



VALLEY CHRISTIAN SCHOOL
SYSTEM AND CALIFORNIA
CHRISTIAN EDUCATION
ENDOWMENT FOUNDATION, INC.

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Valley Christian School System
and California Christian Education Endowment Foundation, Inc.
Cerritos, California

Opinion

We have audited the accompanying consolidated financial statements of Valley Christian School System and California Christian Education Endowment Foundation, Inc., which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Valley Christian School System and California Christian Education Endowment Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements* section of our report. We are required to be independent of Valley Christian School System and California Christian Education Endowment Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Christian School System and California Christian Education Endowment Foundation, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Valley Christian School System
and California Christian Education Endowment Foundation, Inc.
Cerritos, California

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Valley Christian School System and California Christian Education Endowment Foundation, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Christian School System and California Christian Education Endowment Foundation, Inc.'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.

Capin Crouse LLP

Ontario, California
February 29, 2024

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Consolidated Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,550,789	\$ 2,244,643
Investments	1,152,828	1,079,618
Tuition receivable–net	110,953	70,758
Prepaid and other assets	413,069	481,580
Inventory	80,868	62,314
Notes receivable–current portion	4,233,523	3,410,345
	8,542,030	7,349,258
Notes receivable–net of current portion	-	631,000
Financing lease–right-of-use assets	117,520	-
Land, buildings, and equipment–net	11,861,469	12,093,440
	\$ 20,521,019	\$ 20,073,698
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 209,773	\$ 89,599
Accrued expenses	621,672	551,165
Deferred tuition and fee revenue	917,990	908,926
Financing lease obligation–current portion	44,528	-
Notes payable–current portion	-	131,342
	1,793,963	1,681,032
Financing lease obligation–net of current portion	74,203	-
Notes payable–net of current portion	-	292,603
Total liabilities	1,868,166	1,973,635
Net assets:		
Without donor restrictions	17,771,170	17,339,046
With donor restrictions	881,683	761,017
Total net assets	18,652,853	18,100,063
Total Liabilities and Net Assets	\$ 20,521,019	\$ 20,073,698

See notes to consolidated financial statements

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Consolidated Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Tuition and fees—net of discounts and scholarships	\$ 15,146,997	\$ -	\$ 15,146,997	\$ 14,590,721	\$ -	\$ 14,590,721
Contributions	986,930	214,891	1,201,821	1,048,981	355,993	1,404,974
Fundraisers and booster clubs	438,264	-	438,264	504,027	-	504,027
Investment income	332,790	-	332,790	5,368	-	5,368
Rental income	109,226	-	109,226	53,048	-	53,048
Miscellaneous income	504,636	-	504,636	456,702	-	456,702
Government grants	4,716	-	4,716	64,454	-	64,454
Net assets released from restrictions	94,225	(94,225)	-	448,634	(448,634)	-
Total Support, Revenue, and Reclassifications	17,617,784	120,666	17,738,450	17,171,935	(92,641)	17,079,294
EXPENSES:						
Salaries and benefits	11,926,864	-	11,926,864	10,714,116	-	10,714,116
Supplies	1,859,321	-	1,859,321	1,775,534	-	1,775,534
Facilities and transportation	1,286,411	-	1,286,411	1,207,984	-	1,207,984
Depreciation and amortization	893,309	-	893,309	750,099	-	750,099
Information technology	233,799	-	233,799	182,028	-	182,028
Professional fees	114,476	-	114,476	96,493	-	96,493
Advertising and promotion	46,236	-	46,236	37,533	-	37,533
Miscellaneous	825,244	-	825,244	923,220	-	923,220
Total Expenses	17,185,660	-	17,185,660	15,687,007	-	15,687,007
Change in Net Assets	432,124	120,666	552,790	1,484,928	(92,641)	1,392,287
Net Assets, Beginning of Year:	17,339,046	761,017	18,100,063	15,854,118	853,658	16,707,776
Net Assets, End of Year	\$ 17,771,170	\$ 881,683	\$ 18,652,853	\$ 17,339,046	\$ 761,017	\$ 18,100,063

