



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

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

**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

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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Directors
Valley Christian School System
and California Christian Education Endowment Foundation, Inc.
Cerritos, California

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Valley Christian School System and California Christian Education Endowment Foundation, Inc. as of June 30, 2021 and 2020, and the consolidated 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.

Capin Crouse LLP

Brea, California
October 21, 2021

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

Consolidated Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,434,442	\$ 2,925,031
Tuition receivable–net	50,243	118,333
Other receivables	127,987	7,834
Prepaid and other assets	285,357	116,018
Inventory	61,730	86,844
Notes receivable–current portion	3,214,486	2,724,921
	7,174,245	5,978,981
Investments	1,224,147	595,031
Notes receivable–net of current portion	1,033,404	1,422,398
Land, buildings, and equipment–net	11,626,369	11,751,092
	\$ 21,058,165	\$ 19,747,502
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 185,032	\$ 155,971
Accrued expenses	490,470	476,490
Deferred tuition and fee revenue	2,849,184	2,727,773
Notes payable–current portion	308,121	277,106
	3,832,807	3,637,340
Notes payable–net of current portion	517,582	566,937
	4,350,389	4,204,277
Net assets:		
Without donor restrictions	15,854,118	14,869,548
With donor restrictions	853,658	673,677
	16,707,776	15,543,225
Total Liabilities and Net Assets	\$ 21,058,165	\$ 19,747,502

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,					
	2021			2020		
	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	\$ 12,094,394	\$ -	\$ 12,094,394	\$ 13,018,720	\$ -	\$ 13,018,720
Contributions	863,946	328,381	1,192,327	923,966	148,229	1,072,195
Fundraisers and booster clubs	157,239	-	157,239	476,728	-	476,728
Investment income	322,886	-	322,886	233,554	-	233,554
Rental income	121,260	-	121,260	148,646	-	148,646
Miscellaneous income	148,109	-	148,109	313,768	-	313,768
Government grant	90,712	-	90,712	1,509,745	-	1,509,745
Loss on disposal of assets	5,273	-	5,273	(846,892)	-	(846,892)
Net assets released from restrictions	148,400	(148,400)	-	331,494	(331,494)	-
Total Support, Revenue, and Reclassifications	13,952,219	179,981	14,132,200	16,109,729	(183,265)	15,926,464
EXPENSES:						
Salaries and benefits	9,501,090	-	9,501,090	9,774,759	-	9,774,759
Supplies	892,421	-	892,421	1,648,050	-	1,648,050
Facilities and transportation	869,535	-	869,535	1,129,913	-	1,129,913
Depreciation and amortization	736,831	-	736,831	735,554	-	735,554
Information technology	159,096	-	159,096	138,023	-	138,023
Professional fees	87,226	-	87,226	98,317	-	98,317
Advertising and promotion	22,847	-	22,847	49,946	-	49,946
Miscellaneous	698,603	-	698,603	930,778	-	930,778
Total Expenses	12,967,649	-	12,967,649	14,505,340	-	14,505,340
Change in Net Assets	984,570	179,981	1,164,551	1,604,389	(183,265)	1,421,124
Net Assets, Beginning of Year:	14,869,548	673,677	15,543,225	13,265,159	856,942	14,122,101
Net Assets, End of Year	<u>\$ 15,854,118</u>	<u>\$ 853,658</u>	<u>\$ 16,707,776</u>	<u>\$ 14,869,548</u>	<u>\$ 673,677</u>	<u>\$ 15,543,225</u>

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,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,164,551	\$ 1,421,124
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	736,831	735,554
Gain on disposal of fixed assets	(5,273)	-
Write-off of construction in progress	-	852,542
Net realized and unrealized (gain) loss on investments	(102,006)	(2,180)
Gain on forgiveness of Paycheck Protection Program loan	-	(1,509,745)
Net change in:		
Tuition receivable	68,090	11,013
Other receivables	(120,153)	45,797
Prepays and other assets	(169,339)	(40,646)
Inventory	25,114	(11,673)
Accounts payable	29,061	61,398
Accrued expenses	13,980	(89,787)
Deferred tuition and fee revenue	121,411	(518,150)
Net Cash Provided by Operating Activities	1,762,267	955,247
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of buildings and equipment	(610,571)	(912,475)
Advances on notes receivable	(1,331,353)	(1,588,277)
Collections on notes receivable	1,230,782	1,846,090
Proceeds from sale of fixed assets	7,500	-
Proceeds from investments	133,275	117,157
Purchases of investments	(660,385)	(97,889)
Net Cash Used in Investing Activities	(1,230,752)	(635,394)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections on promises-to-give	-	1,509,745
Payments on notes payable	(22,104)	(776,135)
Notes payable additions	-	755,000
Net Cash (Used in) Provided by Financing Activities	(22,104)	1,488,610

