



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**REHOBOTH CHRISTIAN
SCHOOL ASSOCIATION**

**CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

**For the Year Ended June 30, 2018,
With Comparative Totals for 2017**

**REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
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For the Year Ended June 30, 2018**

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**REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
OFFICIAL ROSTER
As of June 30, 2018**

Board of Directors

Myron Lizer	President
James Rich	Vice-President
Eric Begay	Treasurer
George Jacob	Secretary
Priscilla Armstrong	Director
Daisy Arsenault	Director
Vonda Claw	Director
JM DeYoung	Director
Jerrilyn Henry	Director
Tabitha Manuelito	Director
Charlotte Martin	Director



INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Rehoboth Christian School Association,
Rehoboth, New Mexico.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rehoboth Christian School Association, (RCS), (a not-for-profit corporation) and its wholly owned subsidiary (a limited liability corporation) which comprise of the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RCS as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited RCS's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
November 12, 2018

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Consolidated Statement of Financial Position
As of June 30, 2018, With Comparative Totals for 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 114,335	615,826
Restricted cash and cash equivalents	4,371,737	6,507,847
Accounts receivable, net	53,576	42,320
Prepaid expenses	66,315	39,070
Contributions receivable, current	100,000	1,100,000
Inventory	4,291	6,782
Property held for sale	94,407	94,407
Barnabas Foundation annuity gifts receivable	21,718	21,711
Total current assets	<u>4,826,379</u>	<u>8,427,963</u>
Non-Current Assets		
Contributions receivable, non-current	600,000	700,000
Cash surrender value of life insurance policies	67,466	61,157
Investments held for long-term purposes	5,959,629	5,292,155
Total non-current assets	<u>6,627,095</u>	<u>6,053,312</u>
Property and equipment, net	<u>19,559,219</u>	<u>15,828,316</u>
Total assets	<u>\$ 31,012,693</u>	<u>30,309,591</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 64,734	36,179
Accrued expenses	80,855	77,115
Deferred revenue and deposits	147,959	97,614
Present value of annuity agreements	38,571	40,197
Total liabilities	<u>332,119</u>	<u>251,105</u>
Net Assets		
Unrestricted:		
Undesignated	1,712,276	1,154,879
Investment in property and equipment, net of related debt	17,397,002	13,996,876
Temporarily restricted	4,848,854	8,691,204
Permanently restricted	6,722,442	6,215,527
Total net assets	<u>30,680,574</u>	<u>30,058,486</u>
Total liabilities and net assets	<u>\$ 31,012,693</u>	<u>30,309,591</u>

See accompanying notes to consolidated financial statements

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Consolidated Statement of Activities
For the Year Ended June 30, 2018, With Comparative Totals for 2017

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Tuition and fees	\$ 3,145,851	-	-	3,145,851	3,293,614
Less: tuition grants and discounts	(1,354,656)	-	-	(1,354,656)	(1,500,114)
Tuition, net	<u>1,791,195</u>	-	-	1,791,195	1,793,500
Sales	-	-	-	-	82,000
Less: cost of sales	-	-	-	-	(63,300)
Sales, net	<u>-</u>	-	-	-	<u>18,700</u>
Contributions	1,745,741	468,524	713,410	2,927,675	10,309,744
Fundraisers, net of expense	(8,156)	-	-	(8,156)	6,440
Grants	415,150	-	-	415,150	397,413
Rental	109,661	54,665	-	164,326	179,468
Campus program revenue	254,952	112,257	-	367,209	315,988
Investment gains (losses)	1,023	446,801	-	447,824	589,420
Change in value of annuity agreements	(2,782)	-	-	(2,782)	(8,684)
Program related sales	-	-	-	-	1,259
Other	20,017	-	-	20,017	112,178
In-kind - donated accounting services	-	-	-	-	12,000
Gain (loss) on sale of assets	-	-	-	-	(14,616)
Total support and revenue	<u>4,326,801</u>	<u>1,082,247</u>	<u>713,410</u>	6,122,458	<u>13,712,810</u>
Net assets released from restrictions	<u>5,131,092</u>	<u>(4,924,597)</u>	<u>(206,495)</u>	-	-
Expenses					
Program services:					
Instructional	3,167,113	-	-	3,167,113	3,298,817
Auxiliary	834,871	-	-	834,871	832,058
Extra-Curricular	440,571	-	-	440,571	347,419
Total Program Services	<u>4,442,555</u>	-	-	4,442,555	<u>4,478,294</u>
Supporting activities:					
Management and general	751,417	-	-	751,417	832,823
Fund-raising	305,423	-	-	305,423	383,844
Total Supporting Activities	<u>1,056,840</u>	-	-	1,056,840	<u>1,216,667</u>
RDLLC operations	<u>975</u>	-	-	975	<u>3,137</u>
Total expenses	<u>5,500,370</u>	-	-	5,500,370	<u>5,698,098</u>
Change in net assets	3,957,523	(3,842,350)	506,915	622,088	8,014,712
Net assets, beginning of year	15,151,755	8,691,204	6,215,527	30,058,486	22,043,774
Net assets, end of year	<u>\$ 19,109,278</u>	<u>4,848,854</u>	<u>6,722,442</u>	30,680,574	<u>30,058,486</u>