See notes to consolidated financial statements

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 552,790	\$ 1,392,287
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	893,309	750,099
Net realized and unrealized (gain) loss on investments	(117,036)	157,172
Changes in operating assets and liabilities:		
Tuition receivable	(40,195)	(20,515)
Prepays and other assets	68,511	(68,236)
Inventory	(18,554)	(584)
Accounts payable	120,174	(95,433)
Accrued expenses	70,507	60,695
Deferred tuition and fee revenue	9,064	(1,940,258)
Net Cash Provided by Operating Activities	1,538,570	235,227
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of buildings and equipment	(600,602)	(1,213,406)
Advances on notes receivable	(907,629)	(665,868)
Collections on notes receivable	715,451	872,413
Proceeds from investments	43,826	348,578
Purchases of investments	-	(361,221)
Net Cash Used in Investing Activities	(748,954)	(1,019,504)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(439,631)	(405,522)
Principal paid on financing leases	(43,839)	-
Net Cash Used in Financing Activities	(483,470)	(405,522)
Change in Cash and Cash Equivalents	306,146	(1,189,799)
Cash and Cash Equivalents, Beginning of Year	2,244,643	3,434,442
Cash and Cash Equivalents, End of Year	\$ 2,550,789	\$ 2,244,643
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURE:		
Financing lease—right-of-use assets obtained in exchange for financing lease obligations	\$ 162,570	\$ -
Cash paid for interest	\$ 1,457	\$ 50,059

See notes to consolidated financial statements

VALLEY CHRISTIAN SCHOOL SYSTEM AND CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION:

Valley Christian School System (the School) was incorporated in 1935 in California as a not-for-profit corporation. The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is also exempt from state income taxes. Contributions by the public are deductible for income tax purposes. The School has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The School operates a preschool, elementary school, middle school, and a high school. The School's primary source of revenue is tuition and fees. By philosophy, purpose, and design, the School is dedicated to providing a high quality, Christ-centered, educational program consistent with Biblical truth.

The California Christian Education Endowment Foundation, Inc. (the Foundation) is a not-for-profit corporation incorporated in 1966 under the laws of the State of California in order to provide support for the School through the receipt of donations of real estate, securities, and other assets. The Foundation has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements of the School and the Foundation (collectively, the Organization) have been prepared on the accrual basis of accounting. A summary of significant accounting policies followed is described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the School and the Foundation. The Foundation is included in these consolidated financial statements because it meets the control and economic interest criteria as required by U.S. generally accepted accounting principles (GAAP). All material transactions between consolidated entities have been eliminated in the accompanying consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. At June 30, 2023 and 2022, the Organization's cash balances exceeded federally insured limits by approximately \$2,329,000 and \$1,909,000, respectively.

VALLEY CHRISTIAN SCHOOL SYSTEM AND CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

TUITION AND OTHER RECEIVABLES

Tuition receivable represents amounts due for tuition and fees and is stated net of estimated losses due to uncollectible accounts. Beginning in August of each year, tuition is due on the fifteenth and becomes past due on the first of the following month. Past due receivables accrue finance charges.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses. Uncollectible accounts are reported as a reduction to tuition receivable and a reduction to the allowance for doubtful accounts when it is determined the amounts are uncollectible. The allowance for doubtful accounts at June 30, 2023 and 2022, was approximately \$0, and \$2,000, respectively.

INVENTORY

Inventory is stated at the lower of cost or net realizable value, using the first-in, first-out valuation method. Inventory consists of scrip gift cards in the amount of approximately \$59,000 and \$46,000, at June 30, 2023 and 2022, respectively. Inventory also consists of t-shirts that are used for fundraising purposes in the amount of approximately \$22,000 and \$16,000, at June 30, 2023 and 2022, respectively.

INVESTMENTS

Investments are recorded as follows:

- Cash equivalents are carried at the cost plus accrued interest
- Investments in marketable mutual funds and certificates of deposit are carried at fair market value

Certain items meet the definition of cash and cash equivalents but are included in investments because they are part of an investment portfolio. Donated securities are recorded at estimated fair value on the date of the gift and thereafter carried at fair value.