(continued)

See notes to consolidated financial statements

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

Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Change in Cash and Cash Equivalents	509,411	1,808,463
Cash and Cash Equivalents, Beginning of Year	<u>2,925,031</u>	<u>1,116,568</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,434,442</u>	<u>\$ 2,925,031</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 37,246</u>	<u>\$ 60,910</u>
Non-cash transaction to recognize loan forgiveness	<u>\$ -</u>	<u>\$ 1,509,745</u>

See notes to consolidated financial statements

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 (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, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by approximately \$3,167,000 and \$2,594,000, respectively. The Organization does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

Other receivables represent amounts due for the Employee Retention Credit and various other receivables. Laws and regulations concerning government programs, including the Employee Retention Credit, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

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, 2021 and 2020, was approximately \$2,000 and \$23,000, 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 \$57,000 and \$66,000, at June 30, 2021 and 2020, respectively. Inventory also consists of t-shirts that are used for fundraising purposes in the amount of approximately \$4,000 and \$21,000, at June 30, 2021 and 2020, respectively.

INVESTMENTS

Investments are recorded as follows:

- Certificates of deposit are carried at the cost plus accrued interest
- Investments in marketable fixed income and equity securities 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.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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, 2021 and 2020, management believed the notes were fully collectible, therefore the allowance for loan losses was zero.

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.

DEFERRED TUITION AND FEE REVENUE

Deferred tuition and fee revenue are deposits received in advance for the following school year. Revenue from these deposits is recognized in the year when earned.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PAYCHECK PROTECTION PROGRAM LOAN

The organization was approved for a Paycheck Protection Program loan of approximately \$1,510,000 through the Coronavirus Aid, Relief, and Economic Security Act. The loan accrues interest at 1% per annum and matures two years from the date it was funded. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. During the year ended June 30, 2020, management believed the full loan amount had met the requirements for forgiveness and no longer accrued interest and recognized the full loan amount as government grant income on the consolidated statements of activities.

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.

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.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES

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, 2021 and 2020, advertising expense was approximately \$23,000 and \$50,000, respectively. Advertising costs are expensed as incurred.

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.

RISKS AND UNCERTAINTIES

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donor population and revenue, absenteeism in the Organization's workforce, and a decline in value of assets held by the Organization, including inventories, property and equipment, and marketable securities. The financial impact cannot be estimated at this time.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The Organization adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no material impact to the consolidated financial statements as a result of adoption of ASU 2014-09. This ASU has been applied retrospectively, with no effect on net assets of previously issued consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

3. **LIQUIDITY:**

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, 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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 3,434,442	\$ 2,925,031
Accounts and other receivables	178,230	126,167
Investments	1,224,147	595,031
Notes receivable	4,247,890	4,147,319
Financial assets, at year-end	9,084,709	7,793,548
Less those unavailable for general expenditure within one year, due to:		
Notes receivables collectible beyond one year	(1,033,404)	(1,422,398)
Board designated net assets		
Renewal and replacement fund	(900,288)	(311,707)
Net assets with donor restrictions:		
Scholarships	(285,655)	(250,165)
Capital projects	(529,697)	(385,206)
Restricted in perpetuity	(38,306)	(38,306)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,297,359	\$ 5,385,766

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2021	2020
Investments at fair value:		
Fixed income funds	\$ 545,438	\$ 284,812
Equities and equity funds	581,620	193,852
Other	4,447	48,340
	1,131,505	527,004
Investments at cost:		
Cash equivalents	87,416	62,802
Certificates of deposit	5,226	5,225
	92,642	68,027
	\$ 1,224,147	\$ 595,031

