



CONSOLIDATED FINANCIAL STATEMENTS

**Year Ended June 30, 2017
with
Independent Auditors' Report**

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5 – 6
Notes to Consolidated Financial Statements	7 – 44
Supplemental Information:	
Independent Auditors' Report on Supplemental Information	45
Schedule of Single Member LLCs and Other Related Organization's Activity	46



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees

Central Christian College of Kansas and Affiliates

We have audited the accompanying consolidated financial statements of **Central Christian College of Kansas** (a nonprofit organization) **and Affiliates**, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

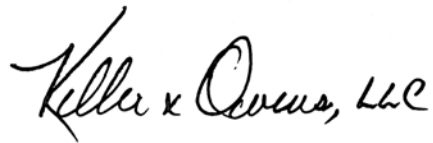
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Central Christian College of Kansas and Affiliates** as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Central Christian College of Kansas and Affiliate's** 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
February 2, 2018

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With comparative totals as of June 30, 2016)

ASSETS

	2017	2016
Assets:		
Cash and cash equivalents	\$ 433,325	\$ 593,905
Accounts receivable, net	1,961,945	1,912,761
Unconditional promises to give, net	586,398	666,769
Prepays and other assets	165,925	183,707
Loans to students, net	1,730,386	1,798,846
Loans to others, net	44,422	47,404
Investments	2,776,607	2,553,299
Assets held in trust by others	29,844	33,036
Contributions receivable from charitable remainder trusts	1,169,607	1,072,946
Beneficial interests in perpetual trusts	590,775	550,131
Goodwill	348,800	348,800
Intangible assets, net	277,622	398,575
Property, plant and equipment, net	7,135,088	6,727,578
Total Assets	<u>\$ 17,250,744</u>	<u>\$ 16,887,757</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Checks issued in excess of bank balance	\$ 450,418	\$ 480,780
Accounts payable and accrued liabilities	559,970	965,949
Student deposits	2,175	32,625
Split-interest agreements payable	325,878	343,288
U.S. government loan funds refundable	1,520,117	1,745,599
Long-term debt	8,376,229	7,783,974
Total Liabilities	11,234,787	11,352,215
Net assets:		
Unrestricted	(410,389)	(630,664)
Temporarily restricted	287,004	201,396
Permanently restricted	6,139,342	5,964,810
Total Net Assets	<u>6,015,957</u>	<u>5,535,542</u>
Total Liabilities and Net Assets	<u>\$ 17,250,744</u>	<u>\$ 16,887,757</u>

See accompanying notes

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Gains, and Other Support:					
Tuition and fees	\$ 12,642,003	\$ -	\$ -	\$ 12,642,003	\$ 12,558,097
Less: Scholarships and grants	(4,635,768)	-	-	(4,635,768)	(4,126,082)
Net tuition and fees	8,006,235	-	-	8,006,235	8,432,015
Private gifts and grants	300,102	359,406	-	659,508	1,514,210
Government grants and contracts	236,029	-	-	236,029	123,741
Investment income on endowments	-	36,967	-	36,967	36,480
Other investment income	2,252	-	-	2,252	11,498
Other income	64,818	-	-	64,818	158,383
Net realized and unrealized gains (losses)	182,123	-	-	182,123	(51,420)
Auxiliary enterprises	2,353,104	-	-	2,353,104	2,133,987
Coffee Shop income, net of cost of goods sold of \$87,683 in 2016	-	-	-	-	70,136
Day Care income	1,272,371	-	-	1,272,371	1,163,580
Two Tigers and a Truck income	145,175	-	-	145,175	130,890
KCTC income	38,471	-	-	38,471	41,833
Net assets released from restrictions	422,709	(422,709)	-	-	-
Total Revenues, Gains and Other Support	13,023,389	(26,336)	-	12,997,053	13,765,333
Expenses:					
Instruction	5,978,975	-	-	5,978,975	6,146,964
Academic support	299,313	-	-	299,313	309,475
Student services	1,827,735	-	-	1,827,735	1,889,787
Institutional support	1,815,717	-	-	1,815,717	1,877,360
Auxiliary enterprises	1,645,471	-	-	1,645,471	1,701,334
Coffee Shop expenses	170	-	-	170	130,453
Day Care expenses	973,098	-	-	973,098	861,348
KCTC expenses	36,545	-	-	36,545	36,481
Two Tigers and a Truck expenses	189,243	-	-	189,243	113,174
Total Expenses	12,766,267	-	-	12,766,267	13,066,376
Results from Operations	257,122	(26,336)	-	230,786	698,957
Other Changes:					
Private gifts and grants for endowments	-	-	134,986	134,986	11,649
Gain (loss) on perpetual trusts	-	-	39,546	39,546	(25,233)
Changes in value of split-interest agreements	(36,847)	111,944	-	75,097	601,679
Change in Net Assets	220,275	85,608	174,532	480,415	1,287,052
Net Assets, beginning of year	(630,664)	201,396	5,964,810	5,535,542	4,248,490
Net Assets, end of year	\$ (410,389)	\$ 287,004	\$ 6,139,342	\$ 6,015,957	\$ 5,535,542

