

**TUPELO CHRISTIAN
PREPARATORY SCHOOL, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2018

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
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Partners

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Tupelo Christian Preparatory School, Inc.
Belden, Mississippi

We have audited the accompanying financial statements of Tupelo Christian Preparatory School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 Tupelo Christian Preparatory School, Inc. as of June 30, 2018, 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.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
January 14, 2019

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Cash and cash equivalents	\$	354,608
Accounts receivable, net		70,280
Unconditional promises to give, net		24,104
Prepaid expenses		25,006
Inventory - concessions		473
Endowment investments		31,441
Property, plant, and equipment		<u>9,323,831</u>
Total assets	\$	<u>9,829,743</u>

LIABILITIES

Line of credit	\$	21,077
Accounts payable		103,661
Accrued expenses		13,905
Custodian accounts		35,986
Deferred revenue		985,290
Note payable		<u>3,382,921</u>
Total liabilities		<u>4,542,840</u>

NET ASSETS

Unrestricted	5,215,137
Temporarily restricted	44,825
Permanently restricted	<u>26,941</u>
Total net assets	<u>5,286,903</u>
Total liabilities and net assets	\$ <u>9,829,743</u>

See accompanying notes to financial statements.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

	2018			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
REVENUES AND OTHER SUPPORT				
Tuition and educational fees, net	\$ 4,414,643	\$	\$	\$ 4,414,643
Contributions	3,500	289,185		292,685
Investment income	340			340
Net realized and unrealized (losses) gains on investments		1,500	776	2,276
Auxiliary enterprises:				
Extended care	24,508			24,508
Athletic fees	40,434			40,434
Other sources	8,081			8,081
PTF and booster club, net	9,072			9,072
Net assets released from restrictions	287,910	(287,910)		0
Total revenues and other support	4,788,488	2,775	776	4,792,039
EXPENSES				
Salaries and wages	2,667,172			2,667,172
Fringe benefits	566,849			566,849
Administrative support	164,781			164,781
Technology	39,006			39,006
Secondary education support	88,638			88,638
Elementary education support	94,877			94,877
Athletic department	27,400			27,400
Facilities and vehicles	223,475			223,475
Other	141,342			141,342
Interest on capital asset related debt	133,801			133,801
Depreciation	486,984			486,984
Total expenses	4,634,325	0	0	4,634,325
Total increase in net assets	154,163	2,775	776	157,714
NET ASSETS, Beginning of year	5,060,974	42,050	26,165	5,129,189
NET ASSETS, End of year	\$ 5,215,137	\$ 44,825	\$ 26,941	\$ 5,286,903

See accompanying notes to financial statements.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 157,714
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized and unrealized losses (gains) on investments	(2,276)
Depreciation	486,984
(Increase) decrease in operating assets:	
Accounts receivable	(12,485)
Other receivables	1,303
Prepaid expenses	(17,589)
Increase (decrease) in operating liabilities:	
Accounts payable	(174,872)
Accrued expenses	(2,729)
Custodian accounts	4,686
Deferred revenue	14,117
Net cash provided by operating activities	<u>454,853</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant, and equipment	<u>(1,155,608)</u>
Net cash used in investment activities	<u>(1,155,608)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of unconditional promises to give - capital campaign	64,659
Proceeds from line of credit	2,334,376
Payments on line of credit	(2,468,061)
Proceeds from notes payable	1,206,091
Payments on notes payable	<u>(194,144)</u>
Net cash provided by financing activities	<u>942,921</u>

Net increase in cash and cash equivalents	242,166
Cash and cash equivalents at beginning of year	<u>112,442</u>
Cash and cash equivalents at end of year	<u>\$ 354,608</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for:	
Interest	<u>\$ 132,037</u>

See accompanying notes to financial statements.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Tupelo Christian Preparatory School, Inc, (the "TCPS") is a nonprofit, charitable organization which exists to provide young people with the development of character and academic excellence from a Christian perspective in a Christian environment. TCPS operates a private Christian School for grades K4 through the 12th grade. The school is located in Belden, Mississippi, and grants credit for tuition and fees to the parents of enrolled children which consist primarily of individuals residing in Northeast Mississippi. TCPS also solicits charitable contributions from donors located primarily in Northeast Mississippi.

Cash and Cash Equivalents

For purposes of the statement of cash flows, TCPS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Promises to Give

Contributions recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property, Plant, and Equipment

TCPS capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property, plant, and equipment are capitalized at cost. Donations of property, plant, and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, TCPS reports expirations of donor restrictions when the donated or acquired assets are placed in service. TCPS reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property, plant, and equipment are depreciated using the straight-line method over their estimated useful lives.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

Tuition and educational fees, net – Student tuition and educational fees are recorded during the year the related academic services are rendered. Student tuition and educational fees received in advance of services to be rendered are recorded as deferred revenue. Financial aid provided by TCPS for tuition and educational fees is reflected as a reduction of tuition and educational fees.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Contributed Services

No amounts have been reflected in the financial statements for donated services.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from management's estimates.

Income Taxes

TCPS is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

TCPS's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Spending Policy

The Board of Directors has adopted a spending policy for endowment assets. The policy defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 75% of the prior year annual earnings, not to exceed \$1,500, can be disbursed. The Endowment Fund is to have returns greater than the proposed distribution plus management fees. If the market value of the Endowment Fund falls to or below the amount of the fund's donor restricted gifts, then the spending policy will be amended in accordance with the guidelines not to exceed the actual earnings of the funds. The Board of Directors may amend this policy.

