

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

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

MAY 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of French Camp Academy and consolidated subsidiary (nonprofit organizations) which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,

Auditor's Responsibility - continued:

whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of French Camp Academy and subsidiary as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial information listed as supporting schedules (pages 31 through 37) in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Haddox Reid Eubank Better PLLC

Jackson, Mississippi
September 17, 2020

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**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,193,937	4,597,649
Accounts receivable - trade	160,704	173,584
Accounts receivable - other	510,364	131,637
Notes receivable	72,559	83,074
Inventories	90,552	85,665
Prepaid expenses	65,884	33,835
Total current assets	<u>6,094,000</u>	<u>5,105,444</u>
INVESTMENTS	<u>41,665,090</u>	<u>30,683,836</u>
OTHER ASSETS:		
Notes receivable	202,740	323,098
Cash surrender value of life insurance policies	3,493,845	3,266,841
Beneficial interest in charitable remainder unitrust	217,003	283,195
Contributions receivable from charitable remainder trusts	1,631,462	1,662,734
Perpetual trust held by third parties	750,000	750,000
	<u>6,295,050</u>	<u>6,285,868</u>
LAND, BUILDINGS AND EQUIPMENT - at cost, less accumulated depreciation of \$17,179,396 and \$16,460,902 at May 31, 2020 and 2019, respectively	<u>6,977,004</u> <u>6,977,004</u>	<u>6,773,781</u> <u>6,773,781</u>
Total assets	\$ <u>61,031,144</u>	<u>48,848,929</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 257,577	247,173
Accrued retirement plan contributions	172,108	172,355
Annuity obligations	102,346	103,763
Paycheck Protection Program loan	706,700	-
Unearned revenue	<u>83,463</u>	<u>491,830</u>
Total current liabilities	1,322,194	1,015,121
ANNUITY OBLIGATIONS - net of current portion	382,201	410,630
LIABILITY FOR PENSION BENEFITS	<u>-</u>	<u>392,678</u>
Total liabilities	<u>1,704,395</u>	<u>1,818,429</u>
NET ASSETS:		
Without donor restrictions	30,620,736	18,613,554
With donor restrictions	<u>28,706,013</u>	<u>28,416,946</u>
Total net assets	<u>59,326,749</u>	<u>47,030,500</u>
Total liabilities and net assets	\$ <u>61,031,144</u>	<u>48,848,929</u>

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

	FOR THE YEAR ENDED MAY 31, 2020			FOR THE YEAR ENDED MAY 31, 2019		
	WITHOUT	WITH	TOTALS	WITHOUT	WITH	TOTALS
	DONOR RESTRICTIONS	DONOR RESTRICTIONS		DONOR RESTRICTIONS	DONOR RESTRICTIONS	
PROGRAM REVENUE, GAINS, (LOSSES) AND						
OTHER SUPPORT:						
Contributions	\$ 14,862,716	383,703	15,246,419	3,535,698	431,218	3,966,916
Tuition and fees	896,686	-	896,686	1,158,432	-	1,158,432
Radio revenue	452,080	-	452,080	524,113	-	524,113
Investment income, net of advisory fees	190,464	439,869	630,333	153,582	416,085	569,667
Realized and unrealized gains (losses) on investments	781,951	676,807	1,458,758	87,417	(280,463)	(193,046)
Other income	1,173,939	(26,151)	1,147,788	1,234,439	-	1,234,439
Increase (decrease) in cash surrender value of life insurance policies and death proceeds received, net of premiums paid of \$543,029 and \$455,789	185,215	-	185,215	(248,564)	-	(248,564)
Net assets released from restrictions	1,185,161	(1,185,161)	-	641,168	(641,168)	-
Total program revenues, gains, (losses) and other support	19,728,212	289,067	20,017,279	7,086,285	(74,328)	7,011,957
EXPENSES:						
Program expenses:						
Instructional and student life	4,290,102	-	4,290,102	4,566,776	-	4,566,776
Auxillary and support programs	1,357,405	-	1,357,405	1,279,521	-	1,279,521
Radio operations	436,913	-	436,913	393,227	-	393,227
Total program expenses	6,084,420	-	6,084,420	6,239,524	-	6,239,524
Supporting services:						
General and administrative	842,142	-	842,142	818,126	-	818,126
Fundraising	612,044	-	612,044	700,529	-	700,529
Total expenses	7,538,606	-	7,538,606	7,758,179	-	7,758,179
EXCESS (DEFICIT) OF PROGRAM REVENUE, GAINS, (LOSSES) AND OTHER SUPPORT OVER EXPENSES	12,189,606	289,067	12,478,673	(671,894)	(74,328)	(746,222)
PENSION RELATED COSTS OTHER THAN NET PERIODIC PENSION COST	(182,424)	-	(182,424)	(450,146)	-	(450,146)
CHANGE IN NET ASSETS	12,007,182	289,067	12,296,249	(1,122,040)	(74,328)	(1,196,368)
NET ASSETS AT BEGINNING OF YEAR	18,613,554	28,416,946	47,030,500	19,735,594	28,491,274	48,226,868
NET ASSETS AT END OF YEAR	\$ 30,620,736	28,706,013	59,326,749	18,613,554	28,416,946	47,030,500

The accompanying notes are an integral part of these statements.