See accompanying notes to consolidated financial statements

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018, With Comparative Totals for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations:		
Tuition paid	\$ 1,830,284	1,803,843
Cash received from sale of lots	-	82,000
Contributions	3,089,915	5,229,291
Fundraiser income	28,742	41,904
Fundraiser direct expense	(36,898)	(35,466)
Grants	415,150	397,413
Rental	164,326	179,468
Campus program revenue	367,209	315,988
Program related sales	-	1,259
Other	20,017	112,178
	5,878,745	8,127,878
Cash disbursed to suppliers and employees	(4,645,056)	(4,739,701)
Net cash provided (used) by operating activities	1,233,689	3,388,177
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments held for long-term purposes	(936,337)	(1,262,362)
Proceeds from sales of investments held for long-term purposes	690,315	974,242
Purchases of property and equipment	(4,563,028)	(3,594,319)
Net cash provided (used) for investing activities	(4,809,050)	(3,882,439)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for capital investments	224,350	4,639,945
Contributions restricted for investment in endowment	713,410	716,875
Net cash provided (used) by financing activities	937,760	5,356,820
Net change in cash and cash equivalents	(2,637,601)	4,862,558
Cash and cash equivalents, beginning of year	7,123,673	2,261,115
Cash and cash equivalents, end of year	\$ 4,486,072	\$ 7,123,673
Change in net assets	\$ 622,088	8,014,712
Adjustments to reconcile net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(937,760)	(5,356,820)
Investment losses (gains)	(447,824)	(589,420)
Bad debt expense	23,590	12,028
Gain (loss) on disposal of property and equipment	-	33,912
Depreciation	832,125	843,605
Change in value of annuity agreements	2,782	8,684
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,256)	10,454
(Increase) decrease in prepaid expenses	(27,245)	22,584
(Increase) decrease in contributions receivable	1,100,000	276,367
(Increase) decrease in inventory	2,491	193
(Increase) decrease in property held for sale	-	63,300
(Increase) decrease in cash surrender value of life insurance policies	(6,309)	(4,707)
(Increase) decrease in Barnabas Foundation annuity gifts receivable	(7)	1,019
Increase (decrease) in accounts payable	28,555	7,064
Increase (decrease) in accrued expenses	3,740	42,064
Increase (decrease) in deferred revenue	50,345	(113)
Increase (decrease) in present value of annuity agreements	(1,626)	3,251
Net cash provided (used) by operating activities	\$ 1,233,689	\$ 3,388,177
Note: This cash flow statement includes cash and cash equivalent activity from unrestricted, temporarily restricted, and permanently restricted cash.		
Supplemental data for non-cash operating activities:		
In-kind contributions	\$ -	12,000

See accompanying notes to consolidated financial statements

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

Note 1—Nature of Activities and Summary of Significant Accounting Policies

A. Organization and Nature of Activities

The mission of Rehoboth Christian School Association (RCS) is to challenge its students to know the Triune God and equip them to love, serve and transform the world in His name. RCS seeks to be vigorously academic, beautifully diverse and thoroughly Christian.

In existence for over 100 years, RCS offers grades K-12 and preschool to families throughout the Four Corners region. Its facilities are located on one campus in Rehoboth, New Mexico. Its operations are financed primarily from contributions, tuition and fees. RCS also provides for the transportation and feeding of students, the latter of which may be on a free and reduced fee basis. The costs for various program and extra-curricular activities are also financed by grants, other fund-raising efforts, ticket sales, and fees.

RCS is a nonprofit organization and is exempt from federal income taxes under section 501(c)(3) of the United States Internal Revenue Code (code) and comparable state law, and has been classified as a publicly supported organization that is not a private foundation under section 509(a) of the code. Contributions to RCS are tax deductible within the limits prescribed by the code.

B. Basis of Accounting

RCS prepares their financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. Principles of Consolidation

The consolidated financial statements of RCS include the combined financial resources and activities of Rehoboth Development, LLC (RDLLC), a single member limited liability corporation which exists to own and develop real estate. RDLLC is organized in the state of New Mexico. Because RCS owns RDLLC, its tax-exempt status applies to the activity of RDLLC as well. RDLLC's revenues are generated primarily from the sale of real estate. All inter-organization balances and transactions have been eliminated in the consolidation.

D. Basis of Presentation

RCS follows the Statement of Financial Accounting Standards (ASC) 958-205, "Financial Statements of Not-for-Profit Schools." RCS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

F. Investments

Investments held for long-term purposes are reported at fair value, which is determined using published exchange market quotations where applicable and using estimated market value when no ready market exists. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies. Investments held for long-term

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

purposes are related to endowment funds. Unrealized gains and losses are included in unrestricted investment income in the consolidated statements of activities unless a donor or law temporarily or permanently restricts their use. Realized gains and losses are determined using the specific identification method.

Alternative investments consist of investments in the Barnabas Foundation and Commonfund and are carried at fair value as determined by the funds' managers, based on information provided by the funds' professional investment managers. In determining fair value, managers utilize the valuation of the underlying investment entities reflected on their respective audited financial statements. The underlying investment entities value securities and other financial instruments at market value when possible, or at fair value as determined by the respective entities' general partners or managers when no market is readily available. The estimated fair values of the investments of the underlying investment entities, which include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

G. Donated Equipment and Services

Contributed professional accounting services with an estimated value of \$0 and \$12,000 for the years ended June 30, 2018 and 2017 are included in contribution income and management and general expenses.

Several other individuals have contributed a significant amount of time to RCS without compensation. No additional amounts have been reflected in the consolidated statements for donated services because they do not meet the criteria for recognition under FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*.

Donated equipment, when applicable, is reflected in the accompanying financial statements as contributions at their estimated values as of the date of receipt.

H. Deferred Revenue

Deferred revenue results from RCS recognizing tuition revenue in the periods in which the related educational instruction is performed. Accordingly, tuition fees received for the next school term are deferred until the instruction commences.