See accompanying notes

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 480,415	\$ 1,287,052
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	634,840	608,521
Contributions restricted for long-term assets	-	(11,649)
Realized and unrealized (gain) loss on investments	(182,123)	51,420
Gain on disposal of fixed assets	(4,546)	(25,977)
Net (gain) loss on beneficial interests in perpetual trusts	(40,644)	25,233
Present value adjustment to split-interest agreements payable	17,041	(11,052)
Loans receivable canceled	2,250	7,917
Contributions received in non-cash assets	(32,500)	(32,011)
Changes in:		
Accounts receivable, net	(49,184)	(468,158)
Unconditional promises to give, net	80,371	(436,028)
Contributions receivable from charitable remainder trusts	(96,661)	(630,845)
Prepays and other assets	17,782	41,891
Assets held in trust by others	3,192	1,586
Inventory	-	32,219
Accounts payable and accrued liabilities	(405,979)	(453,422)
Checks issued in excess of bank balance	(30,362)	480,780
Student deposits	(30,450)	(27,545)
U.S. government loan funds refundable	(225,482)	26,948
Net cash provided by operating activities	<u>137,960</u>	<u>466,880</u>
Cash Flows from Investing Activities:		
Purchase of investments	(57,357)	(674,759)
Proceeds from sale of investments	16,172	677,016
Purchase of property, plant and equipment	(219,310)	(320,644)
Proceeds from the sale of property, plant and equipment	41,559	26,559
Payments received on notes receivable	2,982	496
Intangible assets acquired	-	(149,050)
Student loan advances	(64,570)	(76,116)
Student loans collected	<u>130,780</u>	<u>154,958</u>
Net cash used by investing activities	<u>(149,744)</u>	<u>(361,540)</u>

See accompanying notes

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Financing Activities:		
Proceeds received on long-term debt	409,624	1,135,856
Principal payments on long-term debt	(523,969)	(1,356,491)
Contributions restricted for long-term assets	-	11,649
Proceeds received on split-interest agreements	-	10,000
Contractual payments on split-interest agreements	<u>(34,451)</u>	<u>(31,589)</u>
Net cash used by financing activities	<u>(148,796)</u>	<u>(230,575)</u>
Net Decrease in Cash and Cash Equivalents	(160,580)	(125,235)
Cash and Cash Equivalents, beginning of year	<u>593,905</u>	<u>719,140</u>
Cash and Cash Equivalents, end of year	<u>\$ 433,325</u>	<u>\$ 593,905</u>

See accompanying notes

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Central Christian College of Kansas (the College) is a four-year liberal arts college founded in 1884 and located in McPherson, Kansas. The College has an enrollment of 826 full-time equivalent students, including both traditional and online students. Central Christian College of Kansas is incorporated in the State of Kansas and is governed by a Board of Trustees. Although independent in its operations, Central Christian College of Kansas has been sponsored and affiliated with the Free Methodist Church since its beginning. Central Christian College of Kansas is primarily supported by tuition, auxiliary enterprises, contributions, and earnings on investments. The College also owns a coffee shop, daycare, testing center and maintenance business. During 2016, the coffee shop was closed. These businesses made up approximately 11% and 10% of revenues in 2017 and 2016, respectively.

