Round Rock Christian Academy

Financial Statements
as of and for the the Year Ended
June 30, 2022 and
Independent Auditors' Report

Round Rock Christian Academy

Table of Contents

Independent Auditors' Report

To the Board of Directors of
Round Rock Christian Academy:

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Austin, Texas
November XX, 2022

Round Rock Christian Academy

Statement of Financial Position
June 30, 2022

Assets		
Current assets:		
Cash and cash equivalents	$	2,107,734
Tuition receivable		42,824
Pledges receivable		5,861
Prepaid expenses and other assets		194,946
Total current assets		2,351,365
Cash restricted to investment in gym construction		87,186
Property and equipment, net		9,278,516
Total	$	11,717,067
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	287,078
Deferred revenue		1,184,638
Current portion of notes payable		153,506
Total current liabilities		1,625,222
Notes payable		6,730,124
Total liabilities		8,355,346
Net assets:		
Without donor restrictions		3,268,674
With donor restrictions		93,047
Total net assets		3,361,721
Total	$	11,717,067

See notes to financial statements.

Round Rock Christian Academy

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Tuition and student fees revenue, net of discounts of $689,280	$ 5,672,192	-	5,672,192
Contributions	372,651	39,690	412,341
Education programs	311,382	-	311,382
Other income	5,922	-	5,922
Net assets released from restrictions	-	-	-
Total revenues and net assets released from restrictions	6,362,147	39,690	6,401,837
Expenses:			
Program services:			
Elementary school	1,903,976	-	1,903,976
Secondary school	1,838,854	-	1,838,854
Early childhood development	260,750	-	260,750
Total program services	4,003,580	-	4,003,580
Support services:			
Administration	1,646,007	-	1,646,007
Development	162,534	-	162,534
Total support services	1,808,541	-	1,808,541
Total expenses	5,812,121	-	5,812,121
Change in net assets	550,026	39,690	589,716
Net assets, beginning of year	2,718,648	53,357	2,772,005
Net assets, end of year	$ 3,268,674	93,047	3,361,721

See notes to financial statements.

Round Rock Christian Academy

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Support Services			
	Elementary School	Secondary School	Early Childhood Development	Total Program Services	Administration	Development	Total Support Service	Total
Employee expenses:								
Salaries	$ 1,129,354	1,042,679	164,210	2,336,243	709,601	59,909	769,510	3,105,753
Benefits	98,822	78,865	11,764	189,451	115,957	20,632	136,589	326,040
Payroll taxes	83,644	83,860	12,084	179,588	50,705	4,770	55,475	235,063
Payroll processing fees	3,151	2,826	652	6,629	1,630	217	1,847	8,476
Total employee expenses	1,314,971	1,208,230	188,710	2,711,911	877,893	85,528	963,421	3,675,332
Other expenses:								
Depreciation and amortization	172,004	155,622	24,572	352,198	81,906	8,191	90,097	442,295
Interest	-	-	-	-	331,526	-	331,526	331,526
Facility lease	123,707	111,925	17,672	253,304	58,908	5,891	64,799	318,103
Student education	135,111	102,249	5,253	242,613	62,402	-	62,402	305,015
Technology	59,695	56,937	9,851	126,483	-	3,719	3,719	130,202
Athletics	14,469	97,943	-	112,412	-	-	-	112,412
Lunch program	-	-	-	-	90,697	-	90,697	90,697
Student programs	10,808	40,131	2,766	53,705	16,661	-	16,661	70,366
Advertising and promotion	-	-	-	-	13,127	55,877	69,004	69,004
Building and grounds	25,867	23,404	3,695	52,966	12,319	1,232	13,551	66,517
Office	22,928	20,556	4,744	48,228	11,859	1,581	13,440	61,668
Professional fees	-	-	-	-	40,706	-	40,706	40,706
Insurance	17,732	16,912	2,926	37,570	-	-	-	37,570
Professional organization	-	2,100	-	2,100	10,666	-	10,666	12,766
Vehicle maintenance	-	-	-	-	11,985	-	11,985	11,985
Professional development	1,216	2,354	561	4,131	6,245	-	6,245	10,376
Library materials	5,468	306	-	5,774	-	515	515	6,289
Bad debt	-	185	-	185	-	-	-	185
Other	-	-	-	-	19,107	-	19,107	19,107
Total other expenses	589,005	630,624	72,040	1,291,669	768,114	77,006	845,120	2,136,789
Total expenses	$ 1,903,976	1,838,854	260,750	4,003,580	1,646,007	162,534	1,808,541	5,812,121

See notes to financial statements.

