



Donelson Christian Academy

DONELSON CHRISTIAN ACADEMY, INC.

Financial Statements  
With Independent Auditors' Report

May 31, 2020 and 2019

# DONELSON CHRISTIAN ACADEMY, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	8

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Donelson Christian Academy, Inc.  
Nashville, Tennessee

We have audited the accompanying financial statements of Donelson Christian Academy, Inc., which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 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.

Board of Trustees  
Donelson Christian Academy, Inc.  
Nashville, Tennessee

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Donelson Christian Academy, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Lawrenceville, Georgia  
February 14, 2022

# DONELSON CHRISTIAN ACADEMY, INC.

## Statements of Financial Position

	May 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 2,300,028	\$ 949,379
Restricted cash	9,045,918	-
Accounts receivable–net	258,357	238,746
Note receivable	25,000	40,000
Prepaid expenses and other assets	95,688	102,012
Property and equipment–net	6,244,382	6,657,551
Total Assets	<u>\$ 17,969,373</u>	<u>\$ 7,987,688</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 803,984	\$ 852,863
Deferred revenue	227,615	294,510
Capital lease obligations	20,417	44,725
Paycheck Protection Program loan	1,089,085	-
Note payable and line of credit–net	4,480,861	4,590,418
Total liabilities	<u>6,621,962</u>	<u>5,782,516</u>
Net assets:		
Without donor restriction	10,897,700	2,111,409
With donor restriction	449,711	93,763
Total net assets	<u>11,347,411</u>	<u>2,205,172</u>
Total Liabilities and Net Assets	<u>\$ 17,969,373</u>	<u>\$ 7,987,688</u>

See notes to financial statements

# DONELSON CHRISTIAN ACADEMY, INC.

## Statements of Activities

Year Ended May 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE:</b>			
Tuition and fees	\$ 9,046,455	\$ -	\$ 9,046,455
Less financial aid and discounts	(907,266)	-	(907,266)
Net tuition and fees	8,139,189	-	8,139,189
Contributions	127,846	589,859	717,705
Auxiliary activities	254,787	-	254,787
Extracurricular activities	419,060	-	419,060
Other income	93,432	-	93,432
	<u>9,034,314</u>	<u>589,859</u>	<u>9,624,173</u>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose restrictions	233,911	(233,911)	-
	<u>233,911</u>	<u>(233,911)</u>	<u>-</u>
Total Support and Revenue	<u>9,268,225</u>	<u>355,948</u>	<u>9,624,173</u>
<b>OPERATING EXPENSES:</b>			
Program	8,420,504	-	8,420,504
Management and general	1,694,012	-	1,694,012
Fund-raising	131,769	-	131,769
Total Operating Expenses	<u>10,246,285</u>	<u>-</u>	<u>10,246,285</u>
Change in Net Assets from Operating Activities	<u>(978,060)</u>		
<b>NON-OPERATING ACTIVITIES:</b>			
Investment income	3,315	-	3,315
Gain on insurance proceeds	9,761,036	-	9,761,036
Change in Non-operating Net Assets	<u>9,764,351</u>	<u>-</u>	<u>9,764,351</u>
Change in Net Assets	8,786,291	355,948	9,142,239
Net Assets, Beginning of Year	<u>2,111,409</u>	<u>93,763</u>	<u>2,205,172</u>
Net Assets, End of Year	<u>\$ 10,897,700</u>	<u>\$ 449,711</u>	<u>\$ 11,347,411</u>

