

# **Lansing Christian School**

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**Consolidated Financial Report  
with Additional Information  
June 30, 2009**

# Lansing Christian School

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## Independent Auditor's Report

To the Board of Directors  
Lansing Christian School

We have audited the accompanying consolidated balance sheet of Lansing Christian School as of June 30, 2009 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Lansing Christian School as of June 30, 2008 were audited by other auditors, whose report dated November 17, 2008 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lansing Christian School at June 30, 2009 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

October 30, 2009

# Lansing Christian School

## Consolidated Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 419,009	\$ 283,509
Accounts receivable:		
Tuition receivable, less allowance for uncollectible amounts of \$167,000 in 2009 and \$131,200 in 2008	50,207	141,189
Receivable from agent - FACTS	279,947	442,736
Other	570	829
Inventory	69,050	58,673
Pledges receivable - Net (Note 2)	21,986	161,047
Prepaid expenses and other current assets	20,417	24,511
Total current assets	<u>861,186</u>	<u>1,112,494</u>
<b>Pledges Receivable - Net (Note 2)</b>	174,131	175,798
<b>Property and Equipment - Net (Note 3)</b>	9,054,223	9,363,128
<b>Investment Held at Capital Region Community Foundation</b>	<u>27,391</u>	<u>31,826</u>
Total assets	<u><b>\$ 10,116,931</b></u>	<u><b>\$ 10,683,246</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 53,642	\$ 63,814
Line of credit (Note 5)	485,026	620,000
Current portion of notes payable (Note 4)	282,120	947,351
Agency funds due to student groups	87,299	111,400
Deferred tuition and fees	454,585	630,810
Accrued liabilities and other	246,506	294,195
Total current liabilities	<u>1,609,178</u>	<u>2,667,570</u>
<b>Long-term Debt - Net of current portion (Note 4)</b>	<u>443,966</u>	<u>35,424</u>
Total liabilities	2,053,144	2,702,994
<b>Net Assets</b>		
Unrestricted	7,585,956	7,359,129
Temporarily restricted (Note 9)	353,837	430,505
Permanently restricted (Note 8)	123,994	190,618
Total net assets	<u>8,063,787</u>	<u>7,980,252</u>
Total liabilities and net assets	<u><b>\$ 10,116,931</b></u>	<u><b>\$ 10,683,246</b></u>

# Lansing Christian School

## Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
<b>Changes in Unrestricted Net Assets</b>		
Unrestricted revenue, gains, and other support:		
Tuition and fees, net of discounts	\$ 2,999,268	\$ 3,021,387
Contributions	395,585	456,562
Athletics	26,937	19,788
Food service	143,564	138,963
Hidden Treasures contributions and other income	49,183	134,702
Hidden Treasures operating revenue	284,562	254,966
Net realized and unrealized gains and losses on investments	4,635	-
Investment income	3,211	7,962
Other	17,235	49,399
Total unrestricted revenue, gains, and other support	3,924,180	4,083,729
<b>Net Assets Released from Restrictions</b>	954,009	437,815
Total unrestricted revenue, gains, other support, and net assets released from restrictions	4,878,189	4,521,544
<b>Expenses</b>		
Program:		
Instructional (Note 10)	2,352,433	2,491,964
Food service	133,763	143,570
Athletics	48,319	57,628
Scholarships and tuition assistance	-	5,000
Management and general:		
Operations, maintenance, and transportation	454,456	530,309
Administration (Note 10)	861,093	1,040,572
Depreciation (Note 3)	375,896	409,612
Hidden Treasures operating expenses	274,046	154,227
Development, public relations, and fund-raising	151,356	27,768
Total expenses	4,651,362	4,860,650
<b>Increase (Decrease) in Unrestricted Net Assets</b>	226,827	(339,106)
<b>Temporarily Restricted Net Assets</b>		
Contributions	628,217	396,060
Fund-raising	177,850	-
Investment income	-	(2,534)
Net assets released from restrictions	(882,735)	(437,815)
<b>Decrease in Temporarily Restricted Net Assets</b>	(76,668)	(44,289)
<b>Permanently Restricted Net Assets</b>		
Contributions	4,650	77,160
Net assets released from restrictions	(71,274)	-
<b>(Decrease) Increase in Permanently Restricted Net Assets</b>	(66,624)	77,160
<b>Increase (Decrease) in Net Assets</b>	83,535	(306,235)
<b>Net Assets - Beginning of year</b>	7,980,252	8,286,487
<b>Net Assets - End of year</b>	<b>\$ 8,063,787</b>	<b>\$ 7,980,252</b>