The fair value of investments are based on the framework established in the *Fair Value Measurements and Disclosure* Topic of the FASB Accounting Standards Codification which establishes a three-level hierarchy for determining the fair value. The valuations for each of these levels are determined as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3: Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS, continued:

The following table presents the fair value measurements of the investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Total	Level 1	Level 2
Fixed income funds	\$ 545,438	\$ 545,438	\$ -
Equities and equity funds	581,620	580,620	1,000
Other	4,447	4,447	-
	\$ 1,131,505	\$ 1,130,505	\$ 1,000

The following table presents the fair value measurements of the investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

	Total	Level 1	Level 2
Fixed income funds	\$ 284,812	\$ 284,812	\$ -
Equities and equity funds	193,852	192,852	1,000
Other	48,340	48,340	-
	\$ 527,004	\$ 526,004	\$ 1,000

5. NOTES RECEIVABLE:

Notes receivable classified by interest rates is follows:

	June 30,	
	2021	2020
4.00 - 4.99%	\$ 4,111,537	\$ 3,754,711
5.00 - 6.99%	117,214	369,176
7.00 - 7.99%	-	-
8.00 - 8.50%	19,139	23,432
	\$ 4,247,890	\$ 4,147,319

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. NOTES RECEIVABLE, continued:

Notes receivable at June 30, 2021 will mature as follows:

<u>Year Ending June 30,</u>	
2022	\$ 3,214,486
2023	163,893
2024	285,810
2025	60,920
2026	60,473
Thereafter	462,308
	\$ 4,247,890

6. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 243,433	\$ 243,433
Buildings and building improvements	21,358,398	21,011,562
Furniture and equipment	1,192,221	1,158,440
Vehicles	1,399,409	1,358,799
	24,193,461	23,772,234
Less accumulated depreciation	(12,640,383)	(12,021,142)
	11,553,078	11,751,092
Construction in process	73,291	-
	73,291	-
Total land, buildings, and equipment	\$ 11,626,369	\$ 11,751,092

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

7. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2021	2020
Unsecured notes payable to individuals with proceeds used to fund the building project. Balances range from \$25,000 to \$100,000, and interest rates of 3.25% to 4.75%. Interest only payments are due quarterly until maturity and maturity dates range from March 2022 to September 2022.	\$ 335,000	\$ 335,000
A \$600,000 unsecured promissory note with a foundation with an interest rate of 4.5%. Principal and interest payments are due in monthly installments of \$3,800. The note is due upon demand, or if no demand is made the note matures January 2037.	510,153	532,258
	845,153	867,258
Less debt issuance costs	(19,450)	(23,215)
	\$ 825,703	\$ 844,043

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 2021. During fiscal years ended June 30, 2021 and 2020, the School had drawn and repaid \$0 and \$755,000, respectively against the line of credit. As of June 30, 2021 and 2020, the balance due to the bank was \$0. The Organization is in compliance with all of the covenants as of June 30, 2021 and 2020.

Annual minimum maturities are as follows:

Year Ending June 30,		
2022	\$	308,121
2023		74,183
2024		25,294
2025		26,456
2026		27,672
Thereafter		383,427
	\$	845,153

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

8. NET ASSETS:

Net assets consist of the following:

	June 30,	
	2021	2020
Without donor restrictions:		
Undesignated	\$ 14,953,830	\$ 13,969,950
Designated renewal and replacement fund	900,288	311,707
	\$ 15,854,118	\$ 14,281,657

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

	Net Assets June 30, 2020	Restricted Contributions	Amounts Released	Net Assets June 30, 2021
Scholarships	\$ 250,165	\$ 37,214	\$ (1,724)	\$ 285,655
Capital projects	385,206	291,167	(146,676)	529,697
Restricted in perpetuity	38,306	-	-	38,306
	\$ 673,677	\$ 328,381	\$ (148,400)	\$ 853,658

9. COMMITMENTS:

The School leases office equipment with total monthly payments maturing on various dates through January 2024. Lease expense for the years ended June 30, 2021 and 2020, was approximately \$49,100 and \$60,000, respectively.

