

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

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

**MAY 31, 2023 AND 2022**

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CPAs & Advisors

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
French Camp Academy and  
French Camp Radio, Inc.

### **Opinion**

We have audited the accompanying combined financial statements of French Camp Academy and affiliate, which comprise the combined statements of financial position as of May 31, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of French Camp Academy and affiliate as of May 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of French Camp Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about French Camp Academy and affiliate's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of French Camp Academy and affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about French Camp Academy and affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining financial information listed as supporting schedules (pages 27 through 31) in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

**Report on Supplementary Information - continued:**

records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Haddox Reid Eubank & Betts, PLLC

Ridgeland, Mississippi  
September 14, 2023

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**COMBINED STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2023 AND 2022**

**ASSETS**

|  | <b><u>2023</u></b>   | <b><u>2022</u></b> |
|--|----------------------|--------------------|
| <b>CURRENT ASSETS:</b>   |                      |                    |
| Cash and cash equivalents  | \$ 8,283,767         | 9,323,341          |
| Accounts receivable - trade, net   | 250,184              | 113,084            |
| Accounts receivable - other  | -                    | 553,216            |
| Current maturities of notes receivable   | 32,711               | 55,801             |
| Inventories  | 89,123               | 97,355             |
| Prepaid expenses   | 99,318               | 70,966             |
| Total current assets   | <u>8,755,103</u>     | <u>10,213,763</u>  |
| <br><b>INVESTMENTS</b>   | <u>46,622,496</u>    | <u>48,060,320</u>  |
| <br><b>OTHER ASSETS:</b>   |                      |                    |
| Notes receivable, less current maturities  | -                    | 30,496             |
| Cash surrender value of life insurance policies  | 3,993,691            | 4,069,182          |
| Contribution receivable in charitable remainder unitrust   | 211,606              | 230,278            |
| Contributions receivable from charitable remainder trusts  | 1,626,367            | 1,770,228          |
| Perpetual trust held by third parties  | 750,000              | 750,000            |
|  | <u>6,581,664</u>     | <u>6,850,184</u>   |
| <br><b>LAND, BUILDINGS, AND EQUIPMENT - at cost,<br/>less accumulated depreciation of \$19,621,891 and<br/>\$18,776,590 at May 31, 2023 and 2022, respectively</b> | <u>10,572,433</u>    | <u>7,521,654</u>   |
|  | <u>10,572,433</u>    | <u>7,521,654</u>   |
| Total assets   | <u>\$ 72,531,696</u> | <u>72,645,921</u>  |

The accompanying notes are an integral part of these combined statements.



**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED MAY 31, 2023 AND 2022**

|   | <u>FOR THE YEAR ENDED MAY 31, 2023</u>    |  |                   | <u>FOR THE YEAR ENDED MAY 31, 2022</u>    |  |                   |
|---|---|--|-------------------|---|--|-------------------|
|   | <u>WITHOUT<br/>DONOR<br/>RESTRICTIONS</u> | <u>WITH<br/>DONOR<br/>RESTRICTIONS</u> | <u>TOTALS</u>     | <u>WITHOUT<br/>DONOR<br/>RESTRICTIONS</u> | <u>WITH<br/>DONOR<br/>RESTRICTIONS</u> | <u>TOTALS</u>     |
| <b>PROGRAM REVENUES, GAINS (LOSSES), AND OTHER SUPPORT:</b>   |   |  |                   |   |  |                   |
| Contributions   | \$ 6,645,862                              | 110,772                                | 6,756,634         | 5,832,459                                 | 1,154,110                              | 6,986,569         |
| Tuition and fees  | 734,448                                   | -                                      | 734,448           | 1,002,128                                 | -                                      | 1,002,128         |
| Radio revenue   | 500,280                                   | -                                      | 500,280           | 507,025                                   | -                                      | 507,025           |
| Investment income, net of advisory fees   | 420,606                                   | 457,808                                | 878,414           | 811,902                                   | 873,582                                | 1,685,484         |
| Realized and unrealized loss on investments, net  | (440,143)                                 | (715,893)                              | (1,156,036)       | (2,293,782)                               | (3,489,286)                            | (5,783,068)       |
| Other income (expense)  | 1,595,886                                 | (27,527)                               | 1,568,359         | 1,614,468                                 | 15                                     | 1,614,483         |
| Increase (decrease) in cash surrender value of life insurance policies and death proceeds received, net of premiums paid of \$525,100 and \$423,230 | (200,389)                                 | -                                      | (200,389)         | 38,116                                    | -                                      | 38,116            |
| Net assets released from restrictions   | 1,983,160                                 | (1,983,160)                            | -                 | 2,228,384                                 | (2,228,384)                            | -                 |
| Total program revenues, gains (losses), and other support   | <u>11,239,710</u>                         | <u>(2,158,000)</u>                     | <u>9,081,710</u>  | <u>9,740,700</u>                          | <u>(3,689,963)</u>                     | <u>6,050,737</u>  |
| <b>EXPENSES:</b>  |   |  |                   |   |  |                   |
| Program expenses:   |   |  |                   |   |  |                   |
| Instructional and student life  | 5,586,683                                 | -                                      | 5,586,683         | 4,727,164                                 | -                                      | 4,727,164         |
| Auxiliary and support programs  | 1,452,605                                 | -                                      | 1,452,605         | 1,369,871                                 | -                                      | 1,369,871         |
| Radio operations  | 555,066                                   | -                                      | 555,066           | 445,988                                   | -                                      | 445,988           |
| Total program expenses  | <u>7,594,354</u>                          | <u>-</u>                               | <u>7,594,354</u>  | <u>6,543,023</u>                          | <u>-</u>                               | <u>6,543,023</u>  |
| Supporting services:  |   |  |                   |   |  |                   |
| General and administrative  | 1,014,178                                 | -                                      | 1,014,178         | 869,364                                   | -                                      | 869,364           |
| Fundraising   | 661,029                                   | -                                      | 661,029           | 662,202                                   | -                                      | 662,202           |
| Total expenses  | <u>9,269,561</u>                          | <u>-</u>                               | <u>9,269,561</u>  | <u>8,074,589</u>                          | <u>-</u>                               | <u>8,074,589</u>  |
| <b>CHANGE IN NET ASSETS</b>   | 1,970,149                                 | (2,158,000)                            | (187,851)         | 1,666,111                                 | (3,689,963)                            | (2,023,852)       |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>  | <u>37,042,687</u>                         | <u>34,174,496</u>                      | <u>71,217,183</u> | <u>35,376,576</u>                         | <u>37,864,459</u>                      | <u>73,241,035</u> |
| <b>NET ASSETS AT END OF YEAR</b>  | <u>\$ 39,012,836</u>                      | <u>32,016,496</u>                      | <u>71,029,332</u> | <u>37,042,687</u>                         | <u>34,174,496</u>                      | <u>71,217,183</u> |