NOTES RECEIVABLE

Notes receivable consist of interest-bearing notes to churches, organizations, and to individuals as directed by the Organization. The notes are unsecured with terms that are due on request up to fifteen years and extended to generate interest income that can be used to fund programs and operations of the School.

The note is considered impaired when, based upon current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the note agreement. Notes are classified as delinquent when payments are 90 days overdue. Delinquent and impaired notes continue to accrue interest unless management has placed them on non-accrual status. Payments on delinquent and impaired notes are recorded first as interest income and then as a reduction in principal. There were no notes that were impaired or refinanced through a troubled debt restructure.

VALLEY CHRISTIAN SCHOOL SYSTEM AND CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE, continued

Notes receivable are reported at net realizable value, which is the principal outstanding less an allowance for loan loss. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb estimated loan losses. Actual losses may vary from estimates. As changes in estimated loan losses occur, the provision to adjust the allowance for loan losses is recorded in bad debt expense. For the years ended June 30, 2023 and 2022, management believed the notes were fully collectible, therefore the allowance for loan losses was zero.

FINANCING LEASE—RIGHT OF USE ASSETS AND OBLIGATIONS

The Organization adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of July 1, 2022, which resulted in the recognition of financing lease right-of-use assets totaling \$117,520 as of June 30, 2023, as well as financing lease obligations totaling \$118,731. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Note 7.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for land, buildings, and equipment over \$2,500 are capitalized at cost. Donated items are reported at the fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The range of useful lives is from 3 to 40 years. Gifts of land, buildings, and equipment are reported as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used.

ACCRUED EXPENSES

Accrued expenses result primarily from accrued wages and benefit liabilities.

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Net assets without donor restrictions are those currently available at the discretion of the board or management for use in the Organization's operations.

Net assets with donor restrictions are those which are stipulated by donors that may or will be satisfied either by actions of the Organization and/or the passage of time. This balance also includes principal stipulated by donors to be invested in perpetuity. The income on the funds is used as specified by the donor and is recorded as net assets with donor restrictions until appropriated for expenditure. Due to the immaterial amount of the endowments, an expanded endowment note disclosure is not presented.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

All contributions are considered without donor restriction and are available for general purposes unless specifically restricted by the donor or subject to legal restrictions.

Contributions are recorded as with donor restriction if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The Organization's policy is to record net assets with donor restrictions that are received and expended in the same accounting period as without donor restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the capital expenditures are placed in service.

SUPPORT, REVENUE, AND EXPENSES

Tuition and fees revenue is recorded when earned, which is when classes occur. Discounts and scholarships are awarded to students, which reduce the amount of revenue recognized. Tuition payments made in advance are deferred as a liability and are included in deferred revenue on the consolidated statements of financial position. Revenue is recognized as the performance obligations are satisfied. The performance obligations for tuition and fees are generally satisfied over time during the academic terms. The Organization measures the performing obligation from the start to the end of the class term. Performance obligations satisfied at a point in time generally relate to non-refundable fees provided at the beginning of the term. The services are recognized when the fees are received or due to the Organization.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Tuition and fees—net of discounts and scholarships revenue consist of:

	Year Ended June 30,	
	2023	2022
Tuition and fees	\$ 17,366,836	\$ 16,714,579
Less discounts and scholarships	(2,219,839)	(2,123,858)
Tuition and fees—net of discounts and scholarships	<u>\$ 15,146,997</u>	<u>\$ 14,590,721</u>

The activity and balances for deposits and deferred revenue from contracts with students are shown in the following table for the Organization.

