



November 16, 2021

Please find attached the preliminary draft of the financial statements for the years ended June 30, 2021 and 2020. We do not express an opinion at this time on the statements mentioned above because they are preliminary drafts and we have not as yet completed all of the auditing procedures which we consider necessary. These preliminary drafts are for review and discussion purposes only and are, therefore, subject to change. We ask that you delete all electronic records and destroy any printed copies when you have finished with them.

Sincerely,

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is positioned above the printed name of the firm.

MAULDIN & JENKINS, LLC

MONTGOMERY CHRISTIAN SCHOOL

FINANCIAL REPORT

JUNE 30, 2021

MONTGOMERY CHRISTIAN SCHOOL

**FINANCIAL REPORT
JUNE 30, 2021**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statements of financial position | 2 |
| Statements of activities | 3-4 |
| Statements of functional expenses | 5-6 |
| Statements of cash flows | 7 |
| Notes to financial statements | 8-12 |



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Montgomery Christian School
Montgomery, Alabama**

We have audited the accompanying financial statements of **Montgomery Christian School** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 in 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 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 Montgomery Christian School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Birmingham, Alabama
November XX, 2021

MONTGOMERY CHRISTIAN SCHOOL**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2021 AND 2020**

| <u>Assets</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash | \$ 760,450 | \$ 693,129 |
| Accounts receivable | 15,775 | 6,464 |
| Other assets | 12,525 | 10,673 |
| Total current assets | <u>788,750</u> | <u>710,266</u> |
| Property and equipment | 604,860 | 583,417 |
| Less: accumulated depreciation | <u>(105,995)</u> | <u>(82,267)</u> |
| Total property and equipment | 498,865 | 501,150 |
| | | |
| Total assets | <u>\$ 1,287,615</u> | <u>\$ 1,211,416</u> |
| | | |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 50 | \$ 3,693 |
| Current portion of note payable | 19,183 | 17,200 |
| PPP loan | - | 87,500 |
| Total current liabilities | <u>19,233</u> | <u>108,393</u> |
| Long-term liabilities: | | |
| Note payable | <u>231,953</u> | <u>272,235</u> |
| Total long-term liabilities | <u>231,953</u> | <u>272,235</u> |
| Total liabilities | <u>251,186</u> | <u>380,628</u> |
| Net assets: | | |
| Without donor restrictions | 1,028,083 | 816,758 |
| With donor restrictions | 8,346 | 14,030 |
| Total net assets | <u>1,036,429</u> | <u>830,788</u> |
| Total liabilities and net assets | <u>\$ 1,287,615</u> | <u>\$ 1,211,416</u> |

See Notes to Financial Statements.

MONTGOMERY CHRISTIAN SCHOOL**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Support and Revenue | | | |
| Gifts and donations | \$ 142,975 | \$ - | \$ 142,975 |
| Grants | 404,626 | 5,354 | 409,980 |
| Fundraisers | 239,739 | - | 239,739 |
| Student tuition and other | 60,425 | - | 60,425 |
| Net assets released form donor restrictions | 11,038 | (11,038) | - |
| Total support and revenue | <u>858,803</u> | <u>(5,684)</u> | <u>853,119</u> |
| Expenses | | | |
| Program services | 531,628 | - | 531,628 |
| Administrative | 28,424 | - | 28,424 |
| Fundraising | 87,426 | - | 87,426 |
| Total expenses | <u>647,478</u> | <u>-</u> | <u>647,478</u> |
| Change in Net Assets | 211,325 | (5,684) | 205,641 |
| Net Assets | | | |
| Beginning of year | <u>816,758</u> | <u>14,030</u> | <u>830,788</u> |
| Net Assets | | | |
| End of year | <u>\$ 1,028,083</u> | <u>\$ 8,346</u> | <u>\$ 1,036,429</u> |

See Notes to Financial Statements.