**FRENCH CAMP ACADEMY
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**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

May 31, 2020						
	Program Expenses			Support Services		Total
	Instructional and Student <u>Life</u>	Auxiliary and Support <u>Programs</u>	Radio <u>Operations</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Compensation	\$ 1,500,992	554,595	193,560	358,500	164,656	2,772,303
Benefits, taxes and other employee costs	837,424	300,074	70,356	189,746	76,767	1,474,367
Academic support	345,719	-	-	-	-	345,719
Depreciation	417,179	139,060	23,186	76,483	62,576	718,484
Food service	297,661	-	-	-	-	297,661
Property maintenance and expense	481,837	95,386	33,341	23,735	-	634,299
Public relations	-	34,634	-	-	270,920	305,554
Support costs	143,258	151,289	73,888	156,818	22,938	548,191
Utilities	266,032	82,367	42,582	36,860	14,187	442,028
	<u>\$ 4,290,102</u>	<u>1,357,405</u>	<u>436,913</u>	<u>842,142</u>	<u>612,044</u>	<u>7,538,606</u>
May 31, 2019						
	Program Expenses			Support Services		Total
	Instructional and Student <u>Life</u>	Auxiliary and Support <u>Programs</u>	Radio <u>Operations</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Compensation	\$ 1,508,755	482,529	161,000	312,911	170,419	2,635,614
Benefits, taxes and other employee costs	997,291	316,197	72,394	204,096	132,924	1,722,902
Academic support	415,117	-	-	-	-	415,117
Depreciation	393,056	131,019	23,186	72,060	58,959	678,280
Food service	310,250	-	-	-	-	310,250
Property maintenance and expense	495,117	47,471	14,245	23,735	-	580,568
Public relations	-	30,464	-	-	289,016	319,480
Support costs	156,792	185,802	83,740	168,232	35,184	629,750
Utilities	290,398	86,039	38,662	37,092	14,027	466,218
	<u>\$ 4,566,776</u>	<u>1,279,521</u>	<u>393,227</u>	<u>818,126</u>	<u>700,529</u>	<u>7,758,179</u>

The accompanying notes are an integral part of these statements.

**FRENCH CAMP ACADEMY
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

	For the Year Ended May 31,	
	<u>2020</u>	<u>2019</u>
INCREASE IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Net assets - end of year	\$ 59,326,749	47,030,500
Net assets - beginning of year	<u>47,030,500</u>	<u>48,226,868</u>
Increase (decrease) in net assets	12,296,249	(1,196,368)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	718,484	678,280
Realized gain on sale of investments	(919,003)	(395,185)
Unrealized (gains) losses on investments	(604,975)	498,680
(Increase) decrease in cash surrender value of life insurance	(185,215)	248,564
Decrease in contribution receivable from charitable remainder unitrusts	66,192	3,116
Decrease in contributions receivable from charitable remainder trusts	31,272	65,859
(Increase) decrease in assets:		
Accounts receivable - trade	12,880	(29,162)
Accounts receivable - other	(378,727)	(127,540)
Inventories	(4,887)	(6,551)
Prepaid expenses	(32,049)	(20,122)
Excess funding of pension benefit	-	57,468
Increase (decrease) in liabilities:		
Accounts payable	10,404	22,713
Unearned revenue	(408,367)	26,865
Accrued retirement plan contributions	(247)	19,182
Annuity obligations	35,375	15,215
Liability for pension benefit	<u>(392,678)</u>	<u>392,678</u>
Net cash provided by operating activities	<u>10,244,708</u>	<u>253,692</u>
Cash flows from investing activities:		
Purchase of investments	(18,643,810)	(10,551,017)
Proceeds from sale of investments	9,186,534	11,227,550
Proceeds from life insurance policies, net of premiums paid	(41,789)	(4,003)

**FRENCH CAMP ACADEMY
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**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED:
FOR THE YEAR ENDED MAY 31, 2020 AND 2019**

	For the Year Ended May 31,	
	<u>2020</u>	<u>2019</u>
INCREASE IN CASH AND CASH EQUIVALENTS - CONTINUED:		
Cash flows from investing activities - continued:		
Purchase of land, buildings, and equipment	\$ (921,707)	(1,081,503)
Collections on note receivable	130,872	161,217
Payments to beneficiaries	<u>(65,220)</u>	<u>(54,245)</u>
Net cash used in investing activities	<u>(10,355,120)</u>	<u>(302,001)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>706,700</u>	<u>-</u>
Net cash provided by financing activities	<u>706,700</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	596,288	(48,309)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,597,649</u>	<u>4,645,958</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>5,193,937</u></u>	<u><u>4,597,649</u></u>

The accompanying notes are an integral part of these statements.