Advertising Costs – The College's advertising costs are recognized in the periods in which the related expenses are incurred. The College's advertising costs totaled \$55,226 and \$100,241 for the years ended June 30, 2017 and 2016, respectively.

Allocation of Certain Expenses – The College allocates interest expense, operation and maintenance of plant and depreciation in the Consolidated Statement of Activities based upon estimated building square footage.

Allowance for Doubtful Accounts – An allowance for doubtful student accounts is computed based on historical experience. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts amounted to \$1,110,818 and \$411,373 at June 30, 2017 and 2016, respectively.

Provision for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions. At June 30, 2017 and 2016, respectively, the College did not record an allowance for doubtful loans.

Basis of Accounting and Presentation – The College maintains its internal accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives as specified by donors; in accordance with regulations, restrictions, or limitations imposed by sources outside the institution, or in accordance with directions issued by the governing board.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Presentation (continued) – These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted net assets.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may, or will, be met by actions of the College and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues, including contributions, are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restrictions between the applicable classes of net assets.

Income and realized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – The consolidated financial statements include a Consolidated Statement of Cash Flows showing cash and cash equivalents provided and used by operating, investing and financing activities. The College considers all highly liquid investments with an original maturity of three months or less when purchased to be “cash equivalents”. This includes money market and certificates of deposit. Cash and cash equivalents designated for long-term purposes, or received with donor-imposed restrictions limiting their use to long-term purposes, are not considered cash and cash equivalents for purposes of the Consolidated Statement of Cash Flows.

The Federal government allows cash maintained by the College for the Perkins loan program to be commingled with the College’s other cash funds. However, the use of the Perkins funds is restricted and must be properly segregated. The College has elected to maintain a separate bank account for the Perkins funds. The cash balances of the Perkins loan program included in cash and cash equivalents at June 30, 2017 and 2016, amounted to \$72,924 and \$294,450, respectively.

Comparative Information - The consolidated financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College’s consolidated financial statements for the year ended June 30, 2016, from which the information is derived.

Compensated Absences – The College’s policy does not allow the accumulation of vacations and, accordingly, no liability has been recorded in the accompanying consolidated financial statements. The College’s sick leave policy permits the accumulation of fifteen sick days per year up to a maximum of ninety days. Employees are not paid for unused sick days upon termination of employment; sick pay is charged to expenditures when taken. Accordingly, no provision has been made in the consolidated financial statements for unused sick leave.

Concentration of Risks - The donor base of the College consists primarily of residents of the United States of America. Students attending the College are drawn from throughout the United States. Accounts receivable consists primarily of amounts due from students and no collateral is required.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Deferred Revenue – Certain revenue related to summer education programs is deferred and recognized as revenue in the same period expenses are recognized.

Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts 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, expenses, gains, losses and other changes in net assets during the period. Actual results could differ from those estimates.

Gift Annuities – The College has entered into gift annuity arrangements whereby donors receive payments for the remainder of their life with any remainder at death reverting to the College unless specifically restricted by the donor. The discount rates vary from 2.4% to 9.5%. Based on actuarial assumptions at the time of the agreement, a portion is recorded as a contribution and the balance as a liability in the accompanying consolidated financial statements. Each year the annuity liability is adjusted for changes in actuarial assumptions. The amount of contribution recorded by the College is the fair value of the trust assets received less the present value of the estimated annuity payments. New annuity gifts during the years end June 30, 2017 and 2016 amounted to \$0 and \$54,000, respectively.