# Lansing Christian School

## Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2009	June 30, 2008
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 83,535	\$ (306,235)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	375,896	409,613
Loss on sale of property and equipment	19,609	-
Net loss on endowment fund held at Community Foundation	4,435	1,534
Contributed merchandise on hand at year end	(10,377)	(58,673)
Changes in operating assets and liabilities which provided (used) cash:		
Tuition receivable	90,982	103,166
Receivable from agent - FACTS	162,789	(443,565)
Other receivables	259	223
Pledges receivable	140,728	(319,845)
Prepaid expenses and other	4,094	(5,574)
Accounts payable	(10,172)	(27,469)
Agency funds due to student groups	(24,101)	(1,306)
Deferred tuition and fees	(176,225)	264,113
Accrued liabilities and other	(47,689)	42,897
Net cash provided by (used in) operating activities	613,763	(341,121)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(86,600)	(245,027)
Contribution to endowment fund held at Community Foundation	(500)	(1,000)
Distribution from endowment fund held at Community Foundation	500	1,000
Net cash used in investing activities	(86,600)	(245,027)
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit - Net of repayments	(134,974)	620,000
Proceeds from debt	713,282	53,834
Payments on debt	(969,971)	(45,463)
Net cash (used in) provided by financing activities	(391,663)	628,371
<b>Net Increase in Cash and Cash Equivalents</b>	135,500	42,223
<b>Cash and Cash Equivalents - Beginning of year</b>	283,509	241,286
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 419,009</u>	<u>\$ 283,509</u>
<b>Supplemental Disclosure of Cash Flow Information - Cash paid for interest</b>	<u>\$ 55,730</u>	<u>\$ 62,811</u>

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 1 - Nature of Business and Significant Accounting Policies

Lansing Christian School (the "School"), located in Lansing, Michigan, is a not-for-profit organization incorporated on May 21, 1952 under the laws of the State of Michigan. The School is a Christian academic school owned and operated by the Lansing Christian School Association (the "Association"). The Association elects nine school board members who are responsible to the Association for the School's operation. The School is supported primarily through tuition and contributions.

The Lansing Christian School Pilgrim Foundation (the "Foundation") is a not-for-profit organization incorporated in 2007 for the sole purpose of cultivating donor relationships with those who support the mission of the School. The Foundation will raise funds for current Lansing Christian School needs and develop endowments to support the long-term financial health of the School. The Foundation's board is comprised of up to 30 individuals representing both Association members and community members.

Hidden Treasures is a not-for-profit organization incorporated in 2007 for the purpose of making Christian education affordable for families while providing fair salaries for teachers and staff. Hidden Treasures achieves that mission by selling donated items in the Lansing community with proceeds going to provide an annual supplement to teacher and staff salaries at the School.

**Basis of Accounting** - The consolidated financial statements of the School, the Foundation, and Hidden Treasures (collectively, the "Organization") have been prepared on the accrual basis.

**Basis of Presentation** - In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization reports 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.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, money market accounts, and short-term investments with original maturities of three months or less at the date of acquisition. At June 30, 2009 and 2008, \$87,299 and \$111,400, respectively, of the total cash held by the School was held as an agent for student activities and athletic boosters.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Accounts Receivable** - The administration of the School records accounts receivable at net collectible value. Management reviews all the individual student accounts receivable as of June 30, and establishes an allowance for doubtful accounts based on specific assessment of each account as necessary. Accounts receivable are written off when they are determined to be uncollectible based on prior years experience, payment history, and the financial situation of the families. Receivable from agent - FACTS represent tuition amounts collected by a third-party processor not yet remitted to the School.

**Property and Equipment** - Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Property and equipment are defined as assets with an initial cost of more than \$500. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Buildings are depreciated using the straight-line method over 39 years. Land and building improvements are depreciated using the straight-line method over 15 to 20 years. Furniture and fixtures are depreciated using the straight-line method over seven years. Equipment, computers, vehicles, and buses are depreciated using the straight-line method over five to seven years. Software is depreciated using the straight-line method over three years.

**Donated Equipment, Stock, and Services** - Equipment and stock are donated to the School as contributions in the accompanying consolidated financial statements at their estimated value at the date of receipt. Donated services meeting the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been recorded in the consolidated statement of activities and changes in net assets for contributed services. Management believes the net effect of not recording these amounts is immaterial to the consolidated financial statements as a whole.

Merchandise donated to Hidden Treasures is recognized throughout the year when sold as a Hidden Treasures operating revenue. The fair value of unsold merchandise on hand at year end is estimated and reflected as a Hidden Treasures operating revenue item and asset.