I. Support and Revenue

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

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Contributions are recognized when cash is received, unconditional promises are made, or ownership of donated assets are transferred. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions of assets other than cash are reported at their estimated fair value. RCS reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, at which time a reclassification is made from temporarily restricted net assets to unrestricted net assets.

Revenue from the sale of property is recognized when a minimum of 10 percent of the sales price has been received in cash, the legal rescission period has expired, collectability of the receivable representing the remainder of the sales price is reasonably assured and RDLLC has completed substantially all of its obligations with respect to any development related to the real estate sold. In cases where all development has not been completed, RDLLC recognizes revenue in accordance with the percentage-of-completion method of accounting.

Sales that do not meet the criteria for revenue recognition described above are deferred using the deposit method. Under the deposit method, cash received from customers is classified as a refundable deposit in the liability section of the consolidated statements of financial position until the requirements detailed above are met.

All other revenues are reported when earned.

J. Uncertain Tax Positions

RCS files their Federal Form 990 tax returns in the U.S. federal jurisdiction and is exempt from filing with the online charitable registration in the Office of the Attorney General for the State of New Mexico. RCS's form 990s are generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2015. RCS is not currently under audit nor has RCS been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

K. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with RCS's audited financial statements for the year ended June 30, 2017 from which the summarized information was derived.

L. Reclassifications

Certain reclassifications may have been made to the 2017 summarized financial statement information to conform to the current year presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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M. Cash, Restricted Cash, and Cash Equivalents

Cash, restricted cash, and cash equivalents includes checking, money market and other highly liquid investment accounts. Cash and short-term investments held in certain checking, money market and other highly liquid accounts are reported as investments instead of cash because RCS holds those funds as an endowment. While balances in these accounts may at times exceed federally insured limits, RCS has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these accounts.

N. Receivables

Accounts Receivable

Accounts receivable consists of unpaid student tuition charges and is reported net of any anticipated losses due to uncollectability. The allowance is maintained at a level that, in management's judgment, is adequate to absorb potential losses inherent in the receivables portfolio. The allowance for doubtful accounts is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, payment patterns from the families and general economic conditions. Management maintains an allowance for doubtful accounts of \$7,660 at June 30, 2018 and \$1,250 in 2017, against which account write-offs are charged throughout the year. RCS considers an account to be past due when items billed on the account have not been paid by the due date. All outstanding balances at year-end are considered past due. Past due accounts are subject to internal collection efforts but remain classified as active student accounts until graduation or withdrawal from RCS. No late fee is assessed on past due accounts. Uncollectible accounts are recognized as additions to bad debt expense in the period it is determined the amounts could become uncollectible.

Contributions Receivable

Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value because the present value of the estimated value of the estimated cash flows approximates net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of the various U.S. treasury bills corresponding to the timing of the contributions receivable. Amortization of the discount is included in contributions revenue in the consolidated statements of activities. While some receivables are past due, management believes all contributions receivable balances are fully collectible at June 30, 2018 and 2017; there is, therefore, no allowance for doubtful promises to give.

Barnabas Foundation Annuity Gifts Receivable

Various individuals have created gift annuity contracts with Barnabas Foundations, naming RCS as the beneficiary of the corpus of these agreements. These funds are transferred to RCS when an agreement matures, which usually occurs upon the death(s) of the grantor(s). There were four such agreements at June 30, 2018 and 2017. RCS reports as receivables the gift portion of each contract, which is the value of the donated asset less the present value of payments to be made over the expected remaining lifetime(s) of the beneficiary(ies). Receivable balances are adjusted each year to reflect the effect of actuarial changes to the expected remaining lifetime(s) of the beneficiary(ies).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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O. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. RCS capitalizes all expenditures for property and equipment with a cost of \$1,000 or more. Items with a cost of less than \$1,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

The original buildings and land were granted to RCS in 2000 and were recorded at their estimated fair values of \$7,227,199 and \$1,831,440, respectively. Should RCS cease operations, title to the land and buildings would be granted to Resonate Global Mission of the Christian Reformed Church in North America.

The major classifications of property and equipment and the related depreciable lives are as follows:

Land	indefinite
Land improvements	15 years
Buildings	20-40 years
Furniture	10 years
Computers	5 years
Maintenance equipment	10 years
Vehicles	5 years

P. Impairment of Long-Lived Assets

RCS accounts for long-lived assets in accordance with the provisions of FASB Accounting Standards Codification ASC 360-10 and subsections. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Q. Inventory

Inventory consists of cafeteria food and supplies and is stated at cost using the first-in, first-out method of inventory valuation.

R. Property Held for Sale

Property held for sale consists of land, property development costs and residential real estate held by RDLLC. Costs that clearly relate to land development costs are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, acquisition costs are allocated based on the relative fair values of the parcels before development. Development costs are allocated based on the relative sales values of the parcels.

S. Present Value of Annuity Agreements

Annuity agreements provide for a fixed annual payment for the lives of the donors or their designated beneficiaries. Under an annuity agreement, a donor makes a payment to RCS and is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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entitled to annual payments from RCS thereafter until death. The excess of the amount paid by the donor over the present value of estimated annual payments is reported as contribution revenue and the present value of the estimated payments is reported as a liability at the inception of the agreement. The corpus of these annuity agreements are included with permanently restricted net assets as they are intended to benefit endowments.

For the years ended June 30, 2018 and 2017, the present value of annuities decreased by \$2,782 and decreased by \$8,684, respectively. The present value of the annuity contracts is determined using a 5 percent discount rate and actuarial assumptions based on published life expectancy tables adopted by the Internal Revenue Service.