**FRENCH CAMP ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The accompanying financial statements contain the consolidated statements of French Camp Academy (FCA) and French Camp Radio, Inc. (Radio). French Camp Academy and French Camp Radio are nonprofit corporations established under the laws of the State of Mississippi. The statements have been consolidated 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

Accounting Pronouncement Adopted

In June 2018, the FASB issued Accounting Standard Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Academy adopted ASU 2018-08 on June 1, 2019, using a modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on the financial statements.

Method of Accounting

The consolidated 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.

Liquidity

Assets are presented in the accompanying statement 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.

**FRENCH CAMP ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, French Camp Academy and French Camp Radio consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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, those that do not include a measurable performance-related or other barrier or are those in which the Academy has limited discretion over how the contribution should be spent, 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.

Fair Value of Financial Investments

The Academy records its investment in financial instruments at fair market value. Realized gains and losses are recorded upon disposition of financial instruments 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 consolidated statements of activities.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Fair Value of Financial Investments - continued:

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 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

**FRENCH CAMP ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Fair Value of Financial Investments - continued:

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 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 Organizations recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Management has evaluated the Organization's tax positions and concluded that the Organizations have 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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 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 consolidated statements of activities. The consolidated 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Use of Estimates

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

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 consolidated financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE

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, 2019:

	<u>2020</u>	<u>2019</u>
Students	\$ 115,506	120,336
Advertisers	<u>65,712</u>	<u>81,065</u>
	181,218	201,401
Allowance for doubtful accounts	<u>(20,514)</u>	<u>(27,817)</u>
	\$ <u>160,704</u>	<u>173,584</u>

**FRENCH CAMP ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

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 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 were \$130,872 during the current fiscal year. The notes receivable are reported in the consolidated statement of financial position at May 31, 2020 as follows:

	<u>2020</u>	<u>2019</u>
Current asset	\$ 72,559	83,074
Other asset	<u>202,741</u>	<u>323,098</u>
	<u>\$ 275,300</u>	<u>406,172</u>

NOTE 5 - INVENTORIES

Inventories maintained by FCA's boarding department and fuel inventory are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory of live-stock is valued at fair market value. Inventories were comprised of the following at May 31, 2020:

	<u>2020</u>	<u>2019</u>
Boarding department	\$ 9,613	10,076
Fuel inventory	17,289	12,939
Livestock	<u>63,650</u>	<u>62,650</u>
	<u>\$ 90,552</u>	<u>85,665</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - INVESTMENTS

The Academy's assets and liabilities are recorded at fair value and have been categorized based upon a fair value hierarchy. See Note 2 for a discussion of the Academy's policies.

There have been no changes in the methodologies used at May 31, 2020. 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.

Certificates of deposits: Valued at the daily closing price as reported by the bank.

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.

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NOTE 6 - INVESTMENTS - CONTINUED:

Investments are summarized as follows:

May 31, 2020

	<u>Cost</u>	<u>Market</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate stocks	\$ 7,492,062	10,396,137	10,396,137	-	-
Corporate bonds	2,602,065	2,762,834	-	2,762,834	-
Mortgage-backed bonds	1,319,850	1,387,365	-	1,387,365	-
Mutual funds -					
Equities	10,599,044	11,891,166	11,891,166	-	-
Bonds	4,222,267	4,232,912	4,232,912	-	-
U.S. Government obligations	1,131,431	1,299,404	-	1,299,404	-
Certificates of deposit	10,100	10,100	10,100	-	-
Real estate	<u>1,922,125</u>	<u>876,218</u>	-	-	<u>876,218</u>
Total assets in the fair value hierarchy	29,298,944	32,856,136	<u>26,530,315</u>	<u>5,449,603</u>	<u>876,218</u>
Investments measured at net asset value as a practical expedient ^(a)					
Diversified Trust					
common trust funds	<u>9,026,826</u>	<u>8,808,954</u>			
	<u>\$ 38,325,770</u>	<u>41,665,090</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.