MONTGOMERY CHRISTIAN SCHOOL**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------|
| Support and Revenue | | | |
| Gifts and donations | \$ 115,628 | \$ - | \$ 115,628 |
| Grants | 384,696 | 34,500 | 419,196 |
| Fundraisers | 186,407 | - | 186,407 |
| Student tuition and other | 69,921 | - | 69,921 |
| Net assets released form donor restrictions | 20,470 | (20,470) | - |
| Total support and revenue | <u>777,122</u> | <u>14,030</u> | <u>791,152</u> |
| Expenses | | | |
| Program services | 498,385 | - | 498,385 |
| Administrative | 25,537 | - | 25,537 |
| Fundraising | 125,064 | - | 125,064 |
| Total expenses | <u>648,986</u> | <u>-</u> | <u>648,986</u> |
| Change in Net Assets | 128,136 | 14,030 | 142,166 |
| Net Assets | | | |
| Beginning of year | <u>688,622</u> | <u>-</u> | <u>688,622</u> |
| Net Assets | | | |
| End of year | <u>\$ 816,758</u> | <u>\$ 14,030</u> | <u>\$ 830,788</u> |

See Notes to Financial Statements.

MONTGOMERY CHRISTIAN SCHOOL**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

| | <u>Program Services</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-------------------------------------|-----------------------------|-------------------------|-------------------------|---------------------------|
| Salaries, wages and benefits | \$ 405,519 | \$ 9,034 | \$ 47,715 | \$ 462,268 |
| Payroll taxes | 26,521 | 691 | 3,620 | 30,832 |
| Advertising and promotion | - | 1,185 | - | 1,185 |
| Accounting and professional fees | - | 9,434 | - | 9,434 |
| Office expense | 3,966 | 8,080 | 36,091 | 48,137 |
| Information technology | 7,394 | - | - | 7,394 |
| Interest | 11,151 | - | - | 11,151 |
| Occupancy | 18,674 | - | - | 18,674 |
| Travel and professional development | 1,111 | - | - | 1,111 |
| Insurance | 15,050 | - | - | 15,050 |
| Curriculum | 17,863 | - | - | 17,863 |
| Enrichment | 1,043 | - | - | 1,043 |
| Field trips | (392) | - | - | (392) |
| Total expenses before depreciation | <u>507,900</u> | <u>28,424</u> | <u>87,426</u> | <u>623,750</u> |
| Depreciation | <u>23,728</u> | <u>-</u> | <u>-</u> | <u>23,728</u> |
| Total expenses | <u>\$ 531,628</u> | <u>\$ 28,424</u> | <u>\$ 87,426</u> | <u>\$ 647,478</u> |

See Notes to Financial Statements.

MONTGOMERY CHRISTIAN SCHOOL**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

| | <u>Program Services</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-------------------------------------|-----------------------------|-------------------------|--------------------------|---------------------------|
| Salaries, wages and benefits | \$ 375,719 | \$ 7,550 | \$ 50,925 | \$ 434,194 |
| Payroll taxes | 25,164 | 578 | 3,873 | 29,615 |
| Advertising and promotion | - | 768 | 30,257 | 31,025 |
| Accounting and professional fees | - | 8,729 | - | 8,729 |
| Office expense | 4,513 | 7,912 | 32,209 | 44,634 |
| Information technology | 4,682 | - | - | 4,682 |
| Interest | 15,618 | - | - | 15,618 |
| Occupancy | 20,133 | - | 7,800 | 27,933 |
| Travel and professional development | 1,272 | - | - | 1,272 |
| Insurance | 13,847 | - | - | 13,847 |
| Curriculum | 14,580 | - | - | 14,580 |
| Enrichment | 1,211 | - | - | 1,211 |
| Field trips | 1,440 | - | - | 1,440 |
| Total expenses before depreciation | <u>478,179</u> | <u>25,537</u> | <u>125,064</u> | <u>628,780</u> |
| Depreciation | <u>20,206</u> | <u>-</u> | <u>-</u> | <u>20,206</u> |
| Total expenses | <u>\$ 498,385</u> | <u>\$ 25,537</u> | <u>\$ 125,064</u> | <u>\$ 648,986</u> |

See Notes to Financial Statements.