**Tuition Income and Fees** - Tuition income and fees are recorded as earned each school year. Tuition and fees received in advance for the ensuing school year are deferred on the consolidated balance sheet.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Contributions** - Contributions, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. 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 statement of activities and changes in net assets as net assets released from restrictions. If a donor restriction expires during the year the contribution is made, the contribution is reported in unrestricted net assets.

**Retirement Plan** - The Christian School Pension Plan and Trust Fund is a defined benefit pension plan established by Christian Schools International for employees of its member schools in the United States of America, including its own employees. Beginning September 2001, the School contributed 4 percent of the annual compensation of each eligible employee to the plan. Separate financial information related to the School's liabilities (if any) under the plan is not available. Employer contributions were \$85,828 and \$84,746 for the years ended June 30, 2009 and 2008, respectively.

**Endowment Fund Held at Community Foundation** - Investments held by The Capital Region Community Foundation for the years ended June 30, 2009 and 2008 are \$27,391 and \$31,826, respectively. This investment arose from an endowment fund set up in 2004. Distributions of spendable income are made to the School upon written request to provide a scholarship to a math student and support to the math program. Amounts received from the Foundation totaled \$500 and \$1,000 for the years ended June 30, 2009 and 2008, respectively. Unspent endowment earnings and distributions are included in temporarily restricted net assets.

**Classification of Net Assets** - Net assets of the School are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the School's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor.

**Tax Status** - The School, the Foundation, and Hidden Treasures are 501(c)(3) corporations and, therefore, are not subject to federal income tax.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Reclassification** - Certain 2008 amounts have been reclassified to conform to the 2009 presentation. These reclassifications had no effect on the June 30, 2008 net assets.

**Allocation of Expenses** - The School adheres to generally accepted accounting principles in reporting expenses by their functional classification. Accordingly, depreciation, operations, and maintenance expenses have been allocated to functional classifications based on building square footage. The method of allocation used is reasonable but other methods could produce different results.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including October 30, 2009, which is the date the consolidated financial statements were issued.

### Note 2 - Pledges Receivable

Pledges receivable consist of the following:

	<u>2009</u>	<u>2008</u>
Contributions collectible in less than one year	\$ 40,092	\$ 200,053
Contributions collectible in more than one year	174,131	175,798
Less allowance for uncollectible amounts	<u>(18,106)</u>	<u>(39,006)</u>
Net contributions receivable	<u>\$ 196,117</u>	<u>\$ 336,845</u>

Pledges receivable represent unconditional promises to give, which have been made by donors but have not been received by the Organization. Pledges receivable classified as long-term have been discounted to present value using a discount rate of 3.5 percent for the years ended June 30, 2009 and 2008.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 3 - Property and Equipment

Cost of land, buildings, and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 884,649	\$ 884,649
Land improvements	147,759	147,759
Buildings	9,940,871	9,940,025
Portable buildings	249,790	252,983
Machinery and equipment	175,831	163,052
Leasehold improvements	159,506	115,595
Transportation equipment	53,288	47,790
Furniture and fixtures	404,605	398,288
Computer equipment and software	257,796	353,520
Total cost	12,274,095	12,303,661
Less accumulated depreciation	<u>(3,219,872)</u>	<u>(2,940,533)</u>
Net land, buildings, and equipment	<u>\$ 9,054,223</u>	<u>\$ 9,363,128</u>

Depreciation expense for the years ended June 30, 2009 and 2008 totaled \$375,896 and \$400,578, respectively.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 4 - Long-term Debt

Long-term debt at June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Mortgage loan payable in monthly installments of \$7,407, including interest at 5.25 percent. The note is subject to a balloon payment of approximately \$922,400. The note is collateralized by the School building, and was refinanced and paid in full in February 2009	\$ -	\$ 936,616
Mortgage loan payable in monthly installments of \$7,439, including interest at 4.24 percent. The note is collateralized by the School building, and subject to a balloon payment of approximately \$304,800 and is due on February 1, 2012	490,662	-
Note payable to a bank in one installment of \$200,000, including interest at 1 percent above the prime rate, for an effective rate of 4.25 percent at June 30, 2009, along with monthly interest-only installments. The note is collateralized by the School building and was paid in full on July 28, 2009	200,000	-
Note payable to a bank in monthly installments of \$476 including interest at 13.8 percent. The note is collateralized by point-of-sale equipment and is due in October 2011	11,344	15,199
Note payable to a bank in monthly installments of \$573 with no interest computed. The note is collateralized by the delivery truck and is due in January 2013	<u>24,080</u>	<u>30,960</u>
Total	<u>726,086</u>	<u>982,775</u>
Less current portion	<u>282,120</u>	<u>947,351</u>
Long-term portion	<u>\$ 443,966</u>	<u>\$ 35,424</u>

Long-term debt matures as follows:

2010	\$ 282,120
2011	85,087
2012	355,439
2013	<u>3,440</u>
Total	<u>\$ 726,086</u>

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 4 - Long-term Debt (Continued)

The note payable related to the purchase of the truck has a stated interest rate that is below market rates. Interest has not been imputed and management believes the net effect is immaterial to the consolidated financial statements.