	Year Ended June 30,	
	2023	2022
Beginning balance	\$ 908,926	\$ 2,849,184
Revenue recognized	(908,926)	(2,849,184)
Payments received for future performance obligations	917,990	908,926
Ending Balance	<u>\$ 917,990</u>	<u>\$ 908,926</u>

Contributions are recorded when cash or unconditional promise-to-give receivable have been received, or ownership of donated assets is transferred to the Organization. The Organization receives non-cash gifts that are recorded as support at the estimated fair market value on the date of the gift. Goods given to the Organization that do not have an objective basis for valuation are not recorded.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

ADVERTISING

The Organization advertises to promote their programs and encourage enrollment. For the years ended June 30, 2023 and 2022, advertising expense was approximately \$46,000 and \$38,000, respectively. Advertising costs are expensed as incurred.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

The preparation of consolidated 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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee is required to recognize assets and liabilities for leases with terms of more than 12 months. The amendments are effective for fiscal years beginning after December 15, 2021. The Organization adopted this update for the year ended June 30, 2023. Some of the Organization's contracts contain the right to control the use of property or assets and are therefore considered leases. The Organization elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. The Organization also elected the practical expedient to not separate lease and non-lease components. The additional lease disclosures can be found in Note 7. The effect of the adjustment to the opening balance of net assets totaled \$1,307. As it was deemed immaterial, the net asset difference was adjusted through miscellaneous on the consolidated statements of activities and functional expenses.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Organization's financial assets 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 Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization also has a line of credit in the amount of \$1,750,000 which it could draw upon. Additionally, the Organization has board designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, could be made available for current operations, if necessary.

	June 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 2,550,789	\$ 2,244,643
Investments	1,152,828	1,079,618
Accounts and other receivables	111,013	116,376
Notes receivable	4,233,523	4,041,345
Financial assets, at year-end	8,048,153	7,481,982
Less those unavailable for general expenditure within one year, due to:		
Notes receivables collectible beyond one year	-	(631,000)
Board designated net assets for renewal and replacement fund	(834,679)	(834,679)
Net assets with donor restrictions:		
Scholarships	(292,742)	(279,892)
Capital projects	(550,635)	(442,819)
Restricted in perpetuity	(38,306)	(38,306)
	(1,716,362)	(2,226,696)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,331,791	\$ 5,255,286

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2023	2022
Investments at fair value:		
Mutual funds	\$ 1,022,183	\$ 1,059,678
Certificates of deposit	129,567	-
	1,151,750	1,059,678
Investments at cost:		
Cash and equivalents	1,078	19,940
	\$ 1,152,828	\$ 1,079,618

Mutual funds consist of shares of publicly traded securities and are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. Certificates of deposit are reported at fair value based on market comparisons, which is Level 2 of the fair value hierarchy.

5. NOTES RECEIVABLE:

Notes receivable classified by interest rates is follows:

	June 30,	
	2023	2022
3 - 4.99%	\$ -	\$ 3,361,709
5 - 6.99%	4,233,523	679,636
	\$ 4,233,523	\$ 4,041,345

Notes receivable mature during the year ending June 30, 2024.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

5. NOTES RECEIVABLE, continued:

The following table presents credit exposure by performance status. Status for performing and nonperforming notes receivable is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Notes receivable are considered to be nonperforming when days delinquent is greater than 90 days in the previous month.

	Year Ended June 30,	
	2023	2022
Performing	\$ -	\$ 679,357
Nonperforming	4,233,523	3,361,988
	\$ 4,233,523	\$ 4,041,345

6. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist:

	June 30,	
	2023	2022
Land	\$ 243,433	\$ 243,433
Buildings and building improvements	22,066,560	21,896,382
Furniture and equipment	1,712,349	1,535,770
Vehicles	1,639,531	1,721,371
	25,661,873	25,396,956
Less accumulated depreciation	(14,016,267)	(13,386,719)
	11,645,606	12,010,237
Construction in process	215,863	83,203
	\$ 11,861,469	\$ 12,093,440

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. FINANCING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases office equipment under various noncancelable financing leases expiring through April 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the date of adoption. The leases require monthly payments of approximately \$4,400.