T. Advertising

RCS expenses advertising costs as they are incurred. Advertising costs totaled \$65,245 and \$52,683 for the years ended June 30, 2018 and 2017, respectively.

U. Fair Value Measurements

ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The carrying amounts of RCS's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of RCS's long-term notes receivable and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary. It is impracticable to estimate the fair value of RCS's financial guarantees because there are no quoted market prices for transactions that are similar in nature.

ASC 820-10 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RCS's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Most investments of RCS are held and managed by the Barnabas Foundation and Commonfund. During the fiscal years ended June 30, 2018 and 2017, holdings with Barnabas Foundation include allocations to Cash Equivalents, Diversified Alternatives Fund, Emerging Market, Global Equities, International Equity, Large Cap U.S., Low Volatility, Opportunistic Fixed Income, Opportunistic – 45 Percent, Private Equities and Small/Mid Cap U.S. funds. Fair values for each of these funds entails utilizing both Level 1 and Level 2 measurement inputs.

Holdings with Commonfund include allocations to its Multi-Strategy Equity and Multi-Strategy Bond funds. Fair values for each of these funds entails utilizing all three levels of measurement inputs; however, the proportion of holdings measured by Level 3 inputs is nominal.

Based on the above information and because Barnabas Foundation and Commonfund provide only monthly valuation and liquidity, management has concluded that the overall classification for fair value measurement for all funds within both of these entities is Level 2.

The following table summarizes the valuation of RCS's financial instruments by the above ASC 820-10 categories as of June 30, 2018:

<u>Type</u>	2018			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Barnabas Foundation	\$ -	1,607,876	-	1,607,876
Commonfund	-	4,051,204	-	4,051,204
Bank money market funds	300,549	-	-	300,549
Cash surrender value of life insurance policies	67,466	-	-	67,466
Total	\$ <u>368,015</u>	<u>5,659,080</u>	<u>-</u>	<u>6,027,095</u>

The following table summarizes the valuation of RCS's financial instruments by the above ASC 820-10 categories as of June 30, 2017:

<u>Type</u>	2017			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Barnabas Foundation	\$ -	1,607,610	-	1,607,610
Commonfund	-	3,040,476	-	3,040,476
Bank money market funds	644,069	-	-	644,069
Cash surrender value of life insurance policies	61,157	-	-	61,157
Total	\$ <u>705,226</u>	<u>4,648,086</u>	<u>-</u>	<u>5,353,312</u>

The financial instruments shown above at Level 1 were valued utilizing quoted market prices. RCS currently has no other financial instruments subject to fair value measurements on a recurring basis.

V. Functional Allocation of Expense

All expenses are reported net of any discounts in the unrestricted class and are recorded when incurred in accordance with the accrual basis of accounting.

The costs of providing the various program services and supporting activities of RCS have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefited from those costs.

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Note 2—Insured Cash And Cash Equivalents.

Cash consisted of the following at year end:

	2018	2017
Operating	\$ 150,402	586,362
Payroll	-	6,103
Money market	12,544	18,320
Capital campaign	4,322,251	6,507,847
Other	875	5,041
Total	<u>\$ 4,486,072</u>	<u>7,123,673</u>

At June 30, 2018, the cash and cash equivalents that were not insured by FDIC was approximately \$4,301,890.

Note 3—Investments

Investments held by RCS are recorded at fair value in investment on the statement of financial position and the change in fair value during the period is recorded in the statement of activities, with the exception of land. The following summarizes the information relating to investments as of June 30, 2018 and June 30, 2017:

	2018		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 301,675	301,675	-
Equity securities	3,940,999	2,669,845	1,271,154
Bonds	1,110,786	1,054,178	56,608
Private equities & alternative investments	606,169	450,856	155,313
Total	<u>\$ 5,959,629</u>	<u>4,476,554</u>	<u>1,483,075</u>
	2017		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 634,584	634,584	-
Equity securities	3,078,134	1,687,516	1,390,618
Bonds	953,594	915,260	38,334
Private equities & alternative investments	625,843	474,514	151,329
Total	<u>\$ 5,292,155</u>	<u>3,711,874</u>	<u>1,580,281</u>

Certain funds held by RCS include alternative investments.

Investments held at Commonfund include investments in securities, limited partnerships and other investment funds for which market quotations may not be readily available. Commonfund also holds certain investments which may be valued by a single market maker. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Additionally, certain of the investments in limited partnerships, investment funds and other debt instruments may be restricted as to resale or may require advance notice for redemption or withdrawal. Commonfund's investments in partnerships are subject to various risk factors arising from the investment activities of the underlying vehicles including market, credit and currency risk. Certain of the investment partnerships owned by Commonfund transact in short sales and various

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domestic and international derivative investments, including forward foreign currency contracts, futures, written and purchased options and swaps, exposing the investment partnership to market risk in excess of the amounts recorded in their financial statements. In addition, credit risk arises from certain options, forwards and swaps from potential counterparty nonperformance. Commonfund invests in securities of foreign companies, which involves special risks including revaluation of currency and future adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid, and their prices more volatile, than those of comparable U.S. companies

Certain of Commonfund's holdings invest in mortgage-backed securities including collateralized mortgage obligations. Yields on mortgage-backed securities are affected by interest and prepayment rates which, in turn, are influenced by a variety of economic, geographical, social and other factors. Maturities on mortgage-backed securities represent stated maturity dates. Actual maturity dates may differ based on prepayment rates. Certain of Commonfund's own investment partnerships may have limited liquidity and only permit redemptions at specified intervals. Such liquidity parameters may impact Commonfund's ability to react quickly to changing market conditions and to meet its own liquidity needs.