The accompanying notes are an integral part of this combined statements.



**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED MAY 31, 2023 AND 2022**

| <b>FOR THE YEAR ENDED MAY 31, 2023</b>        |   |                             |                       |                         |                           |                  |
|---|---|-----------------------------|-----------------------|-------------------------|---------------------------|------------------|
| <b>Program Expenses</b>                       |   |                             |                       | <b>Support Services</b> |                           |                  |
| <b>Instructional<br/>and Student<br/>Life</b> | <b>Auxiliary<br/>and Support<br/>Programs</b> | <b>Radio<br/>Operations</b> | <b>Administrative</b> | <b>Fundraising</b>      | <b>Total<br/>Expenses</b> |                  |
| Compensation                                  | \$ 1,622,259                                  | 562,500                     | 213,017               | 377,933                 | 167,104                   | 2,942,813        |
| Benefits, taxes, and other<br>employee costs  | 1,152,618                                     | 320,699                     | 72,006                | 229,478                 | 94,280                    | 1,869,081        |
| Academic support                              | 416,585                                       | 25,774                      | -                     | -                       | -                         | 442,359          |
| Depreciation                                  | 494,902                                       | 164,967                     | 20,465                | 90,732                  | 74,235                    | 845,301          |
| Food service                                  | 459,712                                       | 320                         | -                     | -                       | -                         | 460,032          |
| Property maintenance<br>and expense           | 753,256                                       | 169,335                     | 80,025                | 33,535                  | 3,690                     | 1,039,841        |
| Public relations                              | 20,577  | 32,630                      | 6,529                 | 6,891                   | 267,177                   | 333,804          |
| Support costs                                 | 347,927                                       | 72,393                      | 117,165               | 241,647                 | 41,092                    | 820,224          |
| Utilities                                     | 318,847                                       | 103,987                     | 45,859                | 33,962                  | 13,451                    | 516,106          |
|   | <b>\$ 5,586,683</b>                           | <b>1,452,605</b>            | <b>555,066</b>        | <b>1,014,178</b>        | <b>661,029</b>            | <b>9,269,561</b> |

  