See notes to financial statements

# DONELSON CHRISTIAN ACADEMY, INC.

## Statements of Activities

Year Ended May 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE:</b>			
Tuition and fees	\$ 9,327,548	\$ -	\$ 9,327,548
Less financial aid and discounts	(974,305)	-	(974,305)
Net tuition and fees	8,353,243	-	8,353,243
Contributions	264,603	174,325	438,928
Auxiliary activities	342,357	-	342,357
Extracurricular activities	713,430	-	713,430
Other income	38,503	-	38,503
	<u>9,712,136</u>	<u>174,325</u>	<u>9,886,461</u>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose restrictions	98,630	(98,630)	-
	<u>9,810,766</u>	<u>75,695</u>	<u>9,886,461</u>
<b>OPERATING EXPENSES:</b>			
Program	8,701,028	-	8,701,028
Management and general	1,345,019	-	1,345,019
Fund-raising	113,564	-	113,564
Total Operating Expenses	<u>10,159,611</u>	<u>-</u>	<u>10,159,611</u>
Change in Net Assets from Operating Activities	<u>(348,845)</u>		
<b>NON-OPERATING ACTIVITIES:</b>			
Investment income	(2,412)	-	(2,412)
Gain on insurance proceeds	-	-	-
Change in Non-operating Net Assets	<u>(2,412)</u>	<u>-</u>	<u>(2,412)</u>
Change in Net Assets	(351,257)	75,695	(275,562)
Net Assets, Beginning of Year	<u>2,462,666</u>	<u>18,068</u>	<u>2,480,734</u>
Net Assets, End of Year	<u><u>\$ 2,111,409</u></u>	<u><u>\$ 93,763</u></u>	<u><u>\$ 2,205,172</u></u>

See notes to financial statements

# DONELSON CHRISTIAN ACADEMY, INC.

## Statements of Cash Flows

	Year Ended May 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 9,142,239	\$ (275,562)
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	540,563	588,057
Amortization of debt issuance costs	-	-
Net realized and unrealized losses (gains) on investments	-	4,091
Gain on insurance proceeds	(9,761,036)	-
Changes in operating assets and liabilities:		
Accounts receivable	(19,611)	(53,034)
Note receivable	15,000	10,000
Prepaid expenses and other assets	6,324	(5,172)
Accounts payable and accrued expenses	(48,879)	57,595
Deferred revenue	(66,895)	(89,583)
Net Cash Provided by Operating Activities	<u>(192,295)</u>	<u>236,392</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(520,153)	(201,464)
Proceeds from insurance	10,153,795	-
Purchase of investments	-	(1,679)
Proceeds from sale of investments	-	128,071
Net Cash Used by Investing Activities	<u>9,633,642</u>	<u>(75,072)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable and line of credit	(109,557)	(865,440)
Proceeds from notes payable and line of credit	-	1,688,714
Proceeds from Paycheck Protection program loan	1,089,085	-
Payments on capital lease obligations	(24,308)	(101,875)
Net Cash Provided by Financing Activities	<u>955,220</u>	<u>721,399</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	10,396,567	882,719
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>949,379</u>	<u>66,660</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>\$ 11,345,946</u></u>	<u><u>\$ 949,379</u></u>

See notes to financial statements



# DONELSON CHRISTIAN ACADEMY, INC.

## Statements of Cash Flows

	Year Ended May 31,	
	2020	2019
The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of cash flows:		
Cash and cash equivalents	\$ 2,300,028	\$ 949,379
Restricted cash	9,045,918	-
Total cash, cash equivalents, and restricted cash reported within the statements of cash flows	<u>\$ 11,345,946</u>	<u>\$ 949,379</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest, none capitalized	<u>\$ 192,922</u>	<u>\$ 191,779</u>
Equipment acquisition financed via capital lease	<u>\$ -</u>	<u>\$ 33,299</u>
Equipment purchased through accounts payable	<u>\$ -</u>	<u>\$ 23,424</u>

See notes to financial statements

# **DONELSON CHRISTIAN ACADEMY, INC.**

## **Notes to Financial Statements**

May 31, 2020 and 2019

### **1. NATURE OF ORGANIZATION:**

Donelson Christian Academy, Inc. (the Academy) was incorporated in the state of Tennessee in 1971. The Academy is a co-educational, college preparatory school from preschool through 12th grade, taught from a nondenominational biblical worldview. The Academy prepares students to access and learn information by providing the latest in technological advancements, as well as provide extracurricular activities such as fine arts, sports, or club co-curricular activities in which 92% of high school students participate. Over 50% of the Academy's faculty hold advanced post-graduate degrees. The Academy is supported primarily via tuition, fees, and the Annual Fund. The Academy is governed by an elected board.