Investments held at Barnabas Foundation include funds invested in alternative investments via the Low Volatility Fund.

The Low Volatility Fund invests in a globally diversified selection of hedge funds or hedge fund of funds. The goal of the fund is to generate equity-like returns with half the volatility of the equity markets. The fund may invest in hedge funds or hedge fund of funds that utilize a wide range of complex strategies that may include long/short equities, long/short credit, convertible arbitrage, global macro, enhanced fixed income, event driven, private real estate, private equity, natural resources or merger arbitrage. Performance of the fund shall be measured relative to the HFRI Fund of Funds Index. In addition, the fund's performance shall be expected to generate returns that exceed the total return of the S&P 500 index over full market cycles with a standard deviation of less than half the index.

Note 4—Endowment Fund

In 2010, the State of New Mexico enacted a version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The Board of Directors of RCS has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, RCS classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The earnings of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RCS in a manner consistent with the standard of prudence prescribed by UPMIFA.

In August 2008, the FASB issued FASB ASC-958-210-50-3, *Endowments of Not-for-Profit Schools: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. RCS reviewed the changes to the law regarding net asset classification of endowments. RCS has no changes to its net asset classification as a result of this law as of August 1, 2008.

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In accordance with the Financial Assistance Fund agreement, RCS is required to invest and use the endowment and its earnings to provide financial assistance for qualifying students.

The endowment of RCS consists of a contribution of land, 46 individual funds and one general fund established for student scholarships, two funds for the general operation of RCS and one fund for facilities. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of RCS has interpreted New Mexico Prudent Management of Institutional Funds Act (NM-PMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RCS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by NM-PMIFA. In accordance with NM-PMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization;
- (7) The investment policies of the organization

Endowment net asset composition by type of fund is as follows:

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$	-	997,977	4,891,002	5,888,979
Board-designated funds		1,141,324	-	-	1,141,324
Total	\$	1,141,324	997,977	4,891,002	7,030,303
		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$	-	564,279	4,384,087	4,948,366
Board-designated funds		952,040	-	-	952,040
Total	\$	952,040	564,279	4,384,087	5,900,406

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Changes in endowment net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ 857,303	253,357	3,668,312	4,778,972
Investment return				
Investment income	35,948	16,150	-	52,098
Realized gains	21,537	9,676	-	31,213
Unrealized losses	337,805	151,768	-	489,573
Management fees	(10,306)	(4,630)	-	(14,936)
Total investment return	384,984	172,964	-	557,948
Net rental income	-	12,191	-	12,191
Contributions	-	-	716,875	716,875
Withdrawals		(158,900)	(1,100)	(160,000)
Appropriation of endowment assets for expenditure	(290,247)	290,247	-	-
Other changes				
Cash surrender value of life insurance policies	-	4,707	-	4,707
Life insurance premiums	-	(1,603)	-	(1,603)
Annuity value	-	(8,684)	-	(8,684)
Endowment net assets, June 30, 2017	\$ 952,040	564,279	4,384,087	5,900,406
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	952,040	564,279	4,384,087	5,900,406
Investment return				
Investment income	-	58,268	-	58,268
Realized gains	-	39,607	-	39,607
Unrealized gain	-	320,215	-	320,215
Management fees	-	(13,650)	-	(13,650)
Total investment return	-	404,440	-	404,440
Net rental income	-	10,125	-	10,125
Contributions	189,284	17,209	713,410	919,903
Withdrawals	-	-	(206,495)	(206,495)
Appropriation of endowment assets for expenditure	-	-	-	-
Other changes				
Cash surrender value of life insurance policies	-	6,309	-	6,309
Life insurance premiums	-	(1,603)	-	(1,603)
Annuity value	-	(2,782)	-	(2,782)
Endowment net assets, June 30, 2018	1,141,324	997,977	4,891,002	7,030,303

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Description of amounts classified as permanently and temporarily restricted net assets:

	2018	2017
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by NM-PMIFA and therefore classified as permanently restricted net assets	\$ <u>4,891,002</u>	<u>4,384,087</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a time restriction under NM-PMIFA		
With purpose restrictions	\$ 168,008	114,941
Without purpose restrictions	<u>829,969</u>	<u>449,338</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>997,977</u>	<u>564,279</u>

Funds With Deficiencies

From time to time the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NM-PMIFA requires RCS to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are to be reported in unrestricted net assets. These deficiencies generally result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that is deemed prudent by the board. There were no such deficiencies as of June 30, 2018 and 2017.

Return Objectives and Risk Parameters

The investment objectives of RCS are:

- (1) to preserve the principal value of the endowment fund,
- (2) to provide growth and income by earning a reasonable return on endowment investments
- (3) to invest endowment funds in a manner which is consistent with the needs and circumstances of donors and beneficiaries.

The long-term investment goal is to provide a long-term rate of return on an annualized basis of 5 percent in excess of the rate of inflation as measured by the Consumer Price Index. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, RCS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RCS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

RCS has a policy of appropriating for distribution each year 5 percent of the average fair value of the endowment fund over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, RCS considered the long-term expected return on its endowment. Accordingly, over the long term, RCS expects the current spending policy to allow its endowment to grow at an average of 8 percent annually. This is

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consistent with RCS's objective to maintain the purchasing power of the endowment assets held for donor-specified purposes as well as to provide additional real growth through new gifts and investment return.

Periodically, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires RCS to retain as a fund of perpetual duration. As of June 30, 2018, there was no deficit in the endowment.