May 31, 2019

	<u>Cost</u>	<u>Market</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate stocks	\$ 7,713,696	9,966,259	9,966,259	-	-
Corporate bonds	1,749,870	1,770,720	-	1,770,720	-
Mortgage-backed bonds	1,304,410	1,299,695	-	1,299,695	-

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

	<u>Cost</u>	<u>Market</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Nonpublicly traded investments	\$ 443,537	1,359,479	-	1,359,479	-
Mutual funds -					
Equities	8,761,417	9,632,157	9,632,157	-	-
Bonds	4,789,277	4,821,406	4,821,406	-	-
U.S. Government obligations	1,210,249	1,258,663	-	1,258,663	-
Certificates of deposit	10,100	10,100	10,100	-	-
Real estate	<u>1,688,044</u>	<u>565,357</u>	<u>-</u>	<u>-</u>	<u>565,357</u>
	<u>\$ 27,670,600</u>	<u>30,683,836</u>	<u>24,429,922</u>	<u>5,688,557</u>	<u>565,357</u>

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 year ended May 31, 2020 there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3. For the year ended May 31, 2019, the Academy's investments in corporate bonds, mortgage-backed bonds and U.S. Government obligations were transferred into Level 2 from Level 1. The Academy's investment in certain real estate was transferred from Level 2 to Level 3 based on a lack of recent observable market data.

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):

	<u>Fair Value At Beginning Of Year</u>	<u>Additions</u>	<u>Fair Value At End Of Year</u>
Real estate	\$ <u>565,357</u>	<u>310,861</u>	<u>876,218</u>

Realized and unrealized gains (losses) on investments of \$1,458,758 and (\$193,046) reported on the consolidated statement of activities for the years ended May 31, 2020 and 2019 are shown net of an annuity distribution expense of \$65,220 and \$54,245, respectively.

**FRENCH CAMP ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

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 recorded on all exhaustible plant assets over their estimated useful lives (ranging from 3 to 30 years) on the straight-line basis. Depreciation expenses for the year ended May 31, 2020 and 2019 were \$718,484 and \$678,280, respectively. A summary of plant assets follows:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 1,102,695	1,095,291
Buildings and plant	19,712,237	18,629,215
Furniture and equipment	2,098,302	2,095,069
Automotive equipment	<u>969,416</u>	<u>858,253</u>
	23,882,650	22,677,828
Less accumulated depreciation	<u>17,179,396</u>	<u>16,460,902</u>
	6,703,254	6,216,926
Construction in progress	<u>273,750</u>	<u>556,855</u>
	<u>\$ 6,977,004</u>	<u>6,773,781</u>

NOTE 8 - DEFINED BENEFIT PLAN

The Academy has a noncontributory defined benefit retirement plan covering substantially all employees that had completed six months of service and had attained age 20½ with service prior to March 1, 2006. The plan was discontinued by the Academy for all compensation and service benefits after March 1, 2006. The Academy settled the plan's obligation in this fiscal year through a standard plan termination.

At May 31, 2019, the assets of the plan consist of cash held in an account administered by the BankPlus Financial Group as the funding agent in anticipation of completing the plan termination. In prior years, the assets of the plan consisted of various mutual funds administered by the BankPlus Financial Group. Defined benefits are based on years of service and/or age and the employee's average earnings, which is the average of a participant's compensation for the five consecutive years which produce the highest average.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 8 - DEFINED BENEFIT PLAN - CONTINUED:

The Academy's funding policy is to contribute annually an amount that falls within the minimum and maximum amounts determined by consulting actuaries in accordance with the Employment Retirement Income Security Act of 1974 ("ERISA").

Either a pension asset or liability is determined as the difference between the Academy's fair value of the plan's assets and the projected benefit obligation ("PBO").

The plan's funded status and amounts recognized in the Academy's Statement of Financial Position and Statement of Activities follow:

	<u>2020</u>	<u>2019</u>
Plan assets at fair value at May 31	\$ -	6,032,395
Projected benefit obligation for services rendered at May 31	-	<u>6,425,073</u>
Funded status	\$ -	<u>(392,678)</u>
Employer contributions	\$ <u>483,670</u>	-
Participant contributions	\$ -	-
Benefits paid	\$ <u>6,666,908</u>	<u>399,590</u>

Amounts recognized in the Statements of Financial Condition at May 31, 2020 consist of:

	<u>2020</u>	<u>2019</u>
Accrued retirement plan contribution at May 31	\$ -	-
Pension asset (liability) at May 31	\$ -	<u>(392,678)</u>

The following assumptions were used in accounting for the Pension Plan:

Weighted-average assumptions used to determine pension benefit obligations at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate	3.55%	3.55%
Rate of compensation increase	N/A	N/A

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 8 - DEFINED BENEFIT PLAN - CONTINUED:

Weighted-average assumptions used to determine net periodic pension benefit cost for the year ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate	3.55%	4.03%
Expected rate return on plan assets	-	0.00%
Rate of compensation increase	N/A	N/A

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by class.