The Academy is classified as a publicly supported organization and, as such, is exempt from income tax under section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to the Academy are tax deductible within limitations prescribed by the Code.

In March 2020, the Academy sustained damage to its campus from a tornado. As a result, operations were interrupted and the Academy received proceeds from their property insurance. The rebuilding process began during April and May 2020 and remains ongoing as of the report date.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Academy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and in money market accounts. These accounts may, at times, exceed federally insured limits. Balances exceeding FDIC limits totaled \$8,960,720 and \$699,875 as of May 31, 2020 and 2019, respectively. Balances totaling \$9,045,918 and \$0 as of May 31, 2020 and 2019, respectively, were restricted for construction. The Academy has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **ACCOUNTS RECEIVABLE**

Accounts receivable represent tuition and fees which have been billed to families of students in accordance with the Academy's policy, and are reported net of any anticipated losses due to uncollectible accounts. Amounts are past due when not paid by the end of the following month. Accounts over 30 days past due may be subject to a late fee of 1.5% per month until the accounts are paid in full. Management's policy regarding unpaid balance states that the Academy reserves the right to refuse a student to re-enroll for a new Academy year.

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ACCOUNTS RECEIVABLE, continued

The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the student, financial condition of the family, other known facts and circumstances, and general economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. Accounts receivable are written off when they are turned over to collections attorneys or are deemed uncollectible due to known financial issues.

#### NOTE RECEIVABLE

Note receivable consists of a promissory note received by the Academy in exchange for the sale of land, and is secured by the land. Management has evaluated the allowance for doubtful accounts and discount to net present value and determined that no allowance or discount was necessary as of May 31, 2020 and 2019.

#### PROPERTY AND EQUIPMENT

Property and equipment is capitalized at its cost at the date of purchase if the cost is in excess of \$1,000. Donated property and equipment is capitalized at its fair value at the date of donation if the value is in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives, ranging from four to fifty years.

#### DEFERRED REVENUE

Deferred tuition and book fee revenue are reported as deferred revenue until such amounts have been earned.

#### CLASS OF NET ASSETS

The financial statements report amounts by class of net assets:

*Net assets without donor restrictions* are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

# **DONELSON CHRISTIAN ACADEMY, INC.**

## **Notes to Financial Statements**

May 31, 2020 and 2019

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

#### **SUPPORT, REVENUE, AND EXPENSES**

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Academy.

The Academy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Academy reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated net assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as reclassifications.

Gifts-in-kind consist of property and securities recognized at fair value on the date of the gift.

The Academy reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Academy have been summarized on a functional basis in Note 8. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

#### **PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Academy was awarded a promissory note as part of the Paycheck Protection Program as created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$1,089,085. Due to the uncertainty regarding loan forgiveness, the Academy has elected to delay recognition of any resulting revenue prior to the approval of a complete forgiveness application by the Small Business Administration.

#### **RECLASSIFICATIONS**

Certain expenses from the prior year have been reclassified to conform to the current year presentation.

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Academy adopted the provisions of this new standard during the year ended May 31, 2020. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total.

3. ACCOUNTS RECEIVABLE–NET:

Accounts receivable–net consist of:

	May 31,	
	2020	2019
Tuition receivable	\$ 395,160	\$ 336,948
Less allowance for doubtful accounts	(136,803)	(98,202)
	<u>\$ 258,357</u>	<u>\$ 238,746</u>

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of the following:

	May 31,	
	2020	2019
Land	\$ 570,265	\$ 570,265
Buildings and improvements	9,850,873	12,209,846
Furniture and fixtures	1,283,120	1,436,012
Equipment	1,480,662	3,320,578
	<u>13,184,920</u>	<u>17,536,701</u>
Less accumulated depreciation	(7,205,790)	(10,879,150)
	<u>5,979,130</u>	<u>6,657,551</u>
Construction in progress	265,252	-
	<u>\$ 6,244,382</u>	<u>\$ 6,657,551</u>