| <b>FOR THE YEAR ENDED MAY 31, 2022</b>        |   |                             |                       |                         |                           |                  |
|---|---|-----------------------------|-----------------------|-------------------------|---------------------------|------------------|
| <b>Program Expenses</b>                       |   |                             |                       | <b>Support Services</b> |                           |                  |
| <b>Instructional<br/>and Student<br/>Life</b> | <b>Auxiliary<br/>and Support<br/>Programs</b> | <b>Radio<br/>Operations</b> | <b>Administrative</b> | <b>Fundraising</b>      | <b>Total<br/>Expenses</b> |                  |
| Compensation                                  | \$ 1,512,260                                  | 532,820                     | 210,579               | 362,177                 | 174,171                   | 2,792,007        |
| Benefits, taxes, and other<br>employee costs  | 1,057,121                                     | 291,569                     | 61,713                | 195,233                 | 91,969                    | 1,697,605        |
| Academic support                              | 283,969                                       | 29,223                      | -                     | -                       | -                         | 313,192          |
| Depreciation                                  | 465,223                                       | 155,074                     | 23,186                | 85,291                  | 69,783                    | 798,557          |
| Food service                                  | 343,664                                       | -                           | -                     | -                       | -                         | 343,664          |
| Property maintenance<br>and expense           | 517,230                                       | 102,230                     | 31,634                | 46,239                  | 3,997                     | 701,330          |
| Public relations                              | 11,505  | 32,046                      | -                     | 5,275                   | 277,721                   | 326,547          |
| Support costs                                 | 225,548                                       | 120,712                     | 87,282                | 139,913                 | 32,299                    | 605,754          |
| Utilities                                     | 310,644                                       | 106,197                     | 31,594                | 35,236                  | 12,262                    | 495,933          |
|   | <b>\$ 4,727,164</b>                           | <b>1,369,871</b>            | <b>445,988</b>        | <b>869,364</b>          | <b>662,202</b>            | <b>8,074,589</b> |

The accompanying notes are an integral part of these combined statements.

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2023 AND 2022**

|   | <b>FOR THE YEAR ENDED MAY 31,</b> |                    |
|---|-----------------------------------|--------------------|
|   | <b><u>2023</u></b>                | <b><u>2022</u></b> |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>                                    |                                   |                    |
| Cash flows from operating activities:   |                                   |                    |
| Change in net assets  | \$ (187,851)                      | (2,023,852)        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                                   |                    |
| Depreciation  | 845,301                           | 798,557            |
| (Gain) loss on sale of investments  | 460,556                           | (2,230,001)        |
| Unrealized loss on investments  | 695,480                           | 8,013,069          |
| Decrease in cash surrender value of life insurance  | 75,491                            | 198,410            |
| Decrease (increase) in contribution receivable from charitable remainder unitrusts          | 143,861                           | (187,064)          |
| Decrease (increase) in contributions receivable from charitable remainder trusts            | 18,672                            | (15,967)           |
| (Increase) decrease in assets:  |                                   |                    |
| Accounts receivable - trade   | (137,100)                         | (7,168)            |
| Accounts receivable - other   | 553,216                           | -                  |
| Donated property  | (1,826,130)                       | -                  |
| Inventories   | 8,232                             | (12,361)           |
| Prepaid expenses  | (28,352)                          | 6,064              |
| Increase (decrease) in liabilities:   |                                   |                    |
| Accounts payable  | (6,651)                           | (10,279)           |
| Accrued retirement plan contributions   | 6,479                             | 410                |
| Annuity obligations   | 18,246                            | (17,792)           |
| Unearned revenue  | 5,581                             | 30,584             |
| Net cash provided by operating activities   | <u>645,031</u>                    | <u>4,542,610</u>   |

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**COMBINED STATEMENTS OF CASH FLOWS - CONTINUED:  
FOR THE YEARS ENDED MAY 31, 2023 AND 2022**

|  | <b>FOR THE YEAR ENDED MAY 31,</b> |                         |
|--|-----------------------------------|-------------------------|
|  | <b><u>2023</u></b>                | <b><u>2022</u></b>      |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - CONTINUED:</b> |                                   |                         |
| Cash flows from investing activities:                                |                                   |                         |
| Purchase of investments  | \$ (9,828,549)                    | (13,549,134)            |
| Proceeds from sale of investments                                    | 10,340,343                        | 13,491,978              |
| Proceeds from life insurance policies, net of premiums paid          | -                                 | (60,033)                |
| Purchase of land, buildings, and equipment                           | (2,145,480)                       | (1,238,578)             |
| Collections on notes receivable                                      | 53,586                            | 80,414                  |
| Payments to beneficiaries  | <u>(104,505)</u>                  | <u>(86,259)</u>         |
| Net cash used in investing activities                                | <u>(1,684,605)</u>                | <u>(1,361,612)</u>      |
| <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>               | <b>(1,039,574)</b>                | <b>3,180,998</b>        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                | <b><u>9,323,341</u></b>           | <b><u>6,142,343</u></b> |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      | <b>\$ <u>8,283,767</u></b>        | <b><u>9,323,341</u></b> |

The accompanying notes are an integral part of these combined statements.

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS**

The accompanying financial statements contain the combined statements of French Camp Academy (FCA) and French Camp Radio, Inc. (Radio) (collectively, the Academy). French Camp Academy and French Camp Radio are nonprofit corporations established under the laws of the State of Mississippi. The statements have been combined since FCA has a controlling interest in Radio through the authority to elect 100% of its Board of Trustees.