### Note 5 - Line of Credit

The School has a line of credit collateralized by the School building available at June 30, 2009 and 2008 of \$650,000. The line of credit has an interest rate of 0.75 percent below the prime rate, for an effective rate of 2.50 percent and 4.25 percent at June 30, 2009 and 2008, respectively. During 2009, Hidden Treasures has a line of credit collateralized by the property including insurance proceeds on the property, available at June 30, 2009 of \$15,000. The line of credit has an interest rate of the prime rate, for an effective rate of 3.25 percent at June 30, 2009. The total outstanding balance at June 30, 2009 and 2008 was \$485,026 and \$620,000, respectively.

### Note 6 - Related Party Transactions

The School derives support in the form of tuition and fees, and contributions reported on the consolidated statement of activities and changes in net assets include amounts that were provided by Organization employees and board members. Many of the Organization's employees and board members perform voluntary services for the Organization at no charge. These voluntary services are not reflected in the accompanying consolidated financial statements.

### Note 7 - Operating Leases

The Organization leases equipment under noncancelable operating leases. Hidden Treasures leases its building under an operating lease with a board member.

The total lease expense related to all of these leases for the years ended June 30, 2009 and 2008 were \$99,368 and \$57,125, respectively.

Future payments due under these operating leases are as follows:

Years Ending June 30	Amount
2010	\$ 66,887
2011	66,887
2012	66,887
2013	66,887
2014	66,887
Total	<u>\$ 334,435</u>

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 8 - Restricted Net Assets

Permanently restricted net assets are available for the following purposes:

	2009	2008
Endowment	\$ 36,758	\$ 99,274
Foundation endowment	52,870	50,100
Memorials	6,975	9,418
Community foundation (Rabeler Mathematics Endowment Fund)	27,391	31,826
Total permanently restricted net assets	<u>\$ 123,994</u>	<u>\$ 190,618</u>

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support scholarships and operational expenses.

### Note 9 - Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following:

	2009	2008
Pilgrim fund	\$ 32,864	\$ 215,925
Spiritual staff retreat	1,264	915
Elementary gifted and talented	154	274
Elementary resource room	209	209
Teacher mini grants	1,772	1,842
Endowment distributions not yet expended	1,000	1,000
Community foundation	794	1,731
Elementary library fund	1,152	-
Fine art scholarship fund	5,000	-
Jones Memorial Resource Room Fund	2,443	-
Parent council teacher supplies	2,218	-
LCS bricks for walkway	400	-
Sound system fund	930	-
Pilgrim fund third-party	37,727	-
Benevolence fund	14,222	-
Foundation restricted for learning center	224,223	208,409
Foundation restricted for tuition assistance	27,365	100
Foundation restricted for athletics	100	100
Total	<u>\$ 353,837</u>	<u>\$ 430,505</u>

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 10 - Functional Expenses

Functional expenses consist of the following:

	<u>2009</u>	<u>2008</u>
Secondary education:		
Curriculum	\$ 60,569	\$ 64,907
Payroll	1,099,787	1,087,769
Employee benefits	252,436	275,180
Supplies	15,030	18,976
Activities	34,920	31,867
Subtotal	<u>1,462,742</u>	<u>1,478,699</u>
Elementary education:		
Curriculum	16,790	31,505
Payroll	700,751	794,556
Employee benefits	136,215	158,624
Supplies	26,638	28,580
Activities	9,297	-
Subtotal	<u>889,691</u>	<u>1,013,265</u>
Total instruction	<u>\$ 2,352,433</u>	<u>\$ 2,491,964</u>
Administration - School:		
Support	\$ 176,640	\$ 284,884
General curriculum and training	15,646	38,997
General employee overhead	28,538	34,299
Payroll	450,596	577,359
Employee benefits	74,887	105,033
Subtotal	<u>746,307</u>	<u>1,040,572</u>
Administration - Foundation:		
Payroll	84,741	-
Employee benefits	30,045	-
Subtotal	<u>114,786</u>	<u>-</u>
Total administration	<u>\$ 861,093</u>	<u>\$ 1,040,572</u>