	<u>June 30, 2023</u>
Financing lease—right-of-use asset	\$ 117,520
Financing lease obligation	\$ 118,731
Financing lease costs:	
Amortization of right-of-use assets	\$ 45,050
Interest on lease liabilities	\$ 1,307
Weighted-average discount rate	0.88%
Weighted-average remaining lease term	2.8 years

Future minimum lease payments required under finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 44,528
2025	41,470
2026	<u>34,186</u>
	120,184
Less imputed interest	<u>(1,453)</u>
	<u>\$ 118,731</u>

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

8. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2023	2022
Unsecured notes payable to an individual with proceeds used to fund the building project. Interest only payments of 3.25% were due quarterly until maturity of March 2023. The note was paid in full during year ended June 30, 2023.	\$ -	\$ 100,000
A \$600,000 unsecured promissory note with a foundation with an interest rate of 4.5%. Principal and interest payments were due in monthly installments of \$3,800. The note was paid in full during year ended June 30, 2023.	-	339,631
Less debt issuance costs	-	(15,686)
	\$ -	\$ 423,945

In July 2016, the School entered into a \$15,000,000 master loan agreement with a bank secured by real property. The master loan agreement matures July 2026. The bank agreed to make new loan advances to the School, provided the aggregate amount of loan advances shall not exceed \$15,000,000. Within the \$15,000,000 master loan agreement, there is an available \$1,750,000 line of credit. The line of credit has an interest rate of 1% over the US prime rate and matures February 2025. The School did not draw on the line of credit during the years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, the balance due to the bank was \$0. As of June 30, 2023 and 2022, the School was in compliance with, or had received waivers for, all loan covenants.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

9. NET ASSETS:

Net assets without donor restrictions consist of the following:

	June 30,	
	2023	2022
Undesignated	\$ 16,936,491	\$ 16,504,367
Renewal and replacement fund	834,679	834,679
	\$ 17,771,170	\$ 17,339,046

Net assets with restrictions were released from restrictions because the purpose restrictions were accomplished as follows:

	Net Assets June 30, 2022	Restricted Contributions	Amounts Released	Net Assets June 30, 2023
Scholarships	\$ 279,892	\$ 24,100	\$ (11,250)	\$ 292,742
Capital projects	442,819	190,791	(82,975)	550,635
Restricted in perpetuity	38,306	-	-	38,306
	\$ 761,017	\$ 214,891	\$ (94,225)	\$ 881,683

10. EMPLOYEE BENEFIT PLANS:

The School participates in a multi-employer defined benefit pension plan (the Plan). The Plan is an ERISA Plan and is required to file Form 5500. The EIN of the multi-employer is 38-1565440. The Plan's fiscal year is from September 1 to August 31. This multi-employer plan, administered by Christian Schools International (CSI), covers substantially all employees working more than 1,000 hours per year. The risks of participating in this multi-employer plan differs from single-employer plans in the following aspects:

- a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c) If one employer chooses to stop participating in the multi-employer plan, it may be required to pay to the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

10. EMPLOYEE BENEFIT PLANS, continued:

The School was notified by CSI of the Plan's underfunding. As of the year ended June 30, 2018, it was determined that the Plan will be "frozen", due to the underfunding. Therefore, as of August 2018, no new employees were eligible to become a participant in the Plan. Furthermore, the Plan will retain the current participant's benefits earned as of August 2019, but no additional benefits may be contributed after this point.

Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities. Pension expense, representing the School's required contributions to the Plan was approximately \$744,000 and \$607,000, in 2023 and 2022, respectively.

The School has joined with a consortium of other participating schools and has agreed to contribute additional funds to the Plan through 2022 to minimize the unfunded status of the Plan. Additionally, the CSI Pension board continues to investigate different investment options to increase the Plan returns as well as ways to decrease the Plan expenses to lower the unfunded liability. For informational purposes, the actuarial present values of accumulated plan benefits and plan assets (assuming a 7.5% rate of return) for this plan as of August 31, 2022 were:

Total plan assets	<u>\$ 739,306,601</u>
Total plan liabilities	<u>\$1,245,115,917</u>

The estimated unfunded liability is approximately \$507,000,000. The School's responsibility is 3.84% of this liability. CSI has notified member schools of a withdrawal liability based on the individual percentage of the Plan contributions. The liability is only applicable if a member school formally withdraws from the Plan. As of June 30, 2023 the School has no plans to withdraw from the Plan. The amount of underfunding described above is an estimate and could change based on changes in the Plan documents, return on assets, and benefit payments.