The Academy sold all investments and reinvested all funds held by the plan in cash during the fiscal year ending May 31, 2019.

The fair value of the Academy's pension plan assets at May 31, 2020 and 2019, by asset class are as follows:

May 31, 2020

<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
Cash held by funding agent	\$ <u> -</u>	<u> -</u>	<u> -</u>

May 31, 2019

<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
Cash held by funding agent	\$ <u>6,032,395</u>	<u>6,032,395</u>	<u> -</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 8 - DEFINED BENEFIT PLAN - CONTINUED:

The Academy contributed \$483,670 to the plan during the fiscal year ended May 31, 2020. No plan assets were returned to the Academy during the fiscal year ended May 31, 2020.

Target Benefit Plan

In December 2006, the Academy adopted the French Camp Academy Target Benefit Plan. The plan is a deferred compensation plan qualified under section 401(a) of the Internal Revenue Code. The plan is designed to provide additional retirement benefits to the employees of French Camp Academy and French Camp Radio that were participants in the defined benefit plan when it was discontinued effective March 1, 2006. The plan covered approximately 50 current and former employees at May 31, 2019.

The target benefit to be provided is equal to 1.85% of the employees' average compensation plus .6% of the employees' excess compensation multiplied by the number of years of participation in the plan. The contributions to the plan for the fiscal year ended May 31, 2020 and 2019 were \$-0- and \$37,493, respectively. The plan was liquidated as of May 31, 2019 with all participants paid 100% of their account balance during the fiscal year ended May 31, 2020. There will be no additional contributions to the plan.

NOTE 9 - 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 not covered or have not benefited under the French Camp Academy Target Benefit Plan 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, 2020 and 2019 were \$172,108 and \$172,355, 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, 2020 and 2019 were \$55,310 and \$42,158, 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 10 - 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 consolidated 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, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value of Assets</u>	<u>Annuity Obligations</u>	<u>Fair Value of Assets</u>	<u>Annuity Obligations</u>
Balances at beginning of year	\$ 1,167,225	514,393	1,248,243	553,423
Contribution received during year	4,285	-	-	-
Payments to beneficiaries	(95,066)	-	(93,275)	-
Distribution (to) from the Academy	(62,400)	-	(41,667)	-
Increase (decrease) in balances	<u>89,927</u>	<u>(29,846)</u>	<u>53,924</u>	<u>(39,030)</u>
Balances at end of year	<u>\$ 1,103,971</u>	<u>484,547</u>	<u>1,167,225</u>	<u>514,393</u>

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 10 - SPLIT-INTEREST AGREEMENTS - CONTINUED:

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, 2020 are as follows:

May 31, 2020

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash surrender value of life insurance policies	\$ 3,493,845	-	3,493,845	-
Contributions receivable from charitable remainder trusts	1,631,462	-	-	1,631,462
Perpetual trust held by third parties	750,000	-	-	750,000
Contributions receivable from beneficial interest in charitable remainder unitrust	217,003	-	-	217,003

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 11 - CONCENTRATION OF CREDIT RISK

May 31, 2019

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash surrender value of life insurance policies	\$ 3,266,841	-	3,266,841	-
Contributions receivable from charitable remainder trusts	1,662,734	-	-	1,622,734
Perpetual trust held by third parties	750,000	-	-	750,000
Contributions receivable from beneficial interest in charitable remainder unitrust	283,195	-	-	283,195

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 12 - 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, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,328,109	2,387,667
Investments, at fair value	18,771,139	8,528,448
Estimated distributions from endowment funds	<u>490,000</u>	<u>530,000</u>
Total available for general expenditure within one year	\$ <u>22,589,248</u>	<u>11,446,115</u>

In total, the Academy has financial assets on hand at May 31, 2020 and 2019 to cover substantially more than one year of operating expenses based on the 2019-2020 budgets to fund all programs and support services. In addition, the Academy funds its operations on an annual

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES - CONTINUED:

basis from a 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 13 - 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 year ended May 31, 2020 and 2019.