MONTGOMERY CHRISTIAN SCHOOL**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 205,641 | \$ 142,166 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 23,728 | 20,206 |
| Gain on disposal of property and equipment | - | (3,047) |
| (Increase) decrease in accounts receivable | (9,311) | 214 |
| (Increase) decrease in other assets | (1,852) | 1,978 |
| Decrease in accounts payable | (3,643) | (5,013) |
| Forgiveness of PPP Loan | <u>(87,500)</u> | <u>-</u> |
| Net cash provided by operating activities | <u>127,063</u> | <u>156,504</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (21,443) | (41,474) |
| Proceeds from disposal of property and equipment | <u>-</u> | <u>5,200</u> |
| Net cash used in investing activities | <u>(21,443)</u> | <u>(36,274)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from PPP loan | - | 87,500 |
| Repayment of note payable | <u>(38,299)</u> | <u>(33,832)</u> |
| Net cash provided by (used in) financing activities | <u>(38,299)</u> | <u>53,668</u> |
| Net increase in cash | 67,321 | 173,898 |
| Cash at beginning of year | <u>693,129</u> | <u>519,231</u> |
| Cash at end of year | <u>\$ 760,450</u> | <u>\$ 693,129</u> |
| SUPPLEMENTAL DISCLOSURE | | |
| Interest paid | \$ 11,151 | \$ 15,618 |

See Notes to Financial Statements.

**MONTGOMERY CHRISTIAN SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Montgomery Christian School (the "School") was incorporated on November 20, 2008 as a not-for-profit organization to provide an academically challenging education in a Christian environment to families with limited options.

Basis of Presentation

The School presents its financial statements in accordance with the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the School is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The School also presents a statement of functional expenses and detailed information on liquidity and availability of financial assets (see Note 2).

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with GAAP 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 reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated all transactions, events, and circumstances for consideration or disclosure through November XX, 2021, the date these financial statements were available to be issued and has reflected or disclosed those items within the financial statements and related footnotes as deemed appropriate.

Cash

Cash is maintained on deposit at commercial banks which, at times, may exceed the federally insured limit of \$250,000 per depositor. The School has not experienced any losses in such accounts.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and includes expenditures over \$1,000 which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are charged to expense as incurred. The School provides for depreciation using the straight-line method designed to amortize costs over estimated useful lives as follows:

| | |
|---------------------------|-----------|
| Office equipment | 3-5 years |
| Classroom furniture | 5-8 years |
| Building and improvements | 39 years |

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Grants

The School partners with Scholarship for Kids, Inc., which grants scholarships under the Alabama Accountability Act of 2013 that provides funding for children to attend the School. Each scholarship is awarded to a specific student, is paid directly to the School, and is subject to certain eligibility requirements. The School is responsible for monitoring compliance with the eligibility requirements for each scholarship award.

For the years ended June 30, 2021 and 2020, the School received 52 and 61 individual student scholarship grants totaling \$305,400 and \$358,000, respectively, which are unrestricted grants as those grants may be used for the general operation of the School. The School maintains these grants in a separate bank account and places the funds in operation in equal monthly installments throughout the year.

Income Taxes

The School is organized as a not-for-profit corporation under the Alabama Nonprofit Corporation Act. Additionally, the School has been granted tax-exempt status by the Internal Revenue Service for income tax purposes as a 501(c)3 organization. The School is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations.

Tax positions are initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. The School had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2021 and 2020 based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter for all open tax years.

Donated Materials and Services

In accordance with the ASC 958-605, *Accounting for Contributions Received and Contributions Made*, the School has recorded \$8,462 and \$46,310, respectively, for the years ended June 30, 2021 and 2020, for items and services donated to the School by professionals. The services donated require specialized skills and knowledge that the School would have to pay for if not donated.