Future minimum payments are:

<u>Year Ending June 30,</u>	
2022	\$ 42,775
2023	42,775
2024	40,917
2025	37,972
2026	37,428
	\$ 201,867

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

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 \$489,000 and \$381,000, in 2021 and 2020, respectively.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

10. EMPLOYEE BENEFIT PLANS, continued:

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, 2020 were:

Total plan assets	<u>\$ 766,399,139</u>
Total plan liabilities	<u>\$1,455,518,639</u>

The estimated unfunded liability is approximately \$689 million. The Organization's responsibility is 3.73% 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, 2021 the Organization 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.

In June 2019, the School 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 years ended June 30, 2021 and 2020, the School contributed approximately \$97,000 and \$61,000, respectively, to the 403(b) plan.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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 table presents expenses by both their nature and function for the year ended June 30, 2021:

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 7,889,751	\$ 1,580,787	\$ 30,552	\$ 9,501,090
Supplies	892,421	-		892,421
Facilities and transportation	854,865	14,670	-	869,535
Depreciation and amortization	736,831	-	-	736,831
Information technology	156,114	2,982	-	159,096
Professional fees	-	87,226	-	87,226
Advertising and promotion	-	22,847	-	22,847
Miscellaneous	45,506	514,053	139,044	698,603
Total expenses	<u>\$ 10,575,488</u>	<u>\$ 2,222,565</u>	<u>\$ 169,596</u>	<u>\$ 12,967,649</u>

The following table presents expenses by both their nature and function for the year ended June 30, 2020:

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 8,072,638	\$ 1,683,542	\$ 18,579	\$ 9,774,759
Supplies	1,648,050	-	-	1,648,050
Facilities and transportation	1,121,012	8,901	-	1,129,913
Depreciation and amortization	735,554	-	-	735,554
Information technology	137,443	580	-	138,023
Professional fees	-	98,317	-	98,317
Advertising and promotion	-	49,946	-	49,946
Miscellaneous	95,654	549,333	285,791	930,778
Total expenses	<u>\$ 11,810,351</u>	<u>\$ 2,390,619</u>	<u>\$ 304,370</u>	<u>\$ 14,505,340</u>

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 21, 2021, 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, 2021 and 2020, and our report thereon dated October 21, 2021, 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

Brea, California
October 21, 2021

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

Supplemental Consolidating Statements of Financial Position

	Year Ended June 30, 2021		
	School	Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 3,375,459	\$ 58,983	\$ 3,434,442
Tuition receivable–net	50,243	-	50,243
Other receivables	127,987	-	127,987
Prepays and other assets	285,357	-	285,357
Inventory	61,730	-	61,730
Notes receivable–current portion	-	3,214,486	3,214,486
	3,900,776	3,273,469	7,174,245
Investments	1,224,147	-	1,224,147
Notes receivable–net of current portion	-	1,033,404	1,033,404
Land, buildings, and equipment–net	11,626,369	-	11,626,369
	11,626,369	-	11,626,369
Total Assets	\$ 16,751,292	\$ 4,306,873	\$ 21,058,165
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 185,032	\$ -	\$ 185,032
Accrued expenses	490,470	-	490,470
Deferred tuition and fee revenue	2,849,184	-	2,849,184
Notes payable - current portion	308,121	-	308,121
	3,832,807	-	3,832,807
Notes payable - net of current portion	517,582	-	517,582
	4,350,389	-	4,350,389
Net assets:			
Without donor restrictions	11,774,726	4,079,392	15,854,118
With donor restrictions	626,177	227,481	853,658
	12,400,903	4,306,873	16,707,776
Total Liabilities and Net Assets	\$ 16,751,292	\$ 4,306,873	\$ 21,058,165

(continued)

