Round Rock Christian Academy

Financial Statements
as of and for the the Year Ended
June 30, 2021 and
Independent Auditors’ Report

Round Rock Christian Academy

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Independent Auditors' Report

To the Board of Directors of
Round Rock Christian Academy:

We have audited the accompanying financial statements of Round Rock Christian Academy (a nonprofit organization) (the "Academy"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, 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.

Auditors' 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 from 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 auditors' 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 the Academy as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Austin, Texas
September X, 2021

Round Rock Christian Academy

Statement of Financial Position
June 30, 2021

Assets		
Current assets:		
Cash and cash equivalents	$	1,691,894
Tuition receivables		17,772
Pledges receivable		12,153
Prepaid expenses and other assets		176,700
Total current assets		1,898,519
Cash restricted to investment in gym construction		53,357
Property and equipment, net		9,535,910
Total	$	11,487,786
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	265,400
Deferred revenue		1,095,742
Current portion of notes payable		471,273
Total current liabilities		1,832,415
Notes payable		6,883,366
Total liabilities		8,715,781
Net assets:		
Without donor restrictions		2,718,648
With donor restrictions		53,357
Total net assets		2,772,005
Total	$	11,487,786

See notes to financial statements.

Round Rock Christian Academy

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Tuition and student fees revenue, net of discounts of $509,230	$ 5,118,025	-	5,118,025
Forgiveness of PPP loan (Note 6)	531,600	-	531,600
Contributions	299,529	53,357	352,886
Education programs	143,606	-	143,606
Scholarships	920	-	920
Interest income	632	-	632
Other income	8,276	-	8,276
Net assets released from restrictions	639,656	(639,656)	-
Total revenues and net assets released from restrictions	6,742,244	(586,299)	6,155,945
Expenses:			
Program services:			
Secondary school	1,882,980	-	1,882,980
Elementary school	1,633,125	-	1,633,125
Early childhood development	375,491	-	375,491
Total program services	3,891,596	-	3,891,596
Support services:			
Administration	1,387,733	-	1,387,733
Development	146,079	-	146,079
Total support services	1,533,812	-	1,533,812
Total expenses	5,425,408	-	5,425,408
Change in net assets	1,316,836	(586,299)	730,537
Net assets, beginning of year	1,401,812	639,656	2,041,468
Net assets, end of year	$ 2,718,648	53,357	2,772,005

See notes to financial statements.

Round Rock Christian Academy

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Support Services			
	Secondary School	Elementary School	Early Childhood Development	Total Program Services	Administration	Development	Total Support Service	Total
Employee expenses:								
Salaries	$ 994,112	918,991	212,342	2,125,445	665,774	56,528	722,302	2,847,747
Benefits	91,090	58,161	13,135	162,386	97,078	6,356	103,434	265,820
Payroll taxes	69,707	65,855	15,648	151,210	73,027	4,292	77,319	228,529
Payroll processing fees	2,928	2,815	563	6,306	1,351	225	1,576	7,882
Total employee expenses	1,157,837	1,045,822	241,688	2,445,347	837,230	67,401	904,631	3,349,978
Other expenses:								
Depreciation and amortization	160,352	140,308	50,110	350,770	40,088	10,021	50,109	400,879
Interest	-	-	-	-	335,521	-	335,521	335,521
Facility lease	118,771	103,925	37,116	259,812	29,693	7,423	37,116	296,928
Student education	93,490	87,974	3,898	185,362	39,810	-	39,810	225,172
Technology	123,582	66,769	17,391	207,742	-	3,600	3,600	211,342
Discounts and scholarships	54,926	98,408	8,333	161,667	-	-	-	161,667
Athletics	74,401	16,729	-	91,130	-	-	-	91,130
Office	23,197	22,305	4,461	49,963	10,706	1,784	12,490	62,453
Advertising and promotion	-	-	-	-	10,615	45,199	55,814	55,814
Building and grounds	18,715	16,376	5,848	40,939	4,679	1,170	5,849	46,788
Student programs	20,625	12,314	1,925	34,864	11,871	-	11,871	46,735
Insurance	20,193	16,020	4,173	40,386	-	-	-	40,386
Bad debt	13,249	2,840	-	16,089	-	9,481	9,481	25,570
Professional organization	1,890	-	-	1,890	15,294	-	15,294	17,184
Professional development	1,619	1,147	548	3,314	6,390	-	6,390	9,704
Professional fees	-	-	-	-	8,475	-	8,475	8,475
Vehicle maintenance	-	-	-	-	5,927	-	5,927	5,927
Library materials	133	2,188	-	2,321	455	-	455	2,776
Other	-	-	-	-	30,979	-	30,979	30,979
Total other expenses	725,143	587,303	133,803	1,446,249	550,503	78,678	629,181	2,075,430
Total expenses	$ 1,882,980	1,633,125	375,491	3,891,596	1,387,733	146,079	1,533,812	5,425,408

See notes to financial statements.

