000 were capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Lives in Years</u>
Building and land improvements	10 – 40
Furniture and equipment	3 – 10

Long lived assets

The School reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

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. Payment for tuition is required monthly during the course of the academic year. Monthly tuition payment plans offered are divided evenly as a convenience to families, but actual tuition obligations, and thus revenue earned, are based on students' total days of school enrollment for the school year. All amounts received prior to the commencement of the academic year, including registration fees, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition rates at the time revenue is recognized.

Gross tuition and fees reflect the School's normal tuition rates for all students. Dependents of some school employees pay reduced tuition rates. The dependent tuition reduction amount is included in tuition and registration and in instruction program expenses in the statement of activities and changes in net assets.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Donated services are recorded as contributions at the estimated fair value only if they enhance nonfinancial assets or in those instances where they are provided by qualified professionals and the School would have purchased such services from professionals if they had not been donated. The School did not receive any such services in 2021.

Fair Value Measurements

US GAAP provides guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets.

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets.

Level 3 inputs – estimates using the best information available when there is little or no market.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Fair value of financial instruments

Financial instruments included in the School's statement of financial position as of June 30, 2021, include cash and cash equivalents, receivables, accounts payable and other liabilities. For these assets and liabilities, the carrying amounts represent a reasonable estimate of the corresponding fair values.

Income taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and the State of California. Therefore, no provision for income taxes has been made in these financial statements.

Expense recognition and allocation

The costs of providing the programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on estimated time spent on a program and/or supporting service.
- Occupancy, depreciation, amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, supplies, and other expenses are allocated based on management's estimate of costs for each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred and relate to student fundraising activities.

The School uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2021, was \$19,514.

Subsequent events

Subsequent events have been evaluated through September 22, 2021, which is the date on which this report was available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 3 – Availability and Liquidity

The following represents the School's financial assets as of June 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,498,387
Accounts receivable	6,423
Employee retention credit receivable	<u>422,597</u>
Total financial assets	3,927,407
Less amounts not available to be used within one year	-
	<u><u>\$ 3,927,407</u></u>

All net assets with donor restrictions and board designated net assets are available to be used within one year.

The School defines its operating reserve as current assets minus current liabilities minus net assets with donor restrictions minus board-designated net assets. On June 30, 2021, its operating reserve was \$1,809,095. The School's reserve policy as defined by its board of directors is to have a minimum of \$1,000,000 in operating reserve, as defined above, at all times.

Reserve funds that exceed the minimum target are considered available for unanticipated liquidity needs and/or toward funding of board-approved capital projects outside of the annual operating budget.

Note 4 – Cash and cash equivalents

The School maintains cash balances at several financial institutions that periodically are in excess of Federal Deposit Insurance Corporation and/or Securities Investor Protection Corporation insurance limits.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 5 – Property and equipment

As of June 30, 2021, property and equipment consisted of the following:

Land	\$	713,055
Building and improvements		4,906,591
Furniture, equipment and vehicles		1,750,418
		7,370,064
Less Accumulated Depreciation		(5,897,380)
	\$	1,472,684

Depreciation expense totaled \$286,604 for the year ended June 30, 2021.

Note 6 – Note payable

As of June 30, 2021, the School had outstanding debt of:

Note payable to lender, Bank of Marin, is collateralized by real property. The loan was issued by the California Enterprise Development Authority. The interest rate is 2.77%. The loan is payable in monthly installments of \$15,606 and is due June 2036.

Note payable to lender, Bank of Marin, is collateralized by real property. The loan was issued by the California Enterprise Development Authority. The interest rate is 2.77%. The loan is payable in monthly installments of \$15,606 and is due June 2036.	\$	2,274,900
Less unamortized loan costs		(88,817)
	\$	2,186,083

Loan maturities for each of the five years following June 30, 2021, are as follows:

2022	\$	109,454
2023		128,098
2024		131,591
2025		135,486
2026		139,340
Thereafter		1,630,931
	\$	2,274,900

In accordance with the loan agreement, the School shall maintain with the lender unencumbered liquid assets of not less than \$1,000,000 as of each June 30 and December, beginning December 31, 2021.

BEREAN CHRISTIAN HIGH SCHOOL  
Notes to Financial Statements

Note 7 – Pension Plan

The school provides a salary deferral plan for eligible employees under Internal Revenue Code 403(b). The school contributed \$65,684 for the year ended June 30, 2021.

Note 8 – Designations and restrictions of net assets

As of June 30, 2021, net assets without donor restrictions reserved by the board of directors for specific purposes consisted of the following:

50th anniversary event	\$	95,943
Special projects		835,594
Other		<u>117,796</u>
	\$	<u><u>1,049,333</u></u>

As of June 30, 2021, net assets with donor restrictions are available for the following purposes:

Athletic funds	\$	172,500
Fine Arts		29,565
Instructional funds		120,334
Other		<u>54,163</u>
	\$	<u><u>376,562</u></u>