The primary purpose of French Camp Academy is to provide a Christian school-home for children with family problems not of their own making. FCA is supported primarily through contributions from its supporters, tuition, and earnings on invested funds. French Camp Radio, Inc. operates a commercial FM radio station with a nonsectarian religious format. Radio is supported primarily through advertising revenues.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses are recorded when incurred.

Principles of Combination

The combined financial statements include the accounts of French Camp Academy and its affiliate, French Camp Radio, Inc. All significant intra-entity transactions have been eliminated.

Liquidity

Assets are presented in the accompanying combined statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Academy considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Revenue Recognition

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in that category. Income earned on donor-restricted funds is initially classified as net assets with donor restrictions and is reclassified to net assets without donor restrictions when expenses are incurred for their intended purpose.

Unconditional contributions are contributions that do not include a measurable performance-related or other barrier or are those in which the Academy has discretion over how the contribution should be spent and are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Academy has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

Donated services and facilities are recognized as contributions in accordance with the accounting guidance if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and would otherwise be purchased by the Academy. There were no donated services and facilities recognized in the years ended May 31, 2023 or 2022.

Fair Value of Financial Investments

The Academy records its investment at fair market value. Realized gains and losses are recorded upon disposition of investments calculated based upon the difference between the proceeds and the cost basis determined using the specific identification method. All other changes in valuation of financial instruments are included as changes in the unrealized gains or losses on investments in the combined statements of activities.

Fair market value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Academy uses various valuation approaches that establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used

**FRENCH CAMP ACADEMY  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Fair Value of Financial Investments - continued:

when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Academy. Unobservable inputs reflect the Academy's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access. Valuation adjustments and brokerage discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Academy in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Academy's own assumptions are set to reflect those that market participants would

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Fair Value of Financial Investments - continued:

use in pricing the asset or liability at the measurement date. The Academy uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Income Taxes

French Camp Academy and French Camp Radio, Inc. are nonprofit organizations which have been recognized as exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made on revenue in excess of expenditures.

The Academy recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has evaluated the Academy's tax positions and concluded that the Academy has taken no uncertain tax positions that require adjustment to the financial statements.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost at the date of acquisition or at fair market value at the date received if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current year's income or expense.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Academy and changes therein, are classified and reported in one of the following two classes: (a) net assets without donor restrictions, and (b) net assets with donor restrictions. A description of these categories follows:

**Net Assets Without Donor Restrictions** - Net assets, including board-designated or appropriated amounts for use in general operations and not subject to donor restrictions.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Classification of Net Assets - continued:

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Academy reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities. The combined statements of functional expenses present the natural classification detail of the expenses by function. Accordingly, certain expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, taxes, and other employee costs, which are allocated on the basis of estimates of time and effort as well as depreciation, property maintenance, support costs, and utilities which are allocated on either a square footage or usage basis.

Advertising Costs

The Academy expenses all advertising production costs as incurred.

Use of Estimates

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Risks and Uncertainties

The Academy holds investments as described above. The investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the balances reported in these combined financial statements.

**NOTE 3 - ACCOUNTS RECEIVABLE - TRADE, NET**

Accounts receivable from students represents unpaid tuition, fees, and other miscellaneous charges. Accounts receivable from advertisers represents Radio's trade accounts receivable. An allowance for doubtful accounts to properly reflect the realizable value of accounts receivable has been recorded. During the year, accounts are written off against the reserve account as they are determined to be uncollectible. Accounts receivable were comprised of the following at May 31, 2023 and 2022:

|                                 | <u>2023</u>       | <u>2022</u>     |
|---------------------------------|-------------------|-----------------|
| Students                        | \$ 217,344        | 56,215          |
| Advertisers                     | <u>46,411</u>     | <u>70,440</u>   |
|                                 | 263,755           | 126,655         |
| Allowance for doubtful accounts | <u>(13,571)</u>   | <u>(13,571)</u> |
|                                 | <u>\$ 250,184</u> | <u>113,084</u>  |

**NOTE 4 - NOTES RECEIVABLE**

In January 2018, the Academy received a contribution of approximately 400 promissory notes receivable from The Carl and Virginia Johnson Day Trust. The notes, with an average outstanding balance of approximately \$4,000, were originally made to college students and are due at the rate of \$100 per month beginning with the third month after the student leaves college. No interest is to be paid on the outstanding note balance. The Academy will continue to collect principal on the individual notes until the notes are paid off or the Academy decides to discontinue all collection efforts.