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

5. NOTE PAYABLE-NET:

Note payable and line of credit-net consist of the following:

	May 31,	
	2020	2019
Term loan in the amount of \$4,600,000, entered into April 2019, amortized over 20 years and secured by a first priority deed of trust. The loan bears interest at a fixed rate of 4.99% for six years and then a variable rate thereafter at prime rate (5.5% as of May 31, 2019) plus 0.25%.	\$ 4,486,989	\$ 4,590,418
Less debt issuance costs-net	(6,128)	-
Total note payable-net	<u>\$ 4,480,861</u>	<u>\$ 4,590,418</u>

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

5. NOTE PAYABLE–NET, continued:

Maturities of note payable are as follows:

<u>Years Ended May 31,</u>	<u>Amounts</u>
2021	\$ 36,473
2022	144,793
2023	152,200
2024	159,429
2025	168,144
Thereafter	<u>3,825,950</u>
	<u><u>\$ 4,486,989</u></u>

As described in Note 13, the Academy received full forgiveness for the PPP note payable subsequent to year end, and does not expect to make any payments. Therefore, it is excluded from the maturity schedule.

6. NET ASSETS:

Net assets consist of:

	<u>May 31,</u>	
	<u>2020</u>	<u>2019</u>
Without donor restriction:		
Undesignated	<u><u>\$ 10,897,700</u></u>	<u><u>\$ 2,111,409</u></u>
With donor restriction:		
Lighting project	\$ 31,910	\$ 82,972
Tornado damage rebuild	411,636	-
Soccer	-	3,525
Other	<u>6,165</u>	<u>7,266</u>
	<u><u>\$ 449,711</u></u>	<u><u>\$ 93,763</u></u>

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

7. CAPITAL AND OPERATING LEASES:

The Academy is obligated under capital leases that expire at various dates through August 2023, for certain equipment. The gross amount of equipment and related accumulated amortization recorded under the capital leases was as follows:

	May 31,	
	2020	2019
Equipment	\$ 33,299	\$ 249,056
Less accumulated amortization	(9,474)	(130,006)
	\$ 23,825	\$ 119,050

Future minimum lease payments under future minimum capital lease payments as of May 31, 2019, are:

<u>Years Ended May 31,</u>	<u>Amounts</u>
2021	\$ 9,504
2022	9,504
2023	2,376
	21,384
Less amount representing interest	(967)
Present value of net minimum capital lease payments	\$ 20,417

The Academy is also obligated under an operating lease for certain equipment that expires in August 2025. Future minimum payments as of May 31, 2020 are:

<u>Years Ended May 31,</u>	<u>Amounts</u>
2021	\$ 10,524
2022	10,524
2023	10,524
2024	10,524
2025	1,754
	\$ 43,850

The rent expense for the years ended May 31, 2020 and 2019, was \$16,394 and \$18,368, respectively.



# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

### 8. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Academy. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation and amortization, utilities, insurance, telecommunications, supplies, facilities operations, and repairs and maintenance, and are allocated based on square footage. Other expenses are allocated based on the department incurring the expense. Total expense includes all operating and non-operating expenses.

Functional expenses by natural classification as of May 31, 2020:

	Program	Supporting Activities			Total
		Management and General	Fund-raising	Total	
Salaries and benefits	\$ 5,399,644	\$ 1,128,053	\$ 66,867	\$ 1,194,920	\$ 6,594,564
Occupancy	703,550	3,545	-	3,545	707,095
Supplies	342,126	57,435	3,416	60,851	402,977
Insurance	62,516	49,348	-	49,348	111,864
Interest	192,922	-	-	-	192,922
Utilities	212,120	37,152	-	37,152	249,272
Depreciation	540,562	-	-	-	540,562
Advertising	7,167	37,117	12,477	49,594	56,761
Contracted services	313,224	109,011	2,192	111,203	424,427
Professional services	65	45,466	621	46,087	46,152
Extracurricular supplies and events	590,804	11,306	-	11,306	602,110
Other	55,804	215,579	46,196	261,775	317,579
Total	<u>\$ 8,420,504</u>	<u>\$ 1,694,012</u>	<u>\$ 131,769</u>	<u>\$ 1,825,781</u>	<u>\$ 10,246,285</u>