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 11 - Donor Restricted Endowments

Lansing Christian School's endowments are donor-restricted endowment funds which function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 unrestricted net assets unless otherwise specified by the donor. In accordance with UMIFA, the Organization exercises the standard of ordinary business care and prudence when determining the amount of earnings and gains to appropriate for expenditure or to accumulate within the endowment fund. The Organization considers the following factors in exercising the standard of care:

- (1) The long-term and short-term needs of the Organization in carrying out its charitable purpose
- (2) The present and anticipated financial requirements of the Organization
- (3) General economic conditions
- (4) The expected total return on investments
- (5) Other resources of the Organization

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 96,603	\$ 96,603

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 11 - Donor Restricted Endowments (Continued)

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ -	\$ 158,792	\$ 158,792
Contributions	-	-	4,150	4,150
Reclassification of funds	-	-	(66,339)	(66,339)
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,603</u>	<u>\$ 96,603</u>

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,792</u>	<u>\$ 158,792</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ -	\$ 84,114	\$ 84,114
Contributions	-	-	74,678	74,678
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,792</u>	<u>\$ 158,792</u>

#### Return Objectives and Risk Parameters

The Organization has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for tuition assistance at the School.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization 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.

# Lansing Christian School

## Notes to Consolidated Financial Statements June 30, 2009 and 2008

### Note 11 - Donor Restricted Endowments (Continued)

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's board of directors will recommend, annually, an appropriate spending amount which in no event will exceed the investment appreciation including dividends and interest.

### Note 12 - Fair Value

As of July 1, 2009, the Organization adopted Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Organization's consolidated financial statements.

SFAS 157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Organization measures its money market mutual funds and its interest in assets held by the Capital Region Community Foundation at fair value on a recurring basis. The fair value of the money market mutual funds is based on Level 1 inputs and totaled \$29,649 at June 30, 2009. The fair value of the Organization's interest in assets held by the Capital Community Foundation is based primarily on Level 3 inputs as described above.

# **Lansing Christian School**

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## **Notes to Consolidated Financial Statements June 30, 2009 and 2008**

### **Note 12 - Fair Value (Continued)**

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized losses for the interest includes changes in fair value that were attributable to both observable and unobservable inputs. Changes in fair value of the Organization's interest in assets held by the Capital Region Community Foundation totaled (\$4,435) for the year ended June 30, 2009. There were contributions totaling \$500, net interest income of \$667, and net realized and unrealized losses in the amount of (\$5,602) for the year ended June 30, 2009. The fair value of the Organization's interest in assets held by the Capital Region Community Foundation was determined based on the fair value of the underlying assets of the Foundation's investment.

## **Additional Information**

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To the Board of Directors  
Lansing Christian School

We have audited the consolidated financial statements of Lansing Christian School as of June 30, 2009. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated financial statements of Lansing Christian School as of June 30, 2008 were audited by other auditors, whose report dated November 17, 2008 expressed an unqualified opinion on those statements. The consolidating balance sheet, consolidating statement of activities and changes in net assets, and consolidating statement of cash flows are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. The combining information in the accompanying schedules is presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audit of the consolidated financial statements as of June 30, 2009 and, in our opinion, is fairly stated in all material respects in relation to the consolidated consolidated financial statements taken as a whole.