Round Rock Christian Academy

Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities:		
Change in net assets	$	589,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		442,295
Bad debt expense		185
Contributions restricted for building construction		(30,970)
Changes in operating assets and liabilities that provided (used) cash:		
Tuition receivables		(25,052)
Pledges receivable		6,107
Prepaid expenses and other assets		(18,246)
Accounts payable and accrued expenses		21,678
Deferred revenue		88,896
Net cash provided by operating activities		1,074,609
Cash Flows from Investing Activities-		
Purchases of property and equipment		(184,901)
Cash Flows from Financing Activities:		
Payments on notes payable		(471,009)
Contributions restricted for building construction		30,970
Net cash used in financing activities		(440,039)
Net change in cash and cash equivalents		449,669
Cash, cash equivalents, and restricted cash, beginning of year		1,745,251
Cash, cash equivalents, and restricted cash, end of year	$	2,194,920
Supplemental Disclosure of Cash Flow Information-		
Interest paid on notes payable	$	342,751

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 through COGNIA and the Association of Christian School International, both approved by the Texas Private School Accreditation Commission, and recognized by the Texas Education Agency, through the State Commissioner of Education. 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.

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 Receivable - Tuition receivable is recorded when the Academy has an unconditional right to payment under the terms of the customer contract. 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, 2022 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, 2022 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, 2022. As of June 30, 2022, 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. Construction-in-progress is not depreciated until placed in-service, and land is not depreciated. 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, scholarships, 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.

The timing of revenue recognition, billings and cash collections resulted in accounts receivable totaling $17,772 and deferred revenue totaling $1,095,742 as of June 30, 2021.

Costs to Obtain or Fulfill Contracts - As performance obligations in the Academy's contracts with customers are satisfied over a period of one year or less, the Academy applies the practical expedient to expense costs to obtain a contract as incurred. The Academy does not incur significant fulfillment costs requiring 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, 2022, 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 $13,127.

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, 2022. 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 Issued Accounting Pronouncement - In February 2016, the FASB issued Accounting Standards Update 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, 2022, the Academy's financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	$ 2,107,734
Tuition receivable	42,824
Total financial assets available to management for general expenditure within one year	$ 2,150,558

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 29% of contribution revenue during the year ended June 30, 2022.

5. Property and Equipment

Property and equipment consisted of the following as of June 30, 2022:

Building and improvements	$ 8,508,157
Furniture and equipment	638,631
Vehicles	147,964
	9,294,752
Less: Accumulated depreciation and amortization	(1,267,901)
Construction-in-progress	57,540
Land	1,194,125
Total property and equipment, net	$ 9,278,516

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 were 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. As of June 30, 2022, the outstanding balance of the 2019 Construction Loan was $6,477,296 (4.75% at June 30, 2022). 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 was 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, 2022, the outstanding balance of the 2020 Construction Loan was $406,334 (4.50% at June 30, 2022). The Academy is subject to a debt service coverage requirement. The 2020 Construction Loan is secured by the Academy's revenues and the property.

Future required principal payments on debt obligations were as follows as of June 30, 2022:

2023	$ 153,506
2024	160,923
2025	168,699
2026	176,850
2027	185,396
Thereafter	6,038,256
Total	$ 6,883,630

7. Net Assets with Donor Restrictions

As of June 30, 2022, net assets with donor restrictions were temporarily restricted for the capital campaign related to the gymnasium.

8. Contingency

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, 2022 totaled $43,735.

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 $36,483 during the year ended June 30, 2022.

11. Subsequent Event

The Academy has evaluated subsequent events through November X, 2022 (the date the financial statements were available to be issued), noting the following.

In November 2022, the Academy entered into a loan for the construction of the new gym (the "2022 Construction Loan") which allows the Academy to borrow up to $6,955,000. Interest only payments are due monthly at a rate of 6.75% per annum through November 2027, thereafter, both principal and interest are due until the note matures in November 2032 at an interest rate equivalent to the then-current Treasury rate plus 2.50%, with a minimum rate of 6.75% per annum. The Academy is subject to a debt service coverage requirement beginning April 2025. The 2022 Construction Loan is secured by the Academy's assets and the property. No amounts have been drawn on the 2022 Construction Loan.