Round Rock Christian Academy

Financial Statements
as of and for the the Year Ended
June 30, 2024 and
Independent Auditors' Report

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

Round Rock Christian Academy

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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, 2024, 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, 2024, 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, 2024

Round Rock Christian Academy

Statement of Financial Position
June 30, 2024

Assets	
Current assets:	
Cash and cash equivalents	$ 2,815,635
Tuition receivable	15,930
Pledges receivable	58,529
Prepaid expenses and other assets	176,801
Total current assets	3,066,895
Property and equipment, net	16,755,230
Total	$ 19,822,125
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 422,329
Deferred revenue	1,362,240
Current portion of notes payable	866,896
Total current liabilities	2,651,465
Notes payable	12,307,755
Total liabilities	14,959,220
Net assets:	
Without donor restrictions	4,815,405
With donor restrictions	47,500
Total net assets	4,862,905
Total	$ 19,822,125

See notes to financial statements.

Round Rock Christian Academy

Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Net tuition and student fees	$ 6,950,883	-	6,950,883
Contributions	519,514	47,500	567,014
Education programs	256,283	-	256,283
Other income	107,160	-	107,160
Net assets released from restrictions	222,617	(222,617)	-
Total revenues and net assets released from restrictions	8,056,457	(175,117)	7,881,340
Expenses:			
Program services:			
Secondary school	2,576,136	-	2,576,136
Elementary school	2,342,090	-	2,342,090
Early childhood development	231,774	-	231,774
Total program services	5,150,000	-	5,150,000
Support services:			
Administration	2,045,862	-	2,045,862
Development	209,563	-	209,563
Total support services	2,255,425	-	2,255,425
Total expenses	7,405,425	-	7,405,425
Change in net assets	651,032	(175,117)	475,915
Net assets, beginning of year	4,164,373	222,617	4,386,990
Net assets, end of year	$ 4,815,405	47,500	4,862,905

See notes to financial statements.

Round Rock Christian Academy

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				Support Services			
	Secondary School	Elementary School	Early Childhood Development	Total Program Services	Administration	Development	Total Support Services	Total
Employee expenses:								
Salaries	$ 1,350,384	1,248,512	147,649	2,746,545	1,073,047	82,784	1,155,831	3,902,376
Benefits	92,773	139,188	4,798	236,759	94,628	8,040	102,668	339,427
Payroll taxes	108,368	94,026	11,995	214,389	70,222	6,574	76,796	291,185
Payroll processing fees	3,982	4,266	711	8,959	2,986	284	3,270	12,229
Total employee expenses	1,555,507	1,485,992	165,153	3,206,652	1,240,883	97,682	1,338,565	4,545,217
Other expenses:								
Depreciation and amortization	226,223	215,940	20,566	462,729	116,344	10,283	126,627	589,356
Facilities and lease	152,479	145,548	13,862	311,889	76,239	6,931	83,170	395,059
Student education	168,871	194,551	3,386	366,808	-	-	-	366,808
Interest	-	-	-	-	349,360	-	349,360	349,360
Building and grounds	111,263	106,205	10,115	227,583	55,631	5,057	60,688	288,271
Athletics	144,576	40,427	-	185,003	-	-	-	185,003
Technology	80,007	51,010	5,232	136,249	19,735	3,719	23,454	159,703
Office	36,807	39,437	6,573	82,817	31,077	2,629	33,706	116,523
Student programs	65,242	33,967	2,713	101,922	-	-	-	101,922
Advertising and promotion	-	-	-	-	12,139	83,262	95,401	95,401
Insurance	30,855	28,314	2,904	62,073	-	-	-	62,073
Professional fees	-	-	-	-	27,917	-	27,917	27,917
Professional development	4,306	699	1,270	6,275	12,225	-	12,225	18,500
Professional organization	-	-	-	-	16,922	-	16,922	16,922
Vehicle maintenance	-	-	-	-	12,307	-	12,307	12,307
Bad debt	-	-	-	-	5,619	-	5,619	5,619
Other	-	-	-	-	69,464	-	69,464	69,464
Total other expenses	1,020,629	856,098	66,621	1,943,348	804,979	111,881	916,860	2,860,208
Total expenses	$ 2,576,136	2,342,090	231,774	5,150,000	2,045,862	209,563	2,255,425	7,405,425

See notes to financial statements.

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Round Rock Christian Academy

Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows from Operating Activities:	
Change in net assets	$ 475,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Cash received for capital campaign	(99,500)
Depreciation and amortization	589,356
Bad debt expense	5,619
Changes in operating assets and liabilities that provided (used) cash:	
Tuition receivable	(3,725)
Pledges receivable	(43,639)
Prepaid expenses and other assets	65,606
Accounts payable and accrued expenses	47,328
Deferred revenue	(20,983)
Net cash provided by operating activities	1,015,977
Cash Flows from Investing Activities-	
Purchases of property and equipment	(6,541,521)
Cash Flows from Financing Activities:	
Borrowings on notes payable	6,176,839
Payments on notes payable	(184,177)
Cash received for capital campaign	99,500
Net cash provided by financing activities	6,092,162
Net change in cash and cash equivalents	566,618
Cash and cash equivalents, beginning of year	2,249,017
Cash and cash equivalents, end of year	$ 2,815,635
Supplemental Disclosure of Cash Flow Information-	
Interest paid on notes payable	$ 562,227

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 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. As of June 30, 2024, the Academy's net assets with donor restrictions were restricted for the passage of time. The Academy has not received any permanently restricted contributions.