Gifts in Kind - Contributions of assets other than cash, such as real estate held for investment or College use, are recorded at their estimated fair value at the date of the gift or cost if purchased.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants Refundable – Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the Consolidated Statement of Financial Position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Grants to Specified Students – Amounts received from federal agencies designated for the benefit of specified students are not reflected as revenues and expenses of the College. The amount of such funds was \$3,079,869 and \$3,442,607 for the years ended June 30, 2017 and 2016, respectively.

Income Taxes - The College and Kids Kampus Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except taxes, if any, on unrelated business income. In addition, the College is classified as an organization that is not a private foundation under Section 509(a)(1).

The College has adopted the provisions of the FASB ASC 740-10 as it might apply to the College's financial transactions. The College's policy is to record a liability for any tax position that is beneficial to the College, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2017 and, accordingly, no liability has been accrued.

Two Tigers and a Truck, L.L.C. and Central Christian Coffee Shop, L.L.C. are each single member LLC's of which the College is the sole member. Therefore, the operations of these entities are included in these consolidated financial statements. Any unrelated business tax as a result of the activities of these entities is considered immaterial.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets – Goodwill – The accounting for the acquisition of Central Christian Daycare, L.L.C. in 2014 resulted in recognizing goodwill of \$348,800. Under generally accepted accounting principles, the carrying amount of goodwill is not amortized but is reduced if management determines that its implied fair value has been impaired.

Intangible Assets – Development Costs – Development costs of the College's online courses are amortized over the estimated useful life of the courses which is six years.

Intangible Assets – Customer List – The accounting for the acquisition of a landscaping business resulted in recognizing the value of the customer list received. These costs are amortized over the estimated useful life of the list which is five years.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Investments and Investment Income – Investments are stated at fair value. Investment income and realized and unrealized gains and losses are reflected in the Consolidated Statement of Activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted revenue and net assets released from restrictions.

Principles of Consolidation - The financial statements include the Consolidated Statements of Financial Position, Activities and Cash Flows of the College and all of the single member L.L.C's of which the College is the sole member as well as affiliated other not-for-profits under the College's control. Inter-entity transactions and balances are eliminated for consolidation purposes.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment – Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes items having a value of \$2,000 or more. Depreciation of buildings, improvements and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives used in the calculation of accumulated depreciation by major category of assets are as follows:

Buildings	20 - 40 years
Building improvements	15 years
Furniture and equipment	3 - 10 years
Computer and similar equipment	3 - 5 years
Land improvements	10 - 20 years
Vehicles	3 - 5 years

Receivables – Student accounts receivables and loans receivable are carried at their estimated collectible amounts. Interest income on receivables is recognized using the interest method. Student accounts receivable bear interest at 1% per month. Loans bear interest generally at a prevailing rate at the inception of the loan. All receivables are considered past due or delinquent after thirty days.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on Perkins student loans receivable and is recognized as it is charged. Perkins student loans receivable are considered to be past due if a payment is not made within thirty days from the payment due date, at which time, late fees are charged and recognized. The Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

Reclassifications – Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the 2017 presentation.

Revenue Recognition – Tuition, room and board and student fee revenues are recognized in the period in which the services are provided. Grant revenue, for exchange transactions, is recognized when the services are provided or when the funds are expended.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events - Management has evaluated events and transactions that have occurred since June 30, 2017 and reflected their effects, if any, in these consolidated financial statements through February 2, 2018, the date the consolidated financial statements were available to be issued.

Temporarily Restricted Net Assets – With respect to temporarily restricted net assets, the College has adopted the following accounting policies:

Reporting as Temporarily Restricted Revenues – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net assets class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment – Contributions of land, buildings and equipment are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Tuition Discounts – Tuition discounts represent discounts allowed to students to reduce the students' overall cost for tuition and various other fees. These discounts are given to students in the course of providing education services and the amounts of discounts, as well as the individual recipients, are decided by the College. The College utilizes earnings on investments restricted for tuition, discounting of scholarships, federal and state grants, and other sources to finance the tuition discounts. Tuition discounts are reported as a reduction to tuition income. The College does not receive any goods or services in exchange for the discount.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following is a description of the valuation methodologies used for Level 2 and 3 fair value measurements. There have been no changes in the methodology used at June 30, 2017 and 2016.