*Plante & Moran, PLLC*

October 30, 2009

# Lansing Christian School

## Consolidating Balance Sheet June 30, 2009 and 2008

Assets	Lansing Christian School		Hidden Treasures		Foundation		Eliminating Entries		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Current Assets</b>										
Cash and cash equivalents	\$ 106,150	\$ 152,689	\$ 11,806	\$ 11,782	\$ 301,053	\$ 119,038	\$ -	\$ -	\$ 419,009	\$ 283,509
Accounts receivable:										
Tuition receivable	50,207	141,189	-	-	-	-	-	-	50,207	141,189
Receivable from agent - FACTS	279,947	442,736	-	-	-	-	-	-	279,947	442,736
Related party receivables	15,615	10,780	-	-	-	-	(15,615)	(10,780)	-	-
Other	-	-	570	829	-	-	-	-	570	829
Inventory	-	-	69,050	58,673	-	-	-	-	69,050	58,673
Pledges receivable - Net	-	9,748	-	-	21,986	151,299	-	-	21,986	161,047
Prepaid expenses and other current assets	13,552	18,937	6,865	5,574	-	-	-	-	20,417	24,511
Total current assets	465,471	776,079	88,291	76,858	323,039	270,337	(15,615)	(10,780)	861,186	1,112,494
Pledges Receivable - Net	-	-	-	-	174,131	175,798	-	-	174,131	175,798
Property and Equipment - Net	8,851,844	9,191,976	202,379	171,152	-	-	-	-	9,054,223	9,363,128
Investment Held at Capital Region Community Foundation	27,391	31,826	-	-	-	-	-	-	27,391	31,826
Total assets	<u>\$ 9,344,706</u>	<u>\$ 9,999,881</u>	<u>\$ 290,670</u>	<u>\$ 248,010</u>	<u>\$ 497,170</u>	<u>\$ 446,135</u>	<u>\$ (15,615)</u>	<u>\$ (10,780)</u>	<u>\$ 10,116,931</u>	<u>\$ 10,683,246</u>
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Trade accounts payable	\$ 49,355	\$ 62,647	\$ 3,283	\$ 1,872	\$ 16,619	\$ 10,075	\$ (15,615)	\$ (10,780)	\$ 53,642	\$ 63,814
Line of credit	475,000	620,000	10,026	-	-	-	-	-	485,026	620,000
Current portion of notes payable	269,526	936,616	12,594	10,735	-	-	-	-	282,120	947,351
Agency funds due to student groups	87,299	111,400	-	-	-	-	-	-	87,299	111,400
Deferred tuition and fees	454,585	630,810	-	-	-	-	-	-	454,585	630,810
Accrued liabilities and other	246,506	294,195	-	-	-	-	-	-	246,506	294,195
Total current liabilities	1,582,271	2,655,668	25,903	12,607	16,619	10,075	(15,615)	(10,780)	1,609,178	2,667,570
Long-term Debt - Net of current portion	421,136	-	22,830	35,424	-	-	-	-	443,966	35,424
<b>Net Assets</b>										
Unrestricted	7,168,026	6,981,799	241,937	199,979	175,993	177,351	-	-	7,585,956	7,359,129
Temporarily restricted	102,149	221,896	-	-	251,688	208,609	-	-	353,837	430,505
Permanently restricted	71,124	140,518	-	-	52,870	50,100	-	-	123,994	190,618
Total net assets	7,341,299	7,344,213	241,937	199,979	480,551	436,060	-	-	8,063,787	7,980,252
Total liabilities and net assets	<u>\$ 9,344,706</u>	<u>\$ 9,999,881</u>	<u>\$ 290,670</u>	<u>\$ 248,010</u>	<u>\$ 497,170</u>	<u>\$ 446,135</u>	<u>\$ (15,615)</u>	<u>\$ (10,780)</u>	<u>\$ 10,116,931</u>	<u>\$ 10,683,246</u>