The School was informed in December 2019, that the United States Congress approved and the President signed a year-end spending bill that includes the Setting Every Community up for Retirement Enhancement Act of 2019, or SECURE Act. The SECURE Act reduces the pension insurance premiums for Cooperation and Small Employer Charity plans such as the CSI Pension Plan. The total value of the savings cannot be accurately calculated at this time.

The School has also established a 403(b) plan. The School allows for all full-time staff and faculty members to contribute on a pre-tax or after tax option to a 403(b) plan. The School began matching up to 1.5% of employee contributions as of September 2019. During the year ended June 30, 2023, the School began matching up to 3.5%. During the years ended June 30, 2023 and 2022, the School contributed approximately \$191,000 and \$140,000, respectively, to the 403(b) plan.

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

11. FUNCTIONAL EXPENSE ALLOCATION:

The costs of providing the various program services and supporting activities have been summarized on a functional basis by natural classification. Accordingly, certain costs, including payroll and related benefits, interest, utilities, and depreciation, have been allocated among the program services and supporting activities. For the years ended June 30, 2023 and 2022, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent, square footage, and benefits derived as deemed appropriate. The following tables presents expenses by both their nature and function:

	Year Ended June 30, 2023			
	Program	General and Administration	Fundraising	Total
Salaries and benefits	\$ 9,933,216	\$ 1,965,648	\$ 28,000	\$ 11,926,864
Supplies	1,859,321	-	-	1,859,321
Facilities and transportation	1,276,381	10,030	-	1,286,411
Depreciation and amortization	893,309	-	-	893,309
Information technology	233,197	602	-	233,799
Professional fees	-	114,476	-	114,476
Advertising and promotion	-	46,236	-	46,236
Miscellaneous	60,671	507,002	257,571	825,244
	<u>\$ 14,256,095</u>	<u>\$ 2,643,994</u>	<u>\$ 285,571</u>	<u>\$ 17,185,660</u>

	Year Ended June 30, 2022			
	Program	General and Administration	Fundraising	Total
Salaries and benefits	\$ 8,908,625	\$ 1,777,491	\$ 28,000	\$ 10,714,116
Supplies	1,775,534	-	-	1,775,534
Facilities and transportation	1,192,482	15,502	-	1,207,984
Depreciation and amortization	750,099	-	-	750,099
Information technology	179,974	2,054	-	182,028
Professional fees	-	96,493	-	96,493
Advertising and promotion	-	37,533	-	37,533
Miscellaneous	88,832	577,028	257,360	923,220
	<u>\$ 12,895,546</u>	<u>\$ 2,506,101</u>	<u>\$ 285,360</u>	<u>\$ 15,687,007</u>

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 29, 2024, which represents the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Valley Christian School System
and California Christian Education Endowment Foundation, Inc.
Cerritos, California

We have audited the consolidated financial statements of Valley Christian School System and California Christian Education Endowment Foundation, Inc. as of and for the years ended June 30, 2023 and 2022, and our report thereon dated February 29, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities, and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Ontario, California
February 29, 2024

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Financial Position

	Year Ended June 30, 2023		
	School	Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,537,282	\$ 13,507	\$ 2,550,789
Investments	1,152,828	-	1,152,828
Tuition receivable–net	110,953	-	110,953
Prepays and other assets	413,069	-	413,069
Inventory	80,868	-	80,868
Notes receivable–current portion	-	4,233,523	4,233,523
	4,295,000	4,247,030	8,542,030
Notes receivable–net of current portion	-	-	-
Operating lease–right-of-use assets	117,520	-	117,520
Land, buildings, and equipment–net	11,861,469	-	11,861,469
Total Assets	\$ 16,273,989	\$ 4,247,030	\$ 20,521,019
LIABILITIES AND NET ASSETS:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 209,773	\$ -	\$ 209,773
Accrued expenses	621,672	-	621,672
Deferred tuition and fee revenue	917,990	-	917,990
Financing lease obligation–current portion	44,528	-	44,528
	1,793,963	-	1,793,963
Financing lease obligation–net of current portion	74,203	-	74,203
Total liabilities	1,868,166	-	1,868,166
Net assets:			
Without donor restrictions	13,569,751	4,201,419	17,771,170
With donor restrictions	836,072	45,611	881,683
Total net assets	14,405,823	4,247,030	18,652,853
Total Liabilities and Net Assets	\$ 16,273,989	\$ 4,247,030	\$ 20,521,019