Cash and Cash Equivalents - The Academy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 credit losses 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, 2024 as management estimated all outstanding balances to be collectible.

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.

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, 2024 as all pledges receivable are expected to be collected within one year. Management has determined that pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges was considered necessary as of June 30, 2024.

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 and amortization 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. Interest costs that directly relate to, and are incurrec during a project's construction period are capitalized.

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.

Leases - Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the statement of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Management assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Academy's right to control the use of an identified asset for a period of time in exchange for consideration. A determination is made at inception as to whether the lease is an operating lease or a finance lease, and lease determinations are reassessed in the event of a change in lease terms. Right-of-use ("ROU") assets and associated liabilities are recognized at the commencement date and initially measured based on the present value of future minimum lease payments over the expected lease term, with ROU assets increased for initial direct costs and prepaid lease payments and reduced by any lease incentives received from the lessor. There were no ROU assets or associated liabilities recorded on the Academy's statement of financial position as of June 30, 2024 as the Academy was not obligated under any lease agreements.

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, which totaled $855,614 during the year ended June 30, 2024. 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 statement of activities as tuition revenue ratably over the school term and as fee revenue once the school term begins. Education program revenue is recognized at the time that the educational program is delivered.

The timing of revenue recognition, billings and cash collections resulted in tuition receivable totaling $12,205 and deferred revenue totaling $1,383,223 as of June 30, 2023.

The following table presents revenue disaggregated by timing of revenue recognition for the year ended June 30, 2024:

Revenue recognized at a point in time	$ 256,283
Revenue recognized over time	6,950,883
Total revenue	$ 7,207,166

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, 2024, 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, 2024 was $11,638.

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, 2024. 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.

3. Liquidity and Availability of Financial Assets

As of June 30, 2024, the Academy's financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	$ 2,815,635
Tuition receivable	15,930
Pledges receivable	58,529
Total financial assets available to management for general expenditure within one year	$ 2,890,094

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. Donor-restricted net assets that are temporarily restricted for the gymnasium building are not included in financial assets available to management for general expenditures within one year.

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.

5. Property and Equipment

Property and equipment consisted of the following as of June 30, 2024:

Building and improvements	$ 16,256,947
Furniture and equipment	768,841
Vehicles	390,219
	17,416,007
Less: Accumulated depreciation and amortization	(2,259,406)
Construction-in-progress	404,504
Land	1,194,125
Total property and equipment, net	$ 16,755,230

Interest capitalized to property and equipment while under construction totaled $266,751 during the year ended June 30, 2024.

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, 2024, the outstanding balance of the 2019 Construction Loan was $6,195,093 (interest rate of 6.55% at June 30, 2024). The Academy is subject to a debt service coverage requirement. 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, 2024, the outstanding balance of the 2020 Construction Loan was $379,383 (interest rate of 4.50% at June 30, 2024). The Academy is subject to a debt service coverage requirement. The 2020 Construction Loan is secured by the Academy's revenues and the property.

In November 2022, the Academy entered into a third construction loan (the "2022 Construction Loan") that allows the Academy to borrow up to $6,955,000. Interest only is due monthly at a rate of 6.75% per annum through December 2024, thereafter, both principal and interest are due based on a twenty-five year amortization term until the note matures in November 2032 with various interest rate adjustments, as defined, with a floor equal to 6.75% per annum. The agreement also provides that principal reduction payments of $500,000 or greater to be made on November 1, 2024 and November 1, 2026. As of June 30, 2024, the outstanding balance of the 2022 Construction Loan was $6,335,800 (interest rate of 6.75% at June 30, 2024). The Academy is subject to a debt service coverage requirement. The 2022 Construction Loan is secured by the Academy's revenues and the property.

In May 2023, the Academy entered into a construction extension agreement (the "2022 Construction Extension Loan") that allows the Academy to borrow up to $639,000. Interest only is due monthly at a rate of 8% per annum through May 2028, thereafter, both principal and interest are due based on a twenty-five year amortization schedule until the note matures in November 2032, with interest at the Treasury Rate as of May 2028 plus 2.5%. As of June 30, 2024, no amounts had been drawn on the 2022 Construction Extension Loan.

In November 2023, the Academy entered into a note payable for vehicles (the "Vehicle Loan") for $292,619. Principal and interest payments of $5,899, are due monthly at a rate of 7.75% per annum through November 2028. As of June 30, 2024, the outstanding balance of the Vehicle Loan was $264,375. The Vehicle Loan is secured by certain property.

Future required principal payments on debt obligations were as follows as of June 30, 2024:

2025	$ 866,896
2026	437,745
2027	985,064
2028	530,311
2029	522,005
Thereafter	9,832,630
Total	$ 13,174,651

7. Related Party Transactions

Contributions from members of the Board during the year ended June 30, 2024 totaled $25,740. As of June 30, 2024, there was an outstanding pledge receivable of $10,000 from a related party.

8. 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 eligible compensation. Matching contributions totaled $36,201 during the year ended June 30, 2024.

9. Subsequent Events

The Academy has evaluated subsequent events through November XX, 2024 (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.