The notes receivable are stated at the present value of the cash flows most likely to be collected over the estimated term of the notes. Upon receipt of the notes receivable, the Academy estimated

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**NOTE 4 - NOTES RECEIVABLE - CONTINUED:**

future collections on the notes based on its assessment of the current status of the individual loans. Balances that are still outstanding after the Academy has used reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to notes receivable. Collection on the notes receivable was \$53,586 during the current fiscal year. The notes receivable are reported in the combined statements of financial position at May 31, 2023 and 2022, as follows:

|               | <u>2023</u>        | <u>2022</u>   |
|---------------|--------------------|---------------|
| Current asset | \$ 32,711          | 55,801        |
| Other asset   | <u>          -</u> | <u>30,496</u> |
|               | <u>\$ 32,711</u>   | <u>86,297</u> |

**NOTE 5 - INVENTORIES**

Inventories maintained by FCA's boarding department and fuel inventory are valued at the lower of net realizable value. Cost is determined using the first-in, first-out method. Inventory of live-stock is valued at historical cost using specific identification method. Inventories were comprised of the following at May 31, 2023 and 2022:

|                     | <u>2023</u>      | <u>2022</u>   |
|---------------------|------------------|---------------|
| Boarding department | \$ 34,360        | 10,292        |
| Fuel inventory      | 7,013            | 24,113        |
| Livestock           | <u>47,750</u>    | <u>62,950</u> |
|                     | <u>\$ 89,123</u> | <u>97,355</u> |

**NOTE 6 - INVESTMENTS**

The Academy's investments are recorded at fair value and have been categorized based upon a fair value hierarchy.

The methodology and significant assumptions used in estimating the fair value are as follows:

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

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**NOTE 6 - INVESTMENTS - CONTINUED:**

Certificates of deposit: Valued at cost, which approximates fair value due to shorter maturities.

U.S. government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds, mortgage backed securities, and collateralized mortgage obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Academy are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Academy are deemed to be actively traded.

Nonpublicly traded investments: Valued based on a current offer made by the Company to purchase the shares owned by the Academy.

Real estate: Value is determined based on management's analysis of historical and current market conditions, trends, and prices for similar assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Academy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments measured at fair value on a recurring basis are summarized as follows:

May 31, 2023

|                       | Cost         | Market    | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-----------------------|--------------|-----------|---|--|--|
| Corporate stocks      | \$ 5,817,412 | 5,595,822 | 5,595,822   | -  | -  |
| Corporate bonds       | 1,275,587    | 2,142,438 | -   | 2,142,438  | -  |
| Mortgage-backed bonds | 3,514,079    | 3,407,431 | -   | 3,407,431  | -  |

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 6 - INVESTMENTS - CONTINUED:**

May 31, 2023 - continued:

|   | <u>Cost</u>          | <u>Market</u>     | <u>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|---|----------------------|-------------------|---|--|--|
| U.S. Government obligations                           | \$ 113,683           | 105,471           | -   | 105,471  | -  |
| Certificates of deposit                               | 10,100               | 10,100            | 10,100  | -  | -  |
| Real estate   | <u>2,448,761</u>     | <u>1,503,523</u>  | -   | -  | <u>1,503,523</u>   |
| Total assets in the fair value hierarchy              | 13,178,622           | 12,764,785        | 39,463,633  | 5,655,340  | 1,503,523  |
| Investment measured at net asset value <sup>(a)</sup> | <u>28,268,165</u>    | <u>33,857,711</u> | -   | -  | -  |
| Total   | <u>\$ 41,446,787</u> | <u>46,622,496</u> | <u>39,463,633</u>   | <u>5,655,340</u>   | <u>1,503,523</u>   |

May 31, 2022

|   | <u>Cost</u>          | <u>Market</u>     | <u>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|---|----------------------|-------------------|---|--|--|
| Corporate stocks                                      | \$ 5,698,495         | 8,556,101         | 8,556,101   | -  | -  |
| Corporate bonds                                       | 2,781,469            | 2,646,479         | -   | 2,646,479  | -  |
| Mortgage-backed bonds                                 | 1,397,476            | 1,315,345         | -   | 1,315,345  | -  |
| U.S. Government obligations                           | 2,017,255            | 1,856,110         | -   | 1,856,110  | -  |
| Certificates of deposit                               | 10,100               | 10,100            | 10,100  | -  | -  |
| Real estate   | <u>2,448,761</u>     | <u>1,503,523</u>  | -   | -  | <u>1,503,523</u>   |
| Total assets in the value hierarchy                   | 14,353,556           | 15,887,658        | 40,738,863  | 5,817,934  | 1,503,523  |
| Investment measured at net asset value <sup>(a)</sup> | <u>28,068,089</u>    | <u>32,172,662</u> | -   | -  | -  |
| Total   | <u>\$ 42,421,645</u> | <u>48,060,320</u> | <u>40,738,683</u>   | <u>5,817,934</u>   | <u>1,503,523</u>   |

(a) In accordance with authoritative guidance, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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**NOTE 6 - INVESTMENTS - CONTINUED:**

The Academy's policy is to recognize transfers between Levels 1 and 2 and into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended May 31, 2023 and 2022, there were no transfers between Level 1 and Level 2, and no transfers into or out of Level 3.