This document is a draft for internal review and discussion and is not intended for external distribution.

Round Rock Christian Academy

Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities:	
Change in net assets	$ 730,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	400,879
Bad debt expense	25,570
Contributions restricted for building construction	(53,357)
Forgiveness of PPP loan (Note 6)	(531,600)
Changes in operating assets and liabilities that provided (used) cash:	
Tuition receivables	(699)
Pledges receivable	7,337
Prepaid expenses and other assets	(53,272)
Accounts payable and accrued expenses	(50,003)
Deferred revenue	389,900
Net cash provided by operating activities	865,292
Cash Flows from Investing Activities-	
Purchases of property and equipment	(2,003,670)
Cash Flows from Financing Activities:	
Payments on notes payable	(100,000)
Proceeds from issuance of note payable	1,582,665
Contributions restricted for building construction	53,357
Net cash provided by financing activities	1,536,022
Net change in cash and cash equivalents	397,644
Cash, cash equivalents, and restricted cash, beginning of year	1,347,607
Cash, cash equivalents, and restricted cash, end of year	$ 1,745,251
Supplemental Disclosure of Cash Flow Information-	
Interest paid on notes payable	$ 330,290

See notes to financial statements.

1. Organization

Round Rock Christian Academy (the "Academy") is an independent private school in Round Rock, Texas. The Academy's mission is to be a Christ-centered college preparatory school, equipping and developing students to effectively integrate Biblical truth and academic learning into their daily lives to impact their community for Christ. The Academy is accredited by the Southern Association of Colleges and Schools and the Association of Christian Schools International, and recognized by the Texas Education Agency. These financial statements include auxiliary operations of the school, including the Booster Club, the Parent Support Team, and the student council. The cash balances held by the auxiliary operations are reported as both cash and cash equivalents and accrued expenses in the statement of financial position.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Classifications - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Academy and changes therein are classified as follows:

> Without Donor Restrictions **-** These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Academy, or at the discretion of the Board of Directors (the "Board") for the Academy's use.
>
> With Donor Restrictions **-** These net assets are subject to donor-imposed stipulations, which limit their use by the Academy to a specific purpose and/or the passage of time, or which require them to be maintained permanently. The Academy has not received any permanently restricted contributions.

Cash, Cash Equivalents, and Restricted Cash - The Academy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Academy also holds cash restricted to investment in gym construction.

Tuition Receivables - Tuition receivables are recorded at the value of revenue earned. The Academy continually monitors the credit worthiness of each family and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. The Academy regularly adjusts any allowance for subsequent collections or upon final determination that a tuition receivable is no longer collectible. The Academy had no allowance for uncollectible accounts as of June 30, 2021 as management estimated all outstanding balances to be collectible.

Pledges Receivable - Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Academy did not record a net present value discount on pledges receivable as of June 30, 2021 as management determined such discount would not be significant. Management has determined that pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges was considered necessary as of June 30, 2021. As of June 30, 2021, all balances were due within one year.

Property and Equipment - Property and equipment are capitalized at cost if purchased and at fair market value on the date of receipt if donated. The Academy capitalizes property and equipment acquisitions in excess of $1,500. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years for furniture, equipment, and vehicles and twenty-eight years for building and improvements. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of activities. Maintenance and repairs that do not improve or extend the useful life of the respective asset are expensed when incurred.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Revenue Recognition - Revenue is recognized when promised services are transferred to students in an amount that reflects the consideration to which the Academy expects to be entitled in exchange for those services by following a five-step process: (1) identify the contract with a student, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Academy satisfies a performance obligation, as further described below.

Tuition income includes student tuition and related fees and is recorded net of financial aid or discounts. Student tuition and fee payments received prior to the start of the Academy's school term are deferred until the term begins and recognized in the statements of activities as tuition revenue ratably over the school term and as fee revenue once the school term begins.

Costs to Obtain or Fulfill Contracts - The Academy recognizes an asset for the incremental costs to obtain a contract if the Academy expects to recover those costs through the margin inherent in the contract. When the amortization period of the asset that the Academy otherwise would have recognized is one year or less, the Academy applies the practical expedient to expense costs to obtain a contract as incurred. The Academy recognizes an asset for the incremental costs to fulfill a contract, such as direct labor, if the costs relate directly to an existing or specific anticipated contract, generate or enhance resources that the Academy will use to satisfy performance obligations in the future, and if the Academy expects to recover those costs through the margin inherent in the contract. Management has not identified any costs to obtain or fulfill contracts which meet the criteria for capitalization.

Contributions - All contributions are recorded at their fair value and are considered to be available for operations of the Academy unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind contributions include donated services and materials which are reflected in the statement of activities at their fair value on the date of receipt. Donated services are recognized if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2021, no donated services met the criteria for recognition.

Advertising expense - Advertising costs are charged to expense as incurred. Total advertising expense for the year ended June 30, 2021 was $10,615.