Note 5—Contributions Receivable

Promises to give are reported at their realizable value, which approximates their net present value at June 30, 2018 and 2017. Contributions receivable consist of one promise to give at June 30, 2018 and two promises to give at June 30, 2017, from various individuals and entities. See Note 1 for a description of the accounting policy for contributions receivable. These promises to give are due to be collected through 2025 and are reported as contributions receivable in the accompanying consolidated statements of financial position.

Note 6—Property, Equipment, & Depreciation

Property, equipment, and the associated accumulated depreciation as of June 30, 2018 and June 30, 2017 for RCS are as follows:

	2017	Additions	Deletions	2018
Land and land improvements	\$ 6,206,808	1,214	-	6,208,022
Buildings	18,308,432	2,652	-	18,311,084
Furniture	463,427	10,547	-	473,974
Computers	350,727	25,048	-	375,775
Maintenance equipment	205,275	-	-	205,275
Vehicles	365,819	10,600	(91,910)	284,509
Construction in progress	660,505	4,512,967	-	5,173,472
Total property and equipment	<u>26,560,993</u>	<u>4,563,028</u>	<u>(91,910)</u>	31,032,111
Less accumulated depreciation	<u>(10,732,677)</u>	<u>(832,125)</u>	<u>91,910</u>	(11,472,892)
Net property and equipment	<u>\$ 15,828,316</u>	<u>3,730,903</u>	<u>-</u>	19,559,219

Normal maintenance is expensed to repairs and maintenance; improvements and betterments are capitalized and depreciated.

Land and land improvements include \$1,831,440 of permanently restricted land.

Note 7—Leases

During the year ended June 30, 2010, RCS agreed to lease office space to an unrelated party through August 2014 receiving monthly rental payments of \$617. This lease was renewed for an additional five years through August 2019. This lease allows the tenant to terminate the lease at any time, provided it provides ninety-day notice to RCS.

The following represents the RCS investment in rental property at June 30, 2018:

Building	\$ 55,678
Less: accumulated depreciation	<u>(48,718)</u>
	<u>\$ 6,960</u>

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Note 8—Net Asset Classifications

Unrestricted

Unrestricted net assets are those available for current purposes under the direction of the board (undesignated net assets), those designated by the board for specific uses, and those invested in capitalized property and equipment less related debt.

Temporarily Restricted

Temporarily restricted net assets are those subject to donor-imposed stipulations that will be met either by actions of RCS or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Temporarily restricted funds are as follows:

Temporarily Restricted	2017	Additions	Released	2018
Athletic sponsorships	\$ 1,569	18,178	(19,747)	-
Athletic teams	9,589	58,570	(53,607)	14,552
Band	14,154	17,085	(17,207)	14,032
Camp Dunamis	-	1,700	(3,844)	(2,144)
Chaplaincy	9,123	4,435	(10,385)	3,173
Choir	22,749	35,650	(37,272)	21,127
Class accounts	7,631	11,981	(12,261)	7,351
Destination Rehoboth	20,561	11,455	(17,846)	14,170
Elementary and middle school	18,677	6,400	(21,895)	3,182
Facilities	4,780	27,605	(25,695)	6,690
Facilities endowment	90,884	93,230	-	184,114
Food service	1,875	-	-	1,875
General endowment	114,941	53,067	-	168,008
High school building campaign	7,806,786	246,754	(4,491,508)	3,562,032
High school and all school program	33,370	97,932	(52,672)	78,630
Library gifts	343	89	-	432
Pre-K project	2,180	1,560	(275)	3,465
Ropes course	8,564	678	(3,097)	6,145
Scholarships	42,515	59,525	(74,157)	27,883
Student sponsorships	25,391	29,965	(20,391)	34,965
Summer camp	3,383	10,794	(6,733)	7,444
Land acquisition and related expenses	92,312	5,000	(53,345)	43,967
Tuition assistance endowments	358,454	287,401		645,855
Yearbook	1,373	3,193	(2,661)	1,905
	<u>\$ 8,691,204</u>	<u>1,082,247</u>	<u>(4,924,597)</u>	<u>4,848,854</u>

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Permanently Restricted

Permanently restricted net assets are those subject to donor-imposed stipulations to be maintained permanently by RCS. Generally, the donors of these assets permit RCS to use all or part of the income earned on any related investments for general or specific purposes.

Permanently Restricted	2017	Additions	Released/ Transfers	2018
Facilities endowment	\$ 2,016,726	-	(92,964)	1,923,762
General endowment	1,155,437	241,426	(26,463)	1,370,400
Land	1,831,440	-	-	1,831,440
Tuition assistance endowments	1,211,924	471,984	(87,068)	1,596,840
	<u>\$ 6,215,527</u>	<u>713,410</u>	<u>(206,495)</u>	<u>6,722,442</u>

Note 9—Pension Plan

RCS participates in a defined benefit pension plan covering substantially all employees working more than 1,000 hours per year. Under the terms of the plan, RCS contributes for each qualifying employee the equivalent of 10 percent of compensation to the Christian School Pension Plan, a multi-employer plan that is managed by Christian Schools International. Total contributions to this plan by RCS for the years ended June 30, 2018 and 2017 were \$247,191 and \$239,372, respectively. A separate actuarial present value of RCS's position is not available with respect to this plan. However, for informational purposes, the actuarial present value of accumulated benefits and assets (assuming 7.5 percent rate of return) for the Christian School Pension Plan as of August 31, 2017 are as follows:

Actuarial present value of accumulated plan benefits	\$ <u>685,074,412</u>
Net assets available for benefits	\$ <u>717,531,397</u>

Note 10—Concentration

For the years ended June 30, 2018 and 2017, the top ten donors gave 85 percent and 81 percent, respectively, of total contributions.