The following table presents a reconciliation of the beginning and ending balances of assets measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3):

|             | Fair Value<br>at Beginning<br>of Year | <u>Purchases</u> | Fair Value<br>at End<br>of Year |
|-------------|---------------------------------------|------------------|---------------------------------|
| Real estate | \$ <u>1,503,525</u>                   | <u>      -</u>   | 1,503,525                       |

Realized and unrealized gain (loss) on investments of \$(1,156,036) and \$(5,783,068) reported on the combined statements of activities for the years ended May 31, 2023 and 2022, are shown net of an annuity distribution expense of \$68,216 and \$68,467, respectively.

**NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment are stated at cost at the date of acquisition or at fair market value at the date received if donated.

Depreciation is provided on straight line basis over the estimated useful lives (ranging from 3 to 30 years). Depreciation expenses for the years ended May 31, 2023 and 2022, were \$845,301 and \$798,557, respectively. A summary of plant assets follows:

|                               | <u>2023</u>          | <u>2022</u>       |
|-------------------------------|----------------------|-------------------|
| Land and improvements         | \$ 2,928,825         | 1,102,695         |
| Buildings and plant           | 22,372,771           | 20,390,064        |
| Furniture and equipment       | 2,435,432            | 2,332,765         |
| Automotive equipment          | <u>1,319,259</u>     | <u>1,072,335</u>  |
|                               | 29,056,287           | 24,897,859        |
| Less accumulated depreciation | <u>19,621,891</u>    | <u>18,776,590</u> |
|                               | 9,434,396            | 6,121,269         |
| Construction in progress      | <u>1,138,037</u>     | <u>1,400,385</u>  |
|                               | <u>\$ 10,572,433</u> | <u>7,521,654</u>  |

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**NOTE 8 - DEFINED CONTRIBUTION PLANS**

The Academy established the French Camp Academy Savings Plan to provide for annual employer contributions set by the Board of Trustees. The plan covers all employees who are at least 20.5 years of age with one year of service. The total contributions to the savings plan for the years ended May 31, 2023 and 2022, were \$182,855 and \$176,376, respectively.

In addition, the Academy and French Camp Radio have established a qualified retirement plan under Section 403(b) of the Internal Revenue Code that provides for a matching contribution. Total contributions to the defined contribution plan for the years ended May 31, 2023 and 2022, were \$51,214 and \$64,935, respectively. The contribution to the plan each year is equal to 50% of the employee's contribution up to \$75 per month or \$900 per year.

**NOTE 9 - SPLIT-INTEREST AGREEMENTS**

Charitable Gift Annuities

Assets contributed to the Academy in accordance with charitable gift annuity agreements are recorded at fair market value in the combined financial statements. The Academy agrees to pay a stated dollar amount annually to the donor or the donor's spouse for a specified number of years or until their death. The assets are classified as temporarily restricted assets until the conditions of the agreement are satisfied. The Academy recognizes an annuity payment liability equal to the present value of future cash flows expected to be paid to the designated individuals. The discount rates used to calculate present values range from 1.6% to 8.7%. Contribution revenue is recognized for the difference between the fair market value of the assets received and the annuity payment liability.

The following is a summary of charitable gift annuities at May 31, 2023 and 2022:

|                                    | <u>2023</u>                     |                                | <u>2022</u>                     |                                |
|------------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                    | <u>Fair Value<br/>of Assets</u> | <u>Annuity<br/>Obligations</u> | <u>Fair Value<br/>of Assets</u> | <u>Annuity<br/>Obligations</u> |
| Balances at beginning of year      | \$ 1,360,924                    | 431,846                        | 1,319,077                       | 449,637                        |
| Contribution received during year  | 6,462                           | -                              | 213,400                         | -                              |
| Payments to beneficiaries          | (104,505)                       | -                              | (86,259)                        | -                              |
| Distribution (to) from the Academy | -                               | -                              | -                               | -                              |
| Increase (decrease) in balances    | <u>(79,834)</u>                 | <u>68,216</u>                  | <u>(85,294)</u>                 | <u>(17,792)</u>                |
| Balances at end of year            | <u>\$ 1,183,047</u>             | <u>500,062</u>                 | <u>1,360,924</u>                | <u>431,845</u>                 |

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**NOTE 9 - SPLIT-INTEREST AGREEMENTS - CONTINUED:**

Charitable Remainder Trusts

The Academy recognizes as a receivable and contribution revenue at the present value of the estimated future benefits to be received from the ultimate distribution of assets held by a third party trustee in accordance with charitable remainder trust agreements in the year the trusts are established.

Adjustments to the receivable to reflect accretion of the discount, revaluation of the present value of the estimated future payments to the spouse, and changes in actuarial assumptions during the term of the trust are recognized as changes in the value of split-interest agreements. Upon the death of the individual, the receivable is closed, the assets received from the trust are recognized at fair value, and any differences are reported as changes in the value of the split-interest agreements.