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

**Supplemental Consolidating Statements of Financial Position
(continued)**

	Year Ended June 30, 2020		
	School	Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,821,075	\$ 103,956	\$ 2,925,031
Tuition receivable–net	118,333	-	118,333
Other receivables	7,834	-	7,834
Prepays and other assets	116,018	-	116,018
Inventory	86,844	-	86,844
Notes receivable–current portion	-	2,724,921	2,724,921
	3,150,104	2,828,877	5,978,981
Investments	595,031	-	595,031
Notes receivable–net of current portion	-	1,422,398	1,422,398
Land, buildings, and equipment–net	11,751,092	-	11,751,092
Total Assets	\$ 15,496,227	\$ 4,251,275	\$ 19,747,502
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 155,971	\$ -	\$ 155,971
Accrued expenses	476,490	-	476,490
Deferred tuition and fee revenue	2,727,773	-	2,727,773
Notes payable - current portion	277,106	-	277,106
	3,637,340	-	3,637,340
Notes payable - net of current portion	566,937	-	566,937
	4,204,277	-	4,204,277
Net assets:			
Without donor restrictions	10,947,395	3,922,153	14,869,548
With donor restrictions	344,555	329,122	673,677
	11,291,950	4,251,275	15,543,225
Total Liabilities and Net Assets	\$ 15,496,227	\$ 4,251,275	\$ 19,747,502

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

Supplemental Consolidating Statements of Activities

	Year Ended June 30, 2021			Total
	School	Foundation	Eliminations	
SUPPORT, REVENUE, AND RECLASSIFICATIONS:				
Tuition and fees	\$ 13,923,657	\$ -	\$ -	\$ 13,923,657
Less discounts and scholarships	(1,829,263)	-	-	(1,829,263)
	12,094,394	-	-	12,094,394
Contributions	1,311,473	136,100	(255,246)	1,192,327
Fundraisers and booster clubs	157,239	-	-	157,239
Investment income	143,635	179,251	-	322,886
Rental income	121,260	-	-	121,260
Miscellaneous income	147,528	581	-	148,109
Government grant	90,712	-	-	90,712
Loss on disposal of assets	5,273	-	-	5,273
Total Support, Revenue, and Eliminations	14,071,514	315,932	(255,246)	14,132,200
EXPENSES:				
Salaries and benefits	9,501,090	-	-	9,501,090
Supplies	892,421	-	-	892,421
Facilities and transportation	869,535	-	-	869,535
Depreciation and amortization	736,831	-	-	736,831
Information technology	159,096	-	-	159,096
Professional fees	87,226	-	-	87,226
Advertising and promotion	22,847	-	-	22,847
Miscellaneous	693,515	260,334	(255,246)	698,603
Total Expenses	12,962,561	260,334	(255,246)	12,967,649
Change in Net Assets	1,108,953	55,598	-	1,164,551
Net Assets, Beginning of Year	11,291,950	4,251,275	-	15,543,225
Net Assets, End of Year	<u>\$ 12,400,903</u>	<u>\$ 4,306,873</u>	<u>\$ -</u>	<u>\$ 16,707,776</u>

(continued)

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

Supplemental Consolidating Statements of Activities
(continued)

	Year Ended June 30, 2020			Total
	School	Foundation	Eliminations	
SUPPORT, REVENUE, AND RECLASSIFICATIONS:				
Tuition and fees	\$ 14,917,994	\$ -	\$ -	\$ 14,917,994
Less discounts and scholarships	(1,899,274)	-	-	(1,899,274)
	13,018,720	-	-	13,018,720
Contributions	1,516,322	6,200	(450,327)	1,072,195
Fundraisers and booster clubs	476,728	-	-	476,728
Investment income	22,194	211,360	-	233,554
Rental income	148,646	-	-	148,646
Miscellaneous income	313,490	278	-	313,768
Government grant	1,509,745	-	-	1,509,745
Loss on disposal of assets	(846,892)	-	-	(846,892)
Total Support, Revenue, and Eliminations	16,158,953	217,838	(450,327)	15,926,464
EXPENSES:				
Salaries and benefits	9,774,759	-	-	9,774,759
Supplies	1,648,050	-	-	1,648,050
Facilities and transportation	1,129,913	-	-	1,129,913
Depreciation and amortization	735,554	-	-	735,554
Information technology	138,023	-	-	138,023
Professional fees	49,946	-	-	49,946
Advertising and promotion	98,317	-	-	98,317
Miscellaneous	923,763	457,342	(450,327)	930,778
Total Expenses	14,498,325	457,342	(450,327)	14,505,340
Change in Net Assets	1,660,628	(239,504)	-	1,421,124
Net Assets, Beginning of Year	9,631,322	4,490,779	-	14,122,101
Net Assets, End of Year	<u>\$ 11,291,950</u>	<u>\$ 4,251,275</u>	<u>\$ -</u>	<u>\$ 15,543,225</u>