Purpose restrictions accomplished:

	<u>2020</u>	<u>2019</u>
Tuition and scholarships	\$ 214,166	166,704
Capital improvements	546,304	294,937
Educational support	242,248	19,235
Maintenance	<u>182,443</u>	<u>160,292</u>
	<u>\$ 1,185,161</u>	<u>641,168</u>

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods after May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Tuition and scholarships	\$ 6,172,219	6,044,418
Capital improvements	13,531,974	13,181,228
Maintenance	4,221,695	4,182,392
Educational support	<u>2,181,660</u>	<u>2,312,979</u>
	26,107,548	25,721,017
Subject to the passage of time:		
Net assets held under split interest agreements	<u>2,598,465</u>	<u>2,695,929</u>
	<u>\$ 28,706,013</u>	<u>28,416,946</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 15 - 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 \$70,436 and \$65,733 at May 31, 2020 and 2019, respectively.

NOTE 16 - 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.

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

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NOTE 16 - ENDOWMENT FUNDS

Endowment Investment and Spending Policies - continued:

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.

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, 2020 and 2019 there were no funds with deficiencies.

Endowment net asset composition by type of fund as of May 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds with donor restrictions	\$ -	28,706,013	28,706,013
Endowment funds without donor restrictions	<u>22,476,677</u>	<u>-</u>	<u>22,476,677</u>
Total funds	\$ <u>22,476,677</u>	<u>28,706,013</u>	<u>51,182,690</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 - ENDOWMENT FUNDS - CONTINUED:

Funds with Deficiencies - continued:

Changes in endowment net assets as of May 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,925,638	28,416,946	39,342,584
Contributions	12,855,710	333,703	13,189,413
Investment income	152,739	1,116,524	1,269,263
Other income (expense)	(756,483)	(1,130,539)	(1,887,022)
Amounts appropriated for expenditure	<u>(700,927)</u>	<u>(30,621)</u>	<u>(731,548)</u>
Endowment net assets, end of year	\$ <u>22,476,677</u>	<u>28,706,013</u>	<u>51,182,690</u>

Endowment net asset composition by type of fund as of May 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds with donor restrictions	\$ -	28,416,946	28,416,946
Endowment funds without donor restrictions	<u>10,925,638</u>	<u>-</u>	<u>10,925,638</u>
Total funds	\$ <u>10,925,638</u>	<u>28,416,946</u>	<u>39,342,584</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

NOTE 16 - ENDOWMENT FUNDS - CONTINUED:

Funds with Deficiencies - continued:

Changes in endowment net assets as of May 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,161,712	28,491,274	39,652,986
Contributions	797,134	431,218	1,228,352
Investment income	239,265	162,451	401,716
Other income (expense)	346,864	(26,829)	320,035
Amounts appropriated for expenditure	<u>(1,619,337)</u>	<u>(641,168)</u>	<u>(2,260,505)</u>
Endowment net assets, end of year	\$ <u>10,925,638</u>	<u>28,416,946</u>	<u>39,342,584</u>

NOTE 17 - GLOBAL PANDEMIC AND PAYCHECK PROTECTION PROGRAM LOAN

On March 11, 2020 the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to impact everyone's life in the United States and around the world. As a result of COVID-19, during March, 2020, the Academy went to virtual classes for the remainder of the Spring, 2020 semester and elected to charge reduced tuition for the months of April and May, 2020. In addition, while the Academy did host summer school (with the governor's blessing) it was done so with reduced student numbers. The Academy's annual camp program for the summer of 2020 was cancelled in its entirety except for some virtual outreach to staff and campers. Most all significant activity, including the operations of the Academy's support ministries was reduced from March, 2020 until August, 2020. In August, 2020 school activities were restarted in accordance with guidelines issued by the National Center for Disease Control (CDC) and the Mississippi State Department of Health. These events had a negative impact on the Academy's revenues and cash flows for the fiscal year ended May 31, 2020.

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

**NOTE 17 - GLOBAL PANDEMIC AND PAYCHECK PROTECTION PROGRAM LOAN -
CONTINUED:**

As part of the Academy's response to the pandemic, during March, 2020, the Academy applied for a Federal Paycheck Protection Program (PPP) loan. The Academy's application was approved and a PPP loan of \$706,700 was received. The Academy believes that most, if not all, of the PPP loan will meet the requirements for debt forgiveness as provided in the Federal law. Any portion of the loan that is not forgiven will have a maturity of two years and will have an interest rate of 1%.

The extent of which COVID-19 impacts the Academy's future financial results will depend on future developments, which are highly uncertain and cannot be predicted and include new information which may emerge concerning the duration of COVID-19 and the successful efforts to produce an effective vaccine.

NOTE 18 - SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through September 17, 2020, the date the consolidated 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 consolidated financial statements.