Functional Allocation of Expense - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes - The Academy is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; except as it relates to any unrelated business income. The Academy did not incur any significant tax liabilities due to unrelated business income during the year ended June 30, 2021. The Academy files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Recently Adopted Accounting Pronouncement - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The Academy adopted Topic 606 on July 1, 2020 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. The Academy performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets as of July 1, 2020 or to the statement of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended June 30, 2021 as a result of applying the new guidance.

Recently Issued Accounting Pronouncement - In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Academy is currently evaluating the impact the standard will have on its financial statements.

3. Liquidity and Availability of Financial Assets

As of June 30, 2021, the Academy's financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	$ 1,691,894
Tuition receivable	17,772
Total financial assets available to management for general expenditure within one year	$ 1,709,666

The Board ensures the Academy's financial stability by approving an annual budget prior to the start of each fiscal year. Any expenditures not in the approved budget must be approved.

4. Concentration of Credit Risk

Financial instruments which potentially subject the Academy to concentrations of credit risk consist principally of cash and cash equivalents and tuition and pledges receivable. The Academy places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. The Academy does not maintain collateral for its tuition or pledges receivable. One donor comprised 14% of contribution revenue during the year ended June 30, 2021.

5. Property and Equipment

Property and equipment consisted of the following as of June 30, 2021:

Building and improvements	$ 8,466,733
Furniture and equipment	558,694
Vehicles	141,964
	9,167,391
Less: Accumulated depreciation and amortization	(825,606)
Land	1,194,125
Total property and equipment, net	$ 9,535,910

6. Notes Payable

In June 2019, the Academy entered into a loan for the construction of the new school building (the “2019 Construction Loan”) which allows the Academy to borrow up to $7,112,394. Interest only payments are due monthly at a rate of 4.75% per annum through April 2022, thereafter, both principal and interest are due until the note matures in April 2047 with various interest rate adjustments, as defined, capped at 8.00% per annum. If, in April 2022, the outstanding principal balances exceeds $6,500,000, the Academy will pay a principal reduction payment in an amount sufficient to reduce the outstanding principal balance due to $6,500,000. As of June 30, 2021, the outstanding balance of the 2019 Construction Loan was $6,935,699. The Academy is subject to a debt service coverage requirement beginning June 30, 2021. The 2019 Construction Loan is secured by the Academy’s revenues and the property.

In September 2020, the Academy entered into a second construction loan (the “2020 Construction Loan”) that allows the Academy to borrow up to $453,000. Interest only is due monthly at a rate of 4.50% per annum through June 2021, thereafter, both principal and interest are due based on a twenty-five year amortization term until the note matures in June 2047 with various interest rate adjustments, as defined, capped at 8.00% per annum. As of June 30, 2021, the outstanding balance of the 2020 Construction Loan was $418,940. The Academy is subject to a debt service coverage requirement beginning June 30, 2021. The 2020 Construction Loan is secured by the Academy’s revenues and the property.

In April 2020, the Academy received a $531,600 loan under the Paycheck Protection Program (“PPP”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The loan had a fixed interest rate of 1% and matured in 2 years. The loan was eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds were used for payroll costs and the Academy met all necessary criteria as defined by the SBA. In December 2020, the SBA granted the Academy forgiveness for the PPP loan. The Academy recognized forgiveness of PPP loan revenue totaling $531,600 during the year ended June 30, 2021.

Future required principal payments on debt obligations were as follows as of June 30, 2021:

2022	$ 471,273
2023	153,506
2024	160,923
2025	168,699
2026	176,850
Therafter	6,223,388
Total	$ 7,354,639

7. Net Assets with Donor Restrictions

During the year ended June 30, 2019, the Academy began a capital campaign for a building. The building campaign raises funds for the Academy's future headquarters that will include a new administration building, chapel/auditorium, double gymnasium, locker rooms, library, and classrooms on multiple levels. During the year ended June 30, 2021, the building was placed in service and the only project to be completed in the campaign as of the year then ended is the gymnasium.

As of June 30, 2021, net assets with donor restrictions were temporarily restricted for the capital campaign related to the gymnasium.

8. Commitments and Contingencies

The Academy leases building space from Central Baptist Church in Round Rock under an operating lease agreement effective August 1, 2020 and expiring May 31, 2022. Total rent expense during the year ended June 30, 2021 totaled $79,228. Minimum future payments on the lease agreement total $20,000 for the year ended June 30, 2022.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue is not expected to negatively impact the Academy's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The Academy is actively managing the business to maintain its cash flow and management believes that the Academy has adequate liquidity.

9. Related Party Transactions

Contributions from members of the Board during the year ended June 30, 2021 totaled $34,485.

10. Retirement Plan

The Academy offers a defined contribution plan covering substantially all employees. For contributions made by employees, the Academy makes a matching contribution up to 2% of each participating employee's salary. Matching contributions totaled $29,630 during the year ended June 30, 2021.

11. Subsequent Events

The Academy has evaluated subsequent events through September X, 2021 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.