Note 11—Potential Litigation and Contingencies

RCS is party to various claims and lawsuits arising in the normal course of business. While the outcome of the proceedings cannot be predicted at the release of the audit, RCS believes that any potential liability would be covered through insurance or would be immaterial to the financial statements.

Note 12—Line of Credit

RCS entered into a \$300,000 bank line of credit agreement in August 2017. The line matured in August 2018 and is secured by bank deposits with a fixed rate of interest of 2 percent per annum. This line has been extended to August 2019. RCS did not borrow under this line of credit during the years ended June 30, 2018 or 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 13—Special Events

During the fiscal year ended, the RCS participated in several special events. The income and expenses of the events consist of the following at year end:

Special Events						
		Smile like Jesse Scholarship	MS Event	ES Box Tops and Recycling	ES-MS Fundraiser	Vending Machine
Income	\$	-	-	911	3,500	617
Direct Expense		(1,000)	(1,081)	(870)	(3,189)	(1,238)
Net income/(loss)	\$	<u>(1,000)</u>	<u>(1,081)</u>	<u>41</u>	<u>311</u>	<u>(621)</u>
		Concession Stand	Destination Rehoboth	Campaign Fundraising	Total	
Income	\$	12,259	11,455	-	28,742	
Direct Expense		(11,673)	(17,847)	-	(36,898)	
Net income/(loss)	\$	<u>586</u>	<u>(6,392)</u>	<u>-</u>	<u>(8,156)</u>	

Note 14—Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the financial statements are issued. RCS recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. RCS's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements were available to be issued. Subsequent events were evaluated through November 12, 2018, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY DATA

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Consolidating Statement of Financial Position
For the Year Ended June 30, 2018, With Comparative Totals for 2017

	2018			2017	
	Rehoboth Christian School	Rehoboth Development, LLC	Eliminations	Totals	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 114,335	-	-	114,335	615,826
Restricted cash and cash equivalents	4,371,737	-	-	4,371,737	6,507,847
Accounts receivable, net	53,576	-	-	53,576	42,320
Prepaid expenses	66,315	-	-	66,315	39,070
Due from Rehoboth Development, LLC	14,991	-	(14,991)	-	-
Contributions receivable, current	100,000	-	-	100,000	1,100,000
Inventory	4,291	-	-	4,291	6,782
Note receivable from Rehoboth Development, LLC	79,576	-	(79,576)	-	-
Property held for sale	-	94,407	-	94,407	94,407
Barnabas Foundation annuity gifts receivable	21,718	-	-	21,718	21,711
Total current assets	<u>4,826,539</u>	<u>94,407</u>	<u>(94,567)</u>	<u>4,826,379</u>	<u>8,427,963</u>
Non-Current Assets					
Contributions receivable, non-current	600,000	-	-	600,000	700,000
Cash surrender value of life insurance policies	67,466	-	-	67,466	61,157
Investments held for long-term purposes	5,959,629	-	-	5,959,629	5,292,155
Total non-current assets	<u>6,627,095</u>	<u>-</u>	<u>-</u>	<u>6,627,095</u>	<u>6,053,312</u>
Property and equipment, net	<u>19,559,219</u>	<u>-</u>	<u>-</u>	<u>19,559,219</u>	<u>15,828,316</u>
Total assets	<u>\$ 31,012,853</u>	<u>94,407</u>	<u>(94,567)</u>	<u>31,012,693</u>	<u>30,309,591</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 64,734	-	-	64,734	36,179
Accrued expenses	80,855	-	-	80,855	77,115
Deferred revenue and deposits	147,959	-	-	147,959	97,614
Due to Rehoboth Christian School	-	14,991	(14,991)	-	-
Note payable to Rehoboth Christian School	-	79,576	(79,576)	-	-
Present value of annuity agreements	38,571	-	-	38,571	40,197
Total liabilities	<u>332,119</u>	<u>94,567</u>	<u>(94,567)</u>	<u>332,119</u>	<u>251,105</u>
Net Assets					
Unrestricted:					
Undesignated	1,712,436	(160)	-	1,712,276	1,154,879
Investment in property and equipment, net of related debt	17,397,002	-	-	17,397,002	13,996,876
Temporarily restricted	4,848,854	-	-	4,848,854	8,691,204
Permanently restricted	6,722,442	-	-	6,722,442	6,215,527
Total net assets	<u>30,680,734</u>	<u>(160)</u>	<u>-</u>	<u>30,680,574</u>	<u>30,058,486</u>
Total liabilities and net assets	<u>\$ 31,012,853</u>	<u>94,407</u>	<u>(94,567)</u>	<u>31,012,693</u>	<u>30,309,591</u>

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Consolidating Statement of Activities
For the Year Ended June 30, 2018, With Comparative Totals for 2017