Advertising

TCPS expenses advertising costs as they are incurred. Advertising expenses were \$21,390 for the year ended June 30, 2018.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable are recorded as tuition and fees for the current or proceeding school years are billed, and consist of amounts TCPS expects to collect on balances outstanding at year-end. Management determines an allowance for doubtful accounts based on historical losses and current economic conditions. Management has determined that the allowance for doubtful accounts is \$4,000 at June 30, 2018. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectable, they are written off through a charge against an existing allowance account or against earnings.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give, net, are summarized as follows for June 30, 2018:

Amounts to be collected in:	
Less than one year	\$ 20,219
One to five years	12,487
	32,706
Less allowance for uncollectible promises to give	(8,602)
	\$ 24,104

NOTE 4 - ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 consist of an endowment fund established to support the TCPS scholarship program. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by TCPS indefinitely and up to 75% of the prior year annual earnings may be expended for scholarship purposes. The historic dollar value of any contributions to the fund must be maintained inviolate.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The composition of endowment net assets and changes in endowment net assets can be found in the financial statements.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS - continued

Investments at June 30, 2018 are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 4,920	\$ 5,370
Mutual funds	21,168	26,071
Total	<u>\$ 26,088</u>	<u>\$ 31,441</u>

Money market funds and mutual funds are valued at the closing price reported in the active market on which the individual securities or funds are traded.

The following schedule summarizes the investment return for the endowment investments and its classification in the statement of activities for the year ended June 30, 2018. Investment expenses for 2018 were \$0.

<u>Investment activity</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Interest & dividends	\$	\$	\$	\$
Net realized and unrealized gain/loss		1,500	776	2,276
Total investment return	<u>\$ 0</u>	<u>\$ 1,500</u>	<u>\$ 776</u>	<u>\$ 2,276</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30, 2018:

Land	\$ 508,713
Buildings and improvements	11,352,933
Furniture and fixtures	211,882
Vehicles	206,202
Machinery and equipment	869,644
Construction in progress	<u>17,915</u>
Property, plant, and equipment	13,167,289
Less: Accumulated depreciation	<u>(3,843,458)</u>
Property, plant, and equipment, net	<u>\$ 9,323,831</u>

TCPS recognized \$486,984 of depreciation expense for the year ended June 30, 2018.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2018:

\$2,650,000 note payable to a bank, bearing interest at 3.25%, capped at 7.25%, with a .5% maximum increase each year, starting June 3, 2015. The note is payable in monthly installments of \$18,698.39 and it is due June 15, 2030 and is secured by real estate	\$ 2,222,497
\$1,2016,091 note payable to a bank, bearing interest at 4.49%, starting August 1, 2017. The note is payable in monthly installments of \$9,276.83 and it is due August 15, 2032 and is secured by real estate	<u>1,160,424</u>
Total debt	3,382,921
Less current maturities	<u>(215,063)</u>
Non-current maturities	<u>\$ 3,167,858</u>

Approximate maturities of new combined note payable during the next five years ending June 30, are as follows:

2019	\$ 215,063
2020	222,935
2021	231,101
2022	239,575
2023	248,367
Thereafter	<u>2,225,880</u>
Total	<u>\$ 3,382,921</u>

Interest expense under all borrowings amounted to \$133,801 for the year ended June 30, 2018 and is reflected on the statement of activities.

NOTE 7 - LINE OF CREDIT

At June 30, 2018, TCPS had a line of credit with a credit limit of \$1,000,000, which was secured by real estate. The line of credit will remain in effect until September 15, 2018, as it must be renewed annually. There was a \$21,077 outstanding balance against this line of credit at June 30, 2018, bearing an interest rate of 4.25%. The rate floats daily with the Wall Street Journal's prime rate, with a 2% maximum increase each time.

TUPELO CHRISTIAN PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - EXPENSES BY FUNCTIONAL CLASSIFICATION

Expenses by functional classification for the year ended June 30, 2018 are as follows:

Program	\$	3,547,444
Administrative		1,005,115
Fundraising		<u>81,766</u>
 Total expenses	 \$	 <u><u>4,634,325</u></u>

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Archery	\$	500
Band		3,000
Baseball		259
Cheer		1,000
Curriculum		891
Diamond Girl		1,081
Girls Basketball		100
Gymnatorium		8,500
Tuition assistance		<u>29,494</u>
 Total temporarily restricted net assets	 \$	 <u><u>44,825</u></u>

Permanently restricted net assets consist of endowment fund cash and investments to be held indefinitely, a portion of the income from which is expendable to support the school's scholarship programs.

NOTE 10 - EMPLOYEE BENEFIT PLAN

TCPS provides a tax-deferred annuity program to full time employees with one year of service. The Organization contributes 1.5% of employee's salary to the plan. Retirement contributions paid in the year ended June 30, 2018 were \$31,713.

NOTE 11 - OPERATING LEASE

TCPS is not committed under operating lease arrangements with non-cancelable lease terms in excess of one year as of June 30, 2018. Rental expense from operating leases amounted to \$13,999.

NOTE 12 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through January 14, 2019, the date on which the financial statements were available to be issued.