SUPPORTING SCHEDULES

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020**

	FRENCH CAMP ACADEMY	FRENCH CAMP RADIO, INC.	CONSOLIDATED TOTALS
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,985,209	208,728	5,193,937
Accounts receivable - trade	115,506	45,198	160,704
Accounts receivable - other	510,364	-	510,364
Notes receivable	72,559	-	72,559
Inventories	90,552	-	90,552
Prepaid expenses	65,884	-	65,884
Total current assets	<u>5,840,074</u>	<u>253,926</u>	<u>6,094,000</u>
Investments:			
Operating funds	881,209	65,952	947,161
Endowment funds	39,621,483	-	39,621,483
Gift annuity	1,096,446	-	1,096,446
Total investments	<u>41,599,138</u>	<u>65,952</u>	<u>41,665,090</u>
Other assets:			
Notes receivable	202,740	-	202,740
Cash surrender value of life insurance policies	3,493,845	-	3,493,845
Beneficial interest in charitable remainder unitrust	217,003	-	217,003
Contribution receivable from charitable remainder trusts	1,631,462	-	1,631,462
Perpetual trust held by third parties	750,000	-	750,000
Total other assets	<u>6,295,050</u>	<u>-</u>	<u>6,295,050</u>
Land, buildings and equipment at cost less accumulated depreciation of \$16,460,902	<u>6,910,321</u>	<u>66,683</u>	<u>6,977,004</u>
Total assets	<u>\$ 60,644,583</u>	<u>386,561</u>	<u>61,031,144</u>

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED:
MAY 31, 2020**

	<u>FRENCH CAMP ACADEMY</u>	<u>FRENCH CAMP RADIO, INC.</u>	<u>CONSOLIDATED TOTALS</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 255,459	2,118	257,577
Accrued retirement plan contributions	172,108	-	172,108
Annuity obligations	102,346	-	102,346
Paycheck Protection Program loan	664,800	41,900	706,700
Unearned revenue	83,463	-	83,463
Total current liabilities	1,278,176	44,018	1,322,194
Long-term liabilities:			
Annuity obligations - net of current portion	382,201	-	382,201
Total liabilities	1,660,377	44,018	1,704,395
NET ASSETS:			
Without donor restrictions	30,278,193	342,543	30,620,736
With donor restrictions	28,706,013	-	28,706,013
Total net assets	58,984,206	342,543	59,326,749
Total liabilities and net assets	\$ 60,644,583	386,561	61,031,144

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**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

	FRENCH CAMP ACADEMY		
	WITHOUT DONOR	WITH DONOR	FCA
	RESTRICTIONS	RESTRICTIONS	TOTALS
PROGRAM REVENUE, GAINS, (LOSSES) AND OTHER SUPPORT:			
Contributions	\$ 14,835,842	383,703	15,219,545
Tuition and fees	896,686	-	896,686
Radio revenue	-	-	-
Investment income, net of advisory fees of \$174,483	189,080	439,869	628,949
Net realized and unrealized gains (losses) on investments net of annuity distribution expense of \$65,220	779,102	676,807	1,455,909
Other income (expense)	1,171,272	(26,151)	1,145,121
Increase in cash surrender of life insurance policies and death proceeds received less premiums paid of \$543,029	185,215	-	185,215
Net assets released from restrictions	1,185,161	(1,185,161)	-
Total program revenues, gains, (losses) and other support	19,242,358	289,067	19,531,425
EXPENSES:			
Program expenses:			
Instructional and student life	4,290,102	-	4,290,102
Auxiliary and support programs	1,357,405	-	1,357,405
Radio operations	-	-	-
Total program services	5,647,507	-	5,647,507
Supporting services:			
General and administrative	777,823	-	777,823
Fundraising	604,589	-	604,589
Total expenses	7,029,919	-	7,029,919
EXCESS (DEFICIT) OF REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT OVER EXPENSES	12,212,439	289,067	12,501,506

FRENCH CAMP RADIO, INC.	CONSOLIDATED		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS
26,874	14,862,716	383,703	15,246,419
-	896,686	-	896,686
452,080	452,080	-	452,080
1,384	190,464	439,869	630,333
2,849	781,951	676,807	1,458,758
2,667	1,173,939	(26,151)	1,147,788
-	185,215	-	185,215
-	1,185,161	(1,185,161)	-
485,854	19,728,212	289,067	20,017,279
-	4,290,102	-	4,290,102
-	1,357,405	-	1,357,405
436,913	436,913	-	436,913
436,913	6,084,420	-	6,084,420
64,319	842,142	-	842,142
7,455	612,044	-	612,044
508,687	7,538,606	-	7,538,606
(22,833)	12,189,606	289,067	12,478,673

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**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED:
FOR THE YEAR ENDED MAY 31, 2020**