	2018				Rehoboth Development LLC	Eliminations	Totals	2017
	Rehoboth Christian School							
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total				
Revenue and Support								
Tuition and fees	\$ 3,145,851	-	-	3,145,851	-	-	3,145,851	3,293,614
Less: tuition grants and discounts	(1,354,656)	-	-	(1,354,656)	-	-	(1,354,656)	(1,500,114)
Tuition, net	1,791,195	-	-	1,791,195	-	-	1,791,195	1,793,500
Sales	-	-	-	-	-	-	-	82,000
Less: cost of sales	-	-	-	-	-	-	-	(63,300)
Sales, net	-	-	-	-	-	-	-	18,700
Contributions	1,745,741	468,524	713,410	2,927,675	-	-	2,927,675	10,309,744
Fundraisers, net of expenses	(8,156)	-	-	(8,156)	-	-	(8,156)	6,440
Grants	415,150	-	-	415,150	-	-	415,150	397,413
Rental, net	109,661	54,665	-	164,326	-	-	164,326	179,468
Campus program revenue	254,952	112,257	-	367,209	-	-	367,209	315,988
Investment gains (losses)	1,023	446,801	-	447,824	-	-	447,824	589,420
Change in value of annuity agreements	(2,782)	-	-	(2,782)	-	-	(2,782)	(8,684)
Program related sales	-	-	-	-	-	-	-	1,259
Other	20,017	-	-	20,017	-	-	20,017	112,178
In-kind	-	-	-	-	-	-	-	12,000
Gain (loss) on sale of assets	-	-	-	-	-	-	-	(14,616)
Total support and revenue	4,326,801	1,082,247	713,410	6,122,458	-	-	6,122,458	13,712,810
Net assets released from restrictions	5,131,092	(4,924,597)	(206,495)	-	-	-	-	-
Expenses								
Program services:								
Instructional	3,167,113	-	-	3,167,113	-	-	3,167,113	3,298,817
Auxiliary	834,871	-	-	834,871	-	-	834,871	832,058
Extra-Curricular	440,571	-	-	440,571	-	-	440,571	347,419
Total Program Services	4,442,555	-	-	4,442,555	-	-	4,442,555	4,478,294
Supporting activities:								
Management and general	751,417	-	-	751,417	-	-	751,417	832,823
Fund-raising	305,423	-	-	305,423	-	-	305,423	383,844
Total Supporting Activities	1,056,840	-	-	1,056,840	-	-	1,056,840	1,216,667
RDLLC operations	-	-	-	-	975	-	975	3,137
Total expenses	5,499,395	-	-	5,499,395	975	-	5,500,370	5,698,098
Change in net assets	3,958,498	(3,842,350)	506,915	623,063	(975)	-	622,088	8,014,712
Net assets, beginning of year	15,150,940	8,691,204	6,215,527	30,057,671	815	-	30,058,486	22,043,774
Net assets, end of year	\$ 19,109,438	4,848,854	6,722,442	30,680,734	(160)	-	30,680,574	30,058,486

See independent auditor's report and notes to consolidated financial statements

REHOBOTH CHRISTIAN SCHOOL ASSOCIATION
Supplementary Schedule of Functional Expense
For the Year Ended June 30, 2018, With Comparative Totals for 2017

	2018								2017		
			Extra-	Total	Management			Total	RDLLC	Total	Total
	Instructional	Auxiliary	Curricular	Program	& General	Fund-Raising	Supporting	Activities			
Salaries and wages	\$ 1,633,302	250,702	109,401	1,993,405	288,552	136,112	424,664	-	2,418,069	-	2,643,409
Pension plan contributions	172,783	22,375	5,132	200,290	30,646	16,255	46,901	-	247,191	-	239,372
Other employee benefits	210,033	24,213	1,178	235,424	74,183	29,307	103,490	-	338,914	-	333,041
Payroll Taxes	120,082	18,284	7,944	146,310	18,974	11,262	30,236	-	176,546	-	193,839
	2,136,200	315,574	123,655	2,575,429	412,355	192,936	605,291	-	3,180,720	-	3,409,661
Fees for services (non-employees)	4,815	1,972	30,568	37,355	808	528	1,336	-	38,691	-	44,340
Management	1,654	2,042	115	3,811	389	219	608	-	4,419	-	5,623
Legal	-	-	-	-	6,296	-	6,296	-	6,296	-	8,806
Accounting	-	-	-	-	33,562	-	33,562	-	33,562	-	38,125
Investment management fees	-	-	-	-	13,650	-	13,650	-	13,650	-	14,936
Advertising and promotion	-	-	-	-	26,811	38,434	65,245	-	65,245	-	52,683
Office expenses	59,585	21,045	17,953	98,583	27,377	21,035	48,412	-	146,995	-	147,228
Information technology	86,038	21,633	5,974	113,645	20,472	12,054	32,526	-	146,171	-	111,691
Occupancy	160,224	40,286	11,125	211,635	37,710	21,207	58,917	975	271,527	-	372,064
Travel	8,600	171,440	28,881	208,921	7,593	12,173	19,766	-	228,687	-	185,397
Conferences, conventions, and meetings	-	-	-	-	597	-	597	-	597	-	155
Insurance	51,659	12,988	3,587	68,234	13,760	6,837	20,597	-	88,831	-	96,562
Educational activities and programs	61,745	-	1,300	63,045	600	-	600	-	63,645	-	71,740
Bad debt expense	-	-	-	-	23,590	-	23,590	-	23,590	-	12,028
Lunch program	-	100,538	-	100,538	-	-	-	-	100,538	-	100,527
Student activities	61,883	12,910	180,288	255,081	-	-	-	-	255,081	-	180,889
Miscellaneous	-	-	-	-	-	-	-	-	-	-	2,037
Total expenses before depreciation	2,632,403	700,428	403,446	3,736,277	625,570	305,423	930,993	975	4,668,245	975	4,854,492
Depreciation expense	534,710	134,443	37,125	706,278	125,847	-	125,847	-	832,125	-	843,606
Total expenses	\$ 3,167,113	834,871	440,571	4,442,555	751,417	305,423	1,056,840	975	5,500,370	975	5,698,098

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