Assets held in trust by others – The underlying assets from which distributions are expected are valued based on a combination of quoted market prices, interest rates, and yield curves. The valuation model calculates the present value of estimated distributed income and incorporates assumptions that market participants would use in estimating future distributed income. See also Note 9.

Charitable remainder trusts – The underlying assets from which distributions are expected are valued based on a combination of quoted market prices, interest rates, and yield curves. The valuation model calculates the present value of estimated distributed income and incorporates assumptions that market participants would use in estimating future distributed income. See also Note 6.

Beneficial interests in perpetual trusts – The underlying assets are measured at fair value based on reports provided by the trustee. The recorded amounts represent the College's expected percentage of the underlying assets of the perpetual trust it will receive as a beneficiary. See also Note 10.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS (continued)

Interest in assets held by others – Net asset value provided by the community foundation, taking into account the College's proportionate net asset share in investment pools. The value of the pools is derived from the fair value of investments within those pools, which are valued using a combination of various methodologies depending upon the type of investment within the pool. As allowed by FASB ASC 820-10-35-54B, the entire interest is classified within Level 2 of the fair value hierarchy as the College has the ability to immediately redeem its investment in the beneficial interest in assets held by others in the near term, as any requests for withdrawals could only take up to fourteen days to process.

Split-interest agreements payable – The liability is calculated using the net present value method, which is based on various actuarial assumptions. See the gift annuities paragraph in Note 1.

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

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the level within the fair value hierarchy at which the College's financial assets and liabilities are measured on a recurring basis at June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments:				
Mutual funds:				
World bond	\$ 193,068	\$ 193,068	\$ -	\$ -
Short-term bond	25,092	25,092	-	-
Intermediate-term bond	370,417	370,417	-	-
Other bond	3,548	3,548	-	-
Foreign growth	478,474	478,474	-	-
Fixed income	177,508	177,508	-	-
Mid-cap growth	167,189	167,189	-	-
Long/short equity	326,398	326,398	-	-
Diversified emerging markets	75,446	75,446	-	-
Global real estate	184,009	184,009	-	-
Alternative	158,404	158,404	-	-
Exchange-traded funds:				
Large cap	391,234	391,234	-	-
Interest in assets held by others	39,579	-	39,579	-
Assets held in trust by others	29,844	-	-	29,844
Charitable remainder trusts	1,169,607	-	-	1,169,607
Beneficial interests in perpetual trusts	<u>590,775</u>	<u>-</u>	<u>-</u>	<u>590,775</u>
Total assets at fair value	<u>4,380,592</u>	<u>\$2,550,787</u>	<u>\$ 39,579</u>	<u>\$1,790,226</u>
Reconciling items to the statement of financial position:				
Investments measured at cost:				
Cash and cash equivalents	5,339			
Real estate	173,000			
Mineral rights	2			
Land	<u>7,900</u>			
Total assets	<u>\$4,566,833</u>			
Liabilities:				
Split-interest agreements payable	<u>\$ 325,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,878</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the level within the fair value hierarchy at which the College's financial assets and liabilities are measured on a recurring basis at June 30, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments:				
Mutual funds:				
World bond	\$ 144,161	\$ 144,161	\$ -	\$ -
Short-term bond	17,566	17,566	-	-
Intermediate-term bond	298,859	298,859	-	-
Other bond	6,981	6,981	-	-
Foreign growth	443,790	443,790	-	-
Fixed income	145,942	145,942	-	-
Mid-cap growth	159,311	159,311	-	-
Long/short equity	240,870	240,870	-	-
Diversified emerging markets	69,593	69,593	-	-
Natural resources	82,416	82,416	-	-
Global real estate	176,502	176,502	-	-
Alternative	120,692	120,692	-	-
Exchange-traded funds:				
Large cap	409,950	409,950	-	-
Assets held in trust by others	33,036	-	-	33,036
Interest in assets held by others	35,206	-	35,206	-
Charitable remainder trusts	1,072,946	-	-	1,072,946
Beneficial interests in perpetual trusts	550,131	-	-	550,131
Total assets at fair value	<u>4,007,952</u>	<u>\$2,316,633</u>	<u>\$ 35,206</u>	<u>\$1,656,113</u>