Perpetual Trust

The Academy is the beneficiary of two trusts held by third-parties and has recorded an asset at fair value and the corresponding contribution as net assets with donor restrictions. The interest in the trusts has been recorded at the present value of the estimated expected future cash receipts from the trusts' assets. Annual distributions from the trust are reported as investment income.

Subsequent adjustments to the trust beneficial interests to revalue at current fair value for significant changes in expected future cash flows will be reported as a change in the value of the perpetual trust and as a change in permanently restricted gains or losses.

Fair Values

Fair values of assets measured on a recurring basis at May 31, 2023 and 2022, are as follows:

May 31, 2023

|  | <u>Fair Value</u>   | <u>Quoted Prices in<br/>Active Markets<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|--|---------------------|---|--|--|
| Cash surrender value of life insurance policies                                    | \$ 3,993,691        | -   | 3,993,691  | -  |
| Contributions receivable from charitable remainder trusts                          | 1,626,367           | -   | -  | 1,626,367  |
| Perpetual trust held by third parties  | 750,000             | -   | -  | 750,000  |
| Contributions receivable from beneficial interest in charitable remainder unitrust | <u>211,606</u>      | <u>-</u>  | <u>-</u>   | <u>211,606</u>   |
|  | <u>\$ 6,581,664</u> | <u>-</u>  | <u>3,993,691</u>   | <u>2,587,973</u>   |

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**NOTE 9 - SPLIT-INTEREST AGREEMENTS - CONTINUED:**

Fair Values - continued:

May 31, 2022

|  | <u>Fair Value</u>   | <u>Quoted Prices in<br/>Active Markets<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|--|---------------------|---|--|--|
| Cash surrender value of life insurance policies                                    | \$ 4,069,182        | -   | 4,069,182  | -  |
| Contributions receivable from charitable remainder trusts                          | 1,770,228           | -   | -  | 1,770,228  |
| Perpetual trust held by third parties  | 750,000             | -   | -  | 750,000  |
| Contributions receivable from beneficial interest in charitable remainder unitrust | <u>230,278</u>      | <u>-</u>  | <u>-</u>   | <u>230,278</u>   |
|  | <u>\$ 6,819,688</u> | <u>-</u>  | <u>4,069,182</u>   | <u>2,750,506</u>   |

**NOTE 10 - CONCENTRATION OF CREDIT RISK**

Funds are held on deposit in certain banks which exceed the limits insured by the Federal Deposit Insurance Corporation. No losses have been experienced on these accounts.

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of May 31, 2023 and 2022, are comprised of the following:

|   | <u>2023</u>          | <u>2022</u>       |
|---|----------------------|-------------------|
| Cash and cash equivalents                               | \$ 6,284,176         | 6,271,877         |
| Investments, at fair value                              | 20,172,097           | 20,815,483        |
| Estimated distributions from endowment funds            | <u>490,000</u>       | <u>490,000</u>    |
| Total available for general expenditure within one year | <u>\$ 26,946,273</u> | <u>27,577,360</u> |

In total, the Academy has financial assets on hand at May 31, 2023 and 2022, to cover substantially more than one year of operating expenses based on the 2022-2023 budgets to fund all programs and support services. In addition, the Academy funds its operations on an annual basis from a



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**NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES - CONTINUED:**

variety of revenue sources that have remained consistent in recent years including charitable contributions, tuition, and fees from students served by the Academy, radio advertising and fees received from the annual camp program and revenue earned through the operation of the facilities in the historic district.

**NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended May 31, 2023 and 2022.

Purpose restrictions accomplished:

|                          | <u>2023</u>         | <u>2022</u>      |
|--------------------------|---------------------|------------------|
| Tuition and scholarships | \$ 1,383,211        | 392,380          |
| Capital improvements     | 176,290             | 1,071,939        |
| Educational support      | 143,743             | 82,970           |
| Maintenance              | <u>243,205</u>      | <u>681,095</u>   |
|                          | <u>\$ 1,946,449</u> | <u>2,228,384</u> |

**NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods after May 31, 2023 and 2022:

|   | <u>2023</u>          | <u>2022</u>       |
|---|----------------------|-------------------|
| Subject to expenditure for specific purpose:    |                      |                   |
| Tuition and scholarships                        | \$ 8,510,965         | 8,753,709         |
| Capital improvements                            | 14,288,049           | 15,592,483        |
| Maintenance                                     | 4,031,443            | 4,180,157         |
| Educational support                             | <u>4,503,324</u>     | <u>4,719,068</u>  |
|   | 29,265,991           | 31,423,990        |
| Subject to the passage of time:                 |                      |                   |
| Net assets held under split interest agreements | <u>682,985</u>       | <u>929,079</u>    |
|   | <u>\$ 32,016,496</u> | <u>34,174,496</u> |

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**NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED:**

During the fiscal year ended May 31, 2022, management performed a detail review of all the Academy's endowment funds including having discussions with donors. The result of these discussions was to transfer \$520,000 from the net asset without donor restrictions classification to the net assets with donor restrictions classification.