	FRENCH CAMP ACADEMY		
	<u>WITHOUT DONOR</u>	<u>WITH DONOR</u>	<u>FCA</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	<u>TOTALS</u>
PENSION RELATED COSTS OTHER			
THAN NET PERIODIC PENSION COST	\$ (182,424)	-	(182,424)
TRANSFERS	25,000	-	25,000
	<u>(157,424)</u>	<u>-</u>	<u>(157,424)</u>
CHANGE IN NET ASSETS	12,055,015	289,067	12,344,082
NET ASSETS AT BEGINNING OF YEAR	<u>18,223,177</u>	<u>28,416,946</u>	<u>46,640,123</u>
NET ASSETS AT END OF YEAR	\$ <u><u>30,278,192</u></u>	<u><u>28,706,013</u></u>	<u><u>58,984,205</u></u>

FRENCH CAMP RADIO, INC.	CONSOLIDATED		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS
-	(182,424)	-	(182,424)
(25,000)	-	-	-
(25,000)	(182,424)	-	(182,424)
(47,833)	12,007,182	289,067	12,296,249
390,377	18,613,554	28,416,946	47,030,500
342,544	30,620,736	28,706,013	59,326,749

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2020**

	<u>FRENCH CAMP ACADEMY</u>	<u>FRENCH CAMP RADIO, INC.</u>	<u>TOTAL OPERATIONS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net assets - end of year	\$ 58,984,206	342,543	59,326,749	-	59,326,749
Net assets - beginning of year	<u>46,640,123</u>	<u>390,377</u>	<u>47,030,500</u>	-	<u>47,030,500</u>
Increase (decrease) in net assets	12,344,083	(47,834)	12,296,249	-	12,296,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	695,299	23,185	718,484	-	718,484
Realized gain on sale of investments	(919,003)	-	(919,003)	-	(919,003)
Unrealized gain on investments	(602,126)	(2,849)	(604,975)	-	(604,975)
Increase in cash surrender value of life insurance	(185,215)	-	(185,215)	-	(185,215)
Decrease in contributions receivable from charitable remainder unitrusts	66,192	-	66,192	-	66,192
Decrease in contribution receivable from charitable remainder trusts	31,272	-	31,272	-	31,272
(Increase) decrease in assets:					
Accounts receivable - trade	4,830	8,050	12,880	-	12,880
Accounts receivable - other	(378,727)	-	(378,727)	-	(378,727)
Inventories	(4,887)	-	(4,887)	-	(4,887)
Prepaid expenses	(32,049)	-	(32,049)	-	(32,049)

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS - CONTINUED:
FOR THE YEAR ENDED MAY 31, 2020**

	<u>FRENCH CAMP ACADEMY</u>	<u>FRENCH CAMP RADIO, INC.</u>	<u>TOTAL OPERATIONS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES - CONTINUED:					
Increase (decrease) in liabilities:					
Accounts payable	\$ 20,565	(10,161)	10,404	-	10,404
Unearned revenue	(408,367)	-	(408,367)	-	(408,367)
Accrued retirement plan contributions	(247)	-	(247)	-	(247)
Annuity obligations	35,375	-	35,375	-	35,375
Liability for pension benefit	(392,678)	-	(392,678)	-	(392,678)
Net cash provided by (used in) operating activities	<u>10,274,317</u>	<u>(29,609)</u>	<u>10,244,708</u>	<u>-</u>	<u>10,244,708</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(18,623,415)	(20,395)	(18,643,810)	-	(18,643,810)
Proceeds from sale of investments	9,168,621	17,913	9,186,534	-	9,186,534
Purchase of plant assets	(921,707)	-	(921,707)	-	(921,707)
Proceeds from life insurance policies, net of premiums paid	(41,789)	-	(41,789)	-	(41,789)
Collections on notes receivable	130,872	-	130,872	-	130,872
Payments to beneficiaries	(65,220)	-	(65,220)	-	(65,220)
Net cash used in investing activities	<u>(10,352,638)</u>	<u>(2,482)</u>	<u>(10,355,120)</u>	<u>-</u>	<u>(10,355,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from Paycheck Protection Program loan	<u>664,800</u>	<u>41,900</u>	<u>706,700</u>	<u>-</u>	<u>706,700</u>
Net cash provided by financing activities	<u>664,800</u>	<u>41,900</u>	<u>706,700</u>	<u>-</u>	<u>706,700</u>

**FRENCH CAMP ACADEMY
AND CONSOLIDATED SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS - CONTINUED:
FOR THE YEAR ENDED MAY 31, 2020**

	FRENCH CAMP ACADEMY	FRENCH CAMP RADIO, INC.	TOTAL OPERATIONS	ELIMINATIONS	CONSOLIDATED TOTALS
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 586,479	9,809	596,288	-	596,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,398,730	198,919	4,597,649	-	4,597,649
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,985,209	208,728	5,193,937	-	5,193,937