Reconciling items to the statement of financial position:

Investments measured at cost:

Cash and cash equivalents	10,558
Certificates of deposit	10,000
Real estate	173,000
Mineral rights	2
Land	<u>7,900</u>

Total assets \$4,209,412

Liabilities:

Split-interest agreements payable \$ 343,288 \$ - \$ - \$ 343,288

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS (continued)

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

Assets:	Assets Held in Trust	Beneficial Interests in Perpetual Trusts	Charitable Remainder Trusts	Total
Balance at June 30, 2015	\$ 34,622	\$ 575,364	\$ 442,101	\$1,052,087
Total gains or (losses) (realized/ unrealized) included in earnings (or changes in net assets)	<u>(1,586)</u>	<u>(25,233)</u>	<u>630,845</u>	<u>604,026</u>
Balance at June 30, 2016	33,036	550,131	1,072,946	1,656,113
Total gains or (losses) (realized/ unrealized) included in earnings (or changes in net assets)	<u>(3,192)</u>	<u>40,644</u>	<u>96,661</u>	<u>134,113</u>
Balance at June 30, 2017	<u>\$ 29,844</u>	<u>\$ 590,775</u>	<u>\$1,169,607</u>	<u>\$1,790,226</u>

The amount of total gains or (losses) for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date June 30, 2017

	<u>\$ (3,192)</u>	<u>\$ 40,644</u>	<u>\$ 96,661</u>	<u>\$ 134,113</u>
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The amount of total gains or (losses) for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date June 30, 2016

	<u>\$ (1,586)</u>	<u>\$ (25,233)</u>	<u>\$ 630,845</u>	<u>\$ 604,026</u>
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CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS (continued)

Liabilities:	<u>Split Interest Agreements Payable</u>
Balance at June 30, 2015	\$ 328,029
Total gains or (losses) (realized/ unrealized) included in earnings (or changes in net assets)	(7,152)
Payments	(31,589)
Contributions	<u>54,000</u>
Balance at June 30, 2016	343,288
Total gains or (losses) (realized/ unrealized) included in earnings (or changes in net assets)	17,041
Payments	<u>(34,451)</u>
Balance at June 30, 2017	<u>\$ 325,878</u>

The amount of total gains or (losses) for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date June 30, 2017

\$ 17,041

The amount of total gains or (losses) for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date June 30, 2016

\$ (7,152)

The College recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2017 and 2016.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

3. ADDITIONAL CASH FLOW INFORMATION

	<u>2017</u>	<u>2016</u>
Cash paid during the year for interest on indebtedness	\$ 445,280	\$ 475,044
Non-cash items:		
Notes advanced	-	47,900
Real estate gifted for charitable gift annuity	-	44,000
Property, plant and equipment paid with debt	706,600	29,096

4. LOANS RECEIVABLE

The College makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal government loans programs. Student loans represented 10.0% and 10.7% of total assets at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, student loans consisted of the following:

Federal government programs, net	<u>\$ 1,730,386</u>	<u>\$ 1,798,846</u>
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The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$1,520,117 and \$1,745,599 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the Consolidated Statement of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

4. LOANS RECEIVABLE (continued)

At June 30, the following amounts were past due under student loan programs:

	<u>2017</u>	<u>2016</u>
Federal government programs:		
1 – 60 days past due	\$ 20,510	\$ 11,633
60 – 90 days past due	2,000	13,386
91+ days past due	<u>1,217,571</u>	<u>1,144,731</u>
 Total Past Due	 <u>\$ 1,240,081</u>	 <u>\$ 1,169,750</u>

An allowance for doubtful accounts is established, if necessary, based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loans' terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed since the Department of Education requires the College to assign uncollectible loans to the Federal government. Therefore, no allowance has been recognized.