Revenue from Contracts with Customers

During 2020, the School adopted ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which provides guidance for reporting revenue from the School's contracts to provide goods or services to customers. The guidance requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the School's revenue-generating transactions are excluded from the scope of ASC 606, including revenue generated from donor contributions. Revenue-generating transactions that are within the scope of ASC 606 are described as follows:

Fundraiser Event Sales – revenue from fundraiser sales is recognized at the time of, or upon admission to, the event.

Student Tuition and Fees – student tuition is paid and recognized on a monthly basis throughout the school year. Nonrefundable fees are recognized upon payment.

Other Income – other income mainly includes sales of merchandise and other items and is recognized at the time of the sale.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY

The School's working capital and cash flows have variations during the year. The School manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions and grants to cover operating expenditures not covered by donor-restricted resources, and regular analysis of actual operating results versus budget. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | June 30, | |
|---|------------|------------|
| | 2021 | 2020 |
| Cash and cash equivalents | \$ 760,450 | \$ 693,129 |
| Accounts receivable | 15,775 | 6,464 |
| Less: expenditure for a specified purpose | (8,346) | (14,030) |
| Total | \$ 767,879 | \$ 685,563 |

As part of their financial management plan, the School invests cash in excess of daily requirements in money market accounts and certificates of deposit.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | June 30, | |
|--|------------|------------|
| | 2021 | 2020 |
| Land | \$ 61,550 | \$ 61,550 |
| Building and improvements | 430,882 | 418,939 |
| Office equipment | 85,978 | 56,007 |
| Classroom furniture | 26,450 | 26,450 |
| Acquisition of property and equipment in process | - | 20,471 |
| | 604,860 | 583,417 |
| Less: Accumulated depreciation | (105,995) | (82,267) |
| | \$ 498,865 | \$ 501,150 |

NOTES TO FINANCIAL STATEMENTS

NOTE 4. NOTE PAYABLE

On May 26, 2017, the School executed a multiple advance note payable agreement due to a commercial bank bearing a fixed interest rate of 4.99%. In September, there was a modification to the note to reduce the interest rate to 3.75%. The note payable agreement had a maximum loan amount of \$395,000 and the current balance under the agreement as of June 30, 2021 and 2020 was \$251,136 and \$289,435, respectively. Principal and interest in the amount of \$2,621 is payable monthly, with a balloon payment due at maturity on May 26, 2027. The note is secured by the School’s premises at 3265 McGehee Road, Montgomery, Alabama.

The scheduled principal payments at June 30, 2021 are as follows:

| | |
|------------|-------------------|
| 2021-2022 | 19,183 |
| 2022-2023 | 20,176 |
| 2023-2024 | 21,194 |
| 2024-2025 | 22,319 |
| 2025-2026 | 23,474 |
| Thereafter | 144,790 |
| | <u>\$ 251,136</u> |

NOTE 5. PPP LOAN

On April 28, 2020, the School was granted a loan from a commercial bank in the amount of \$87,500 under the Paycheck Protection Program (PPP) authorized by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The loan was forgiven on April 14, 2021.

NOTE 6. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following:

| | <u>June 30,</u> | |
|---|-----------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Subject to expenditure for a specified purpose: | | |
| Grants with donor restrictions | <u>\$ 8,346</u> | <u>\$ 14,030</u> |

NOTE 7. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from restriction according to the terms of the grants. Net assets released from restriction for the years ended June 30, 2021 and 2020 totaled \$11,038 and \$20,470, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements contain certain categories of expenses that are attributed to program and/or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and benefits; payroll taxes; advertising and promotion; office expenses; and occupancy expenses. Personnel cost, based on time and effort, is generally used as the basis for allocating these expenses.

NOTE 9. COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact contributions over the next year. Other financial impact could occur, though such potential impact is unknown at this time. Management is confident that the reserves that the School maintains for such events are sufficient to maintain stability and operations until the economy recovers.