# Lansing Christian School

## Consolidating Statement of Activities and Changes in Net Assets Years Ended June 30, 2009 and 2008

	Lansing Christian School Unrestricted	Hidden Treasures Unrestricted	Foundation Unrestricted	Subtotal Unrestricted	Eliminations Unrestricted	2009 Total Unrestricted	2008 Total Unrestricted
<b>Changes in Net Assets</b>							
Revenue, gains, and other support:							
Tuition and fees - Net of discounts	\$ 2,999,268	\$ -	\$ -	\$ 2,999,268	\$ -	\$ 2,999,268	\$ 3,021,387
Contributions	350,866	-	349,719	700,585	(305,000)	395,585	456,562
Fund-raising	-	-	-	-	-	-	-
Athletics	26,937	-	-	26,937	-	26,937	19,788
Food service	143,564	-	-	143,564	-	143,564	138,963
Hidden Treasures contributions and other income	-	49,183	-	49,183	-	49,183	134,702
Hidden Treasures operating revenue	-	284,562	-	284,562	-	284,562	254,966
Net realized and unrealized gains and losses on investments	-	-	4,635	4,635	-	4,635	-
Investment income	679	-	2,532	3,211	-	3,211	7,962
Other	17,235	-	-	17,235	-	17,235	49,399
<b>Total revenue, gains, and other support</b>	<b>3,538,549</b>	<b>333,745</b>	<b>356,886</b>	<b>4,229,180</b>	<b>(305,000)</b>	<b>3,924,180</b>	<b>4,083,729</b>
<b>Net Assets Released from Restrictions</b>	<b>760,909</b>	<b>-</b>	<b>193,100</b>	<b>954,009</b>	<b>-</b>	<b>954,009</b>	<b>437,815</b>
<b>Total revenue, gains, other support, and net assets released from restrictions</b>	<b>4,299,458</b>	<b>333,745</b>	<b>549,986</b>	<b>5,183,189</b>	<b>(305,000)</b>	<b>4,878,189</b>	<b>4,521,544</b>
<b>Expenses</b>							
Program:							
Instructional	2,352,433	-	-	2,352,433	-	2,352,433	2,491,964
Food service	133,763	-	-	133,763	-	133,763	143,570
Athletics	48,319	-	-	48,319	-	48,319	57,628
Scholarships and tuition assistance	-	-	305,000	305,000	(305,000)	-	5,000
Other	-	-	-	-	-	-	-
Management and general:							
Operations, maintenance, and transportation	454,456	-	-	454,456	-	454,456	530,309
Administration	746,307	-	114,786	861,093	-	861,093	1,040,572
Depreciation	358,155	17,741	-	375,896	-	375,896	409,612
Hidden Treasures operating expenses	-	274,046	-	274,046	-	274,046	154,227
Development, public relations, and fund-raising	19,798	-	131,558	151,356	-	151,356	27,768
<b>Total expenses</b>	<b>4,113,231</b>	<b>291,787</b>	<b>551,344</b>	<b>4,956,362</b>	<b>(305,000)</b>	<b>4,651,362</b>	<b>4,860,650</b>
<b>Change in Net Assets</b>	<b>186,227</b>	<b>41,958</b>	<b>(1,358)</b>	<b>226,827</b>	<b>-</b>	<b>226,827</b>	<b>(339,106)</b>
<b>Net Assets - Beginning of year</b>	<b>6,981,799</b>	<b>199,979</b>	<b>177,351</b>	<b>7,359,129</b>	<b>-</b>	<b>7,359,129</b>	<b>7,359,129</b>
<b>Net Assets - End of year</b>	<b>\$ 7,168,026</b>	<b>\$ 241,937</b>	<b>\$ 175,993</b>	<b>\$ 7,585,956</b>	<b>\$ -</b>	<b>\$ 7,585,956</b>	<b>\$ 7,020,023</b>

# Lansing Christian School

## Consolidating Statement of Activities and Changes in Net Assets (Continued) Years Ended June 30, 2009 and 2008

	Lansing Christian School Temporarily Restricted	Foundation Temporarily Restricted	Total Temporarily Restricted	Lansing Christian School Permanently Restricted	Foundation Permanently Restricted	Total Permanently Restricted	2009 Total	2008 Total
<b>Changes in Net Assets</b>								
Revenue, gains, and other support:								
Tuition and fees - Net of discounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,999,268	\$ 3,021,387
Contributions	569,888	58,329	628,217	1,880	2,770	4,650	1,028,452	929,782
Fund-raising	-	177,850	177,850	-	-	-	177,850	-
Athletics	-	-	-	-	-	-	26,937	19,788
Food service	-	-	-	-	-	-	143,564	138,963
Hidden Treasures contributions and other income	-	-	-	-	-	-	49,183	134,702
Hidden Treasures operating revenue	-	-	-	-	-	-	284,562	254,966
Net realized and unrealized gains and losses on investments	-	-	-	-	-	-	4,635	-
Investment income	-	-	-	-	-	-	3,211	5,428
Other	-	-	-	-	-	-	17,235	49,399
<b>Total revenue, gains, and other support</b>	<b>569,888</b>	<b>236,179</b>	<b>806,067</b>	<b>1,880</b>	<b>2,770</b>	<b>4,650</b>	<b>4,734,897</b>	<b>4,554,415</b>
<b>Net Assets Released from Restrictions</b>	<b>(689,635)</b>	<b>(193,100)</b>	<b>(882,735)</b>	<b>(71,274)</b>	<b>-</b>	<b>(71,274)</b>	<b>-</b>	<b>-</b>
<b>Total revenue, gains, other support, and net assets released from restrictions</b>	<b>(119,747)</b>	<b>43,079</b>	<b>(76,668)</b>	<b>(69,394)</b>	<b>2,770</b>	<b>(66,624)</b>	<b>4,734,897</b>	<b>4,554,415</b>
<b>Expenses</b>								
Program:								
Instructional	-	-	-	-	-	-	2,352,433	2,491,964
Food service	-	-	-	-	-	-	133,763	143,570
Athletics	-	-	-	-	-	-	48,319	57,628
Scholarships and tuition assistance	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	5,000
Management and general:								
Operations, maintenance, and transportation	-	-	-	-	-	-	454,456	530,309
Administration	-	-	-	-	-	-	861,093	1,040,572
Depreciation	-	-	-	-	-	-	375,896	409,612
Hidden Treasures operating expenses	-	-	-	-	-	-	274,046	154,227
Development, public relations, and fund-raising	-	-	-	-	-	-	151,356	27,768
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,651,362</b>	<b>4,860,650</b>
<b>Change in Net Assets</b>	<b>(119,747)</b>	<b>43,079</b>	<b>(76,668)</b>	<b>(69,394)</b>	<b>2,770</b>	<b>(66,624)</b>	<b>83,535</b>	<b>(306,235)</b>
<b>Net Assets - Beginning of year</b>	<b>221,896</b>	<b>208,609</b>	<b>430,505</b>	<b>140,518</b>	<b>50,100</b>	<b>190,618</b>	<b>7,980,252</b>	<b>8,286,487</b>
<b>Net Assets - End of year</b>	<b>\$ 102,149</b>	<b>\$ 251,688</b>	<b>\$ 353,837</b>	<b>\$ 71,124</b>	<b>\$ 52,870</b>	<b>\$ 123,994</b>	<b>\$ 8,063,787</b>	<b>\$ 7,980,252</b>