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Financial Position

	Year Ended June 30, 2022		
	School	Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,161,703	\$ 82,940	\$ 2,244,643
Investments	1,079,618	-	1,079,618
Tuition receivable–net	70,758	-	70,758
Prepays and other assets	481,580	-	481,580
Inventory	62,314	-	62,314
Notes receivable–current portion	-	3,410,345	3,410,345
	3,855,973	3,493,285	7,349,258
Notes receivable–net of current portion	-	631,000	631,000
Land, buildings, and equipment–net	12,093,440	-	12,093,440
Total Assets	\$ 15,949,413	\$ 4,124,285	\$ 20,073,698
LIABILITIES AND NET ASSETS:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 89,599	\$ -	\$ 89,599
Accrued expenses	551,165	-	551,165
Deferred tuition and fee revenue	908,926	-	908,926
Notes payable - current portion	131,342	-	131,342
	1,681,032	-	1,681,032
Notes payable - net of current portion	292,603	-	292,603
Total liabilities	1,973,635	-	1,973,635
Net assets:			
Without donor restrictions	13,260,372	4,078,674	17,339,046
With donor restrictions	715,406	45,611	761,017
Total net assets	13,975,778	4,124,285	18,100,063
Total Liabilities and Net Assets	\$ 15,949,413	\$ 4,124,285	\$ 20,073,698

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Activities

	Year Ended June 30, 2023			Total
	School	Foundation	Eliminations	
SUPPORT, REVENUE, AND RECLASSIFICATIONS:				
Tuition and fees	\$ 17,366,836	\$ -	\$ -	\$ 17,366,836
Less discounts and scholarships	(2,219,839)	-	-	(2,219,839)
	15,146,997	-	-	15,146,997
Contributions	1,301,821	-	(100,000)	1,201,821
Fundraisers and booster clubs	438,264	-	-	438,264
Investment income	107,442	225,348	-	332,790
Rental income	109,226	-	-	109,226
Miscellaneous income	504,591	45	-	504,636
Government grant	4,716	-	-	4,716
Total Support, Revenue, and Eliminations	17,613,057	225,393	(100,000)	17,738,450
EXPENSES:				
Salaries and benefits	11,926,864	-	-	11,926,864
Supplies	1,859,321	-	-	1,859,321
Facilities and transportation	1,286,411	-	-	1,286,411
Depreciation and amortization	893,309	-	-	893,309
Information technology	233,799	-	-	233,799
Professional fees	114,476	-	-	114,476
Advertising and promotion	46,236	-	-	46,236
Miscellaneous	822,596	102,648	(100,000)	825,244
Total Expenses	17,183,012	102,648	(100,000)	17,185,660
Change in Net Assets	430,045	122,745	-	552,790
Net Assets, Beginning of Year	13,975,778	4,124,285	-	18,100,063
Net Assets, End of Year	<u>\$ 14,405,823</u>	<u>\$ 4,247,030</u>	<u>\$ -</u>	<u>\$ 18,652,853</u>

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Activities

	Year Ended June 30, 2022			
	School	Foundation	Eliminations	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:				
Tuition and fees	\$ 16,714,579	\$ -	\$ -	\$ 16,714,579
Less discounts and scholarships	(2,123,858)	-	-	(2,123,858)
	14,590,721	-	-	14,590,721
Contributions	1,743,618	26,386	(365,030)	1,404,974
Fundraisers and booster clubs	504,027	-	-	504,027
Investment income	(155,305)	160,673	-	5,368
Rental income	53,048	-	-	53,048
Miscellaneous income	456,665	37	-	456,702
Government grant	64,454	-	-	64,454
Total Support, Revenue, and Eliminations	17,257,228	187,096	(365,030)	17,079,294
EXPENSES:				
Salaries and benefits	10,714,116	-	-	10,714,116
Supplies	1,775,534	-	-	1,775,534
Facilities and transportation	1,207,984	-	-	1,207,984
Depreciation and amortization	750,099	-	-	750,099
Information technology	182,028	-	-	182,028
Professional fees	96,493	-	-	96,493
Advertising and promotion	37,533	-	-	37,533
Miscellaneous	918,566	369,684	(365,030)	923,220
Total Expenses	15,682,353	369,684	(365,030)	15,687,007
Change in Net Assets	1,574,875	(182,588)	-	1,392,287
Net Assets, Beginning of Year	12,400,903	4,306,873	-	16,707,776
Net Assets, End of Year	<u>\$ 13,975,778</u>	<u>\$ 4,124,285</u>	<u>\$ -</u>	<u>\$ 18,100,063</u>