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

8. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of May 31, 2019:

	Program	Supporting Activities			Total
		Management and General	Fund-raising	Total	
Salaries and benefits	\$ 5,678,012	\$ 988,098	\$ 76,834	\$ 1,064,932	\$ 6,742,944
Occupancy	108,196	2,000	-	2,000	110,196
Supplies	506,106	101,714	947	102,661	608,767
Insurance	117,287	-	-	-	117,287
Interest	188,846	-	-	-	188,846
Utilities	306,558	10,915	-	10,915	317,473
Depreciation	588,057	-	-	-	588,057
Advertising	6,361	40,375	21,584	61,959	68,320
Contracted services	322,574	88,319	220	88,539	411,113
Professional services	58,727	43,521	1,283	44,804	103,531
Extracurricular supplies and events	751,551	860	-	860	752,411
Other	68,753	69,217	12,696	81,913	150,666
Total	<u>\$ 8,701,028</u>	<u>\$ 1,345,019</u>	<u>\$ 113,564</u>	<u>\$ 1,458,583</u>	<u>\$ 10,159,611</u>

# DONELSON CHRISTIAN ACADEMY, INC.

## Notes to Financial Statements

May 31, 2020 and 2019

9. RETIREMENT PLAN:

The Academy has a 403(b) plan for eligible employees. The Academy did not make any discretionary contributions to the plan for the years ended May 31, 2020 and 2019.

10. COMMITMENTS AND CONTINGENCIES:

The Academy has entered into a contract for certain facilities services, under which it is obligated to pay \$100 monthly through March 2021.

11. RELATED PARTY TRANSACTIONS:

The Academy had services performed during the year ended May 31, 2020, by a company owned by two board members. Payments made to the company during the years ended May 31, 2020 and 2019, amounted to \$142,666 and \$1,500, respectively. The total amount payable to the company was \$0 as of May 31, 2020 and 2019. The total amount donated to the Academy by the company was \$3,500 and \$3,225 for the years ended May 31, 2020 and 2019, respectively.

12. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Academy's financial assets as of May 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Academy considers general expenditures to be all expenditures related to its ongoing activities of Christian education as well as the conduct of services undertaken to support those activities to be general expenditures.

The Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Academy also has a \$350,000 line of credit which it could draw upon in the event of an anticipated liquidity need. The line of credit matures April 25, 2021, with interest due monthly and principal due upon maturity. The interest on the line of credit is the prime rate plus 0.25% (3.50% as of May 31, 2020). As of May 31, 2020 and 2019, there was no outstanding balance and no draws had been made on the line of credit.

	May 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 2,300,028	\$ 949,379
Accounts receivable-net	258,357	238,746
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,558,385</u>	<u>\$ 1,188,125</u>

# **DONELSON CHRISTIAN ACADEMY, INC.**

## **Notes to Financial Statements**

May 31, 2020 and 2019

13. **RISKS AND UNCERTAINTIES:**

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Academy for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

As part of the response to the impact of COVID-19, in April 2020, the Academy applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Academy was approved and, in April 2020, received a loan in the amount of \$1,09,085. Based on the provisions included in the CARES Act, the Academy applied for, and received, full forgiveness for the loan in April 2021.

14. **CONCENTRATIONS:**

During the year ended May 31, 2020, approximately 44% of contributions were given by a total of 5 donors.

15. **SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through February 14, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to the year ended May 31, 2020, the Academy capitalized approximately \$14,900,000 in construction costs related to the tornado damage referred to in Note 1. In October 2021, the operating line of credit of \$350,000 was renewed and a new construction line of credit of \$3,350,000 was opened. The outstanding balance on these lines of credit was approximately \$1,886,000 as of the report date. In addition, there was approximately \$2,346,000 in additional insurance proceeds received subsequent to the year ended May 31, 2020.