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

Supplemental Consolidating Statements of Cash Flows

Year Ended June 30, 2021

	School	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 1,108,953	\$ 55,598	\$ 1,164,551
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	736,831	-	736,831
Gain on disposal of fixed assets	(5,273)	-	(5,273)
Net realized and unrealized gain on investments	(102,006)	-	(102,006)
Net change in:			
Tuition receivable	68,090	-	68,090
Other receivables	(120,153)	-	(120,153)
Prepaid and other assets	(169,339)	-	(169,339)
Inventory	25,114	-	25,114
Accounts payable	29,061	-	29,061
Accrued expenses	13,980	-	13,980
Deferred tuition and fee revenue	121,411	-	121,411
Net Cash Provided by Operating Activities	1,706,669	55,598	1,762,267
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of buildings and equipment	(610,571)	-	(610,571)
Advances on notes receivable	-	(1,331,353)	(1,331,353)
Collections on notes receivable	-	1,230,782	1,230,782
Proceeds from sale of fixed assets	7,500	-	7,500
Proceeds from investments	133,275	-	133,275
Purchases of investments	(660,385)	-	(660,385)
Net Cash Used in Investing Activities	(1,130,181)	(100,571)	(1,230,752)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on notes payable	(22,104)	-	(22,104)
Notes payable additions	-	-	-
Net Cash Used in Financing Activities	(22,104)	-	(22,104)
Change in Cash and Cash Equivalents	554,384	(44,973)	509,411
Cash and Cash Equivalents, Beginning of Year	2,821,075	103,956	2,925,031
Cash and Cash Equivalents, End of Year	\$ 3,375,459	\$ 58,983	\$ 3,434,442

(continued)

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

Supplemental Consolidating Statements of Cash Flows

Year Ended June 30, 2021
(continued)

	<u>School</u>	<u>Foundation</u>	<u>Total</u>
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	<u>\$ 37,246</u>	<u>\$ -</u>	<u>\$ 37,246</u>

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

Supplemental Consolidating Statements of Cash Flows

Year Ended June 30, 2020

	School	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 1,660,628	\$ (239,504)	\$ 1,421,124
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	735,554	-	735,554
Write-off of construction in progress	852,542	-	852,542
Net realized and unrealized gain on investments	(2,180)	-	(2,180)
Gain on forgiveness of Paycheck Protection Program loan	(1,509,745)	-	(1,509,745)
Net change in:			
Tuition receivable	11,013	-	11,013
Other receivables	45,797	-	45,797
Prepaid and other assets	(40,646)	-	(40,646)
Inventory	(11,673)	-	(11,673)
Accounts payable	61,398	-	61,398
Accrued expenses	(89,787)	-	(89,787)
Deferred tuition and fee revenue	(518,150)	-	(518,150)
Net Cash Provided by Operating Activities	1,194,751	(239,504)	955,247
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of buildings and equipment	(912,475)	-	(912,475)
Advances on notes receivable	-	(1,588,277)	(1,588,277)
Collections on notes receivable	-	1,846,090	1,846,090
Proceeds from investments	117,157	-	117,157
Purchases of investments	(97,889)	-	(97,889)
Net Cash Used in Investing Activities	(893,207)	257,813	(635,394)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Paycheck Protection Program loan	1,509,745	-	1,509,745
Payments on notes payable	(776,135)	-	(776,135)
Notes payable additions	755,000	-	755,000
Net Cash Provided by Financing Activities	1,488,610	-	1,488,610
Change in Cash and Cash Equivalents	1,790,154	18,309	1,808,463
Cash and Cash Equivalents, Beginning of Year	1,030,921	85,647	1,116,568
Cash and Cash Equivalents, End of Year	\$ 2,821,075	\$ 103,956	\$ 2,925,031

(continued)

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

Supplemental Consolidating Statements of Cash Flows

Year Ended June 30, 2020
(continued)

	School	Foundation	Total
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	\$ 60,910	\$ -	\$ 60,910
Non-cash transaction to recognize loan forgiveness	\$ 1,509,745	\$ -	\$ 1,509,745