**NOTE 14 - SELF INSURANCE PLAN**

The Academy provides self-funded health benefit claims for its employees. The Academy carries catastrophic insurance on health claims in the amount of \$1,000,000, which is activated when incurred claims during the policy period total \$904,022 in the aggregate for employees or \$50,000 per individual employee. Amounts reserved for claims outstanding included in accounts payable total \$70,945 and \$56,118 at May 31, 2023 and 2022, respectively.

**NOTE 15 - ENDOWMENT FUNDS**

The Academy's endowment consists of over 100 individual funds established for a variety of purposes including funds established by donors to provide annual funding for specific activities and general operations, and certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and the Academy's interpretation of relevant law.

The Academy follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of any donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA.

The Board of Trustees has determined that the majority of the Academy's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Academy. Under the terms of the Academy's governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

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**NOTE 15 - ENDOWMENT FUNDS - CONTINUED:**

Endowment Investment and Spending Policies

The Academy has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Academy's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 7%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Academy 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 Academy targets a diversified asset allocation that places an emphasis on equity-based investments and bond investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Academy's various endowed funds, for program services and administration. The current spending policy is to distribute an amount at least equal to 5% of the fair value of the endowment funds as of the beginning of each fiscal year. Accordingly, over the long-term, the Academy expects its current spending policy to allow its endowment assets to grow at an average rate of 2.0% annually. This is consistent with the Academy's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of May 31, 2023, is as follows:

|  | Without<br>Donor<br><u>Restrictions</u> | With<br>Donor<br><u>Restrictions</u> | <u>Total</u>      |
|--|---|--------------------------------------|-------------------|
| Endowment funds with donor restrictions    | \$ -                                    | 32,016,496                           | 32,016,496        |
| Endowment funds without donor restrictions | <u>25,689,333</u>                       | -                                    | <u>25,689,333</u> |
| Total funds                                | \$ <u>25,689,333</u>                    | <u>32,016,496</u>                    | <u>57,705,829</u> |

**FRENCH CAMP ACADEMY  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 15 - ENDOWMENT FUNDS - CONTINUED:**

Endowment Investment and Spending Policies - continued:

Changes in endowment net assets for the year ended May 31, 2023, are as follows:

|   | Without<br>Donor<br><u>Restrictions</u> | With<br>Donor<br><u>Restrictions</u> | <u>Total</u>       |
|---|---|--------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 25,870,322                           | 34,174,496                           | 60,044,818         |
| Contributions                           | 2,008,873                               | 110,772                              | 2,119,645          |
| Investment expense                      | (13,847)                                | (258,085)                            | (271,932)          |
| Other expense                           | (95,773)                                | (64,238)                             | (160,011)          |
| Transfers                               | <u>(2,080,242)</u>                      | <u>(1,946,449)</u>                   | <u>(4,026,691)</u> |
| Endowment net assets, end of year       | \$ <u>25,689,333</u>                    | <u>32,016,496</u>                    | <u>57,705,829</u>  |

Endowment net asset composition by type of fund as of May 31, 2022, is as follows:

|  | Without<br>Donor<br><u>Restrictions</u> | With<br>Donor<br><u>Restrictions</u> | <u>Total</u>      |
|--|---|--------------------------------------|-------------------|
| Endowment funds with donor restrictions    | \$ -                                    | 34,174,496                           | 34,174,496        |
| Endowment funds without donor restrictions | <u>25,870,322</u>                       | -                                    | <u>25,870,322</u> |
| Total funds                                | \$ <u>25,870,322</u>                    | <u>34,174,496</u>                    | <u>60,044,818</u> |

Changes in endowment net assets for the year ended May 31, 2022, are as follows:

|   | Without<br>Donor<br><u>Restrictions</u> | With<br>Donor<br><u>Restrictions</u> | <u>Total</u>       |
|---|---|--------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 26,740,187                           | 37,344,459                           | 64,084,646         |
| Contributions                           | 1,898,582                               | 1,154,110                            | 3,052,692          |
| Investment expense                      | (1,475,166)                             | (2,615,704)                          | (4,090,870)        |
| Other expense                           | (186,273)                               | (25,476)                             | (211,749)          |
| Transfers                               | <u>(1,107,008)</u>                      | <u>(1,682,893)</u>                   | <u>(2,789,901)</u> |
| Endowment net assets, end of year       | \$ <u>25,870,322</u>                    | <u>34,174,496</u>                    | <u>60,044,818</u>  |

**FRENCH CAMP ACADEMY  
AND COMBINED AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 15 - ENDOWMENT FUNDS - CONTINUED:**

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At May 31, 2023 and 2022, there were no funds with deficiencies.

**NOTE 16 - SUBSEQUENT EVENTS**

The Academy has evaluated subsequent events through September 14, 2023, the date the combined financial statements were approved by the Academy's management and thereby available to be issued, and determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying combined financial statements.