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Cash Flows

	Year Ended June 30, 2023		
	School	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 430,045	\$ 122,745	\$ 552,790
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	893,309	-	893,309
Net realized and unrealized gain on investments	(117,036)	-	(117,036)
Changes in operating assets and liabilities:			
Tuition receivable	(40,195)	-	(40,195)
Prepaid and other assets	68,511	-	68,511
Inventory	(18,554)	-	(18,554)
Accounts payable	120,174	-	120,174
Accrued expenses	70,507	-	70,507
Deferred tuition and fee revenue	9,064	-	9,064
Net Cash Provided by Operating Activities	1,415,825	122,745	1,538,570
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of buildings and equipment	(600,602)	-	(600,602)
Advances on notes receivable	-	(907,629)	(907,629)
Collections on notes receivable	-	715,451	715,451
Proceeds from investments	43,826	-	43,826
Net Cash Used in Investing Activities	(556,776)	(192,178)	(748,954)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on notes payable	(439,631)	-	(439,631)
Principal paid on financing leases	(43,839)	-	(43,839)
Net Cash Used in Financing Activities	(483,470)	-	(483,470)
Change in Cash and Cash Equivalents	375,579	(69,433)	306,146
Cash and Cash Equivalents, Beginning of Year	2,161,703	82,940	2,244,643
Cash and Cash Equivalents, End of Year	\$ 2,537,282	\$ 13,507	\$ 2,550,789
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURE:			
Operating lease–right-of-use assets obtained in exchange for operating lease obligations	\$ 162,570	\$ -	\$ 162,570
Cash paid for interest	\$ 1,457	\$ -	\$ 1,457

**VALLEY CHRISTIAN SCHOOL SYSTEM AND
CALIFORNIA CHRISTIAN EDUCATION ENDOWMENT FOUNDATION, INC.**

Supplemental Consolidating Statements of Cash Flows

	Year Ended June 30, 2022		
	School	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 1,574,875	\$ (182,588)	\$ 1,392,287
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	750,099	-	750,099
Net realized and unrealized loss on investments	157,172	-	157,172
Changes in operating assets and liabilities:			
Tuition receivable	(20,515)	-	(20,515)
Prepaid and other assets	(68,236)	-	(68,236)
Inventory	(584)	-	(584)
Accounts payable	(95,433)	-	(95,433)
Accrued expenses	60,695	-	60,695
Deferred tuition and fee revenue	(1,940,258)	-	(1,940,258)
Net Cash Provided (Used) by Operating Activities	417,815	(182,588)	235,227
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of buildings and equipment	(1,213,406)	-	(1,213,406)
Advances on notes receivable	-	(665,868)	(665,868)
Collections on notes receivable	-	872,413	872,413
Proceeds from investments	348,578	-	348,578
Purchases of investments	(361,221)	-	(361,221)
Net Cash Provided (Used) by Investing Activities	(1,226,049)	206,545	(1,019,504)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on notes payable	(405,522)	-	(405,522)
Net Cash Used in Financing Activities	(405,522)	-	(405,522)
Change in Cash and Cash Equivalents	(1,213,756)	23,957	(1,189,799)
Cash and Cash Equivalents, Beginning of Year	3,375,459	58,983	3,434,442
Cash and Cash Equivalents, End of Year	\$ 2,161,703	\$ 82,940	\$ 2,244,643
SUPPLEMENTAL DISCLOSURE:			
Cash paid for interest	\$ 50,059	\$ -	\$ 50,059