# Lansing Christian School

## Consolidating Statement of Cash Flows Years Ended June 30, 2009 and 2008

	Lansing Christian School		Hidden Treasures		Foundation		Consolidated Totals	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Cash Flows from Operating Activities</b>								
Increase (decrease) in net assets	\$ (2,914)	\$ (942,274)	\$ 41,958	\$ 199,979	\$ 44,491	\$ 436,060	\$ 83,535	\$ (306,235)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:								
Depreciation	358,155	400,579	17,741	9,034	-	-	375,896	409,613
Loss on sale of property and equipment	19,609	-	-	-	-	-	19,609	-
Net loss on endowment fund held at Community Foundation	-	1,534	-	-	4,435	-	4,435	1,534
Contributed merchandise on hand at year end	-	-	(10,377)	(58,673)	-	-	(10,377)	(58,673)
Changes in operating assets and liabilities which provided (used) cash:								
Tuition receivable	90,982	103,166	-	-	-	-	90,982	103,166
Receivable from agent	162,789	(453,516)	-	(124)	-	10,075	162,789	(443,565)
Other receivables	-	223	259	-	-	-	259	223
Pledges receivable	9,748	7,252	-	-	130,980	(327,097)	140,728	(319,845)
Prepaid expenses and other	5,385	-	(1,291)	(5,574)	-	-	4,094	(5,574)
Accounts payable	(13,292)	(28,636)	(704)	1,167	3,824	-	(10,172)	(27,469)
Agency funds due to student groups	(24,101)	(1,306)	-	-	-	-	(24,101)	(1,306)
Deferred tuition and fees	(176,225)	264,113	-	-	-	-	(176,225)	264,113
Accrued liabilities and other	(47,689)	42,897	-	-	-	-	(47,689)	42,897
Net cash provided by (used in) operating activities	382,447	(605,968)	47,586	145,809	183,730	119,038	613,763	(341,121)
<b>Cash Flows from Investing Activities</b>								
Purchase of property and equipment	(37,632)	(64,841)	(48,968)	(180,186)	-	-	(86,600)	(245,027)
Contribution to endowment fund held at the Community Foundation	(500)	(1,000)	-	-	-	-	(500)	(1,000)
Distribution to endowment fund held at the Community Foundation	500	1,000	-	-	-	-	500	1,000
Net cash used in investing activities	(37,632)	(64,841)	(48,968)	(180,186)	-	-	(86,600)	(245,027)
<b>Cash Flows from Financing Activities</b>								
Proceeds from line of credit - Net of repayments	(145,000)	620,000	10,026	-	-	-	(134,974)	620,000
Proceeds from debt	713,282	-	-	53,834	-	-	713,282	53,834
Payments on debt	(959,236)	(37,788)	(10,735)	(7,675)	-	-	(969,971)	(45,463)
Net cash provided by (used in) financing activities	(390,954)	582,212	(709)	46,159	-	-	(391,663)	628,371
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(46,139)	(88,597)	(2,091)	11,782	183,730	119,038	135,500	42,223
<b>Cash and Cash Equivalents - Beginning of year</b>	152,689	241,286	11,782	-	119,038	-	283,509	241,286
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 106,550</u>	<u>\$ 152,689</u>	<u>\$ 9,691</u>	<u>\$ 11,782</u>	<u>\$ 302,768</u>	<u>\$ 119,038</u>	<u>\$ 419,009</u>	<u>\$ 283,509</u>
<b>Supplemental Disclosure of Cash Flow Information -</b>								
Cash paid for interest	\$ 53,631	\$ 62,626	\$ 2,099	\$ 185	\$ -	\$ -	\$ 55,730	\$ 62,811