In connection with the sale of a home, the College entered into an agreement with the buyer to carry back a mortgage in the amount of \$47,900. The note is stated at the unpaid balance, less any allowance for doubtful accounts. The terms of the loan call for interest to accrue at a rate of 4%. The agreement calls for interest and principal payments of \$469 beginning May, 2016 with a final payment due April, 2026. The receivable is secured by a mortgage on the real estate and is considered impaired if full principal payments are not received in accordance with the contractual terms. There is no policy for placing this receivable on a nonaccrual status. Management considers this note fully collectible. The balance at June 30, 2017 and 2016 was \$44,422 and \$47,404, respectively.

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises are expected to be realized in following periods:

In one year or less	\$ 178,549	\$ 213,694
Between one year and five years	<u>453,824</u>	<u>504,272</u>
	632,373	717,966
Less discount	(14,356)	(15,299)
Less allowance for doubtful promises	<u>(31,619)</u>	<u>(35,898)</u>
 Total Unconditional Promises to Give	 <u>\$ 586,398</u>	 <u>\$ 666,769</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

5. UNCONDITIONAL PROMISES TO GIVE (continued)

Unconditional promises to give at June 30, 2017, are expected to be realized in the following net asset categories:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Unrestricted Fund	\$ 548,116	\$ -	\$ -	\$ 548,116
Current Restricted Fund	-	38,282	-	38,282
Total Unconditional Promises to Give	\$ 548,116	\$ 38,282	\$ -	\$ 586,398

Unconditional promises to give at June 30, 2016, are expected to be realized in the following net asset categories:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Unrestricted Fund	\$ 605,244	\$ -	\$ -	\$ 605,244
Current Restricted Fund	-	61,525	-	61,525
Total Unconditional Promises to Give	\$ 605,244	\$ 61,525	\$ -	\$ 666,769

Unconditional promises are included in the consolidated financial statements as unconditional promises to give and revenue of the appropriate net assets category. Unconditional promises to give are recorded after discounting to the present value of the future cash flows. The discount rate was 5% at June 30, 2017 and 2016.

The College has been notified that it either has been named in the wills of individuals, or that it is the intent of certain individuals to name the College in their wills or trust instruments, for amounts totaling approximately \$9.1 million as of June 30, 2017. Because these bequest pledges do not yet meet existing revenue recognition criteria and are conditional, they have not been recorded on the consolidated financial statements of the College.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

6. CHARITABLE REMAINDER INTEREST TRUSTS

Charitable remainder trusts, of which the College is not the trustee, are recorded at the present value of the fair market value of the asset and presented as a contribution receivable in the Consolidated Statement of Financial Position. The contribution receivable from remainder trusts at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Trusts with other named as trustee:		
Anderson Trust	\$ 1,075,348	\$ 977,589
Van Valin Trust	2,965	3,072
Klins Trust	13,530	14,835
Carroll Trust	58,613	58,118
Tippary Trust	<u>19,151</u>	<u>19,332</u>
 Total Charitable Remainder Trusts	 <u>\$ 1,169,607</u>	 <u>\$ 1,072,946</u>

7. CASH SURRENDER VALUE OF LIFE INSURANCE

Central Christian College of Kansas is the owner and beneficiary of two life insurance policies given to the College by two individuals. The cash surrender value of \$82,525 is included with prepaids and other assets on the Consolidated Statement of Financial Position. The face value of these policies is \$305,657.

8. INVESTMENT INCOME

Net investment income for the years ended June 30, 2017 and 2016 is as follows:

Investment income on endowment	\$ 48,517	\$ 49,657
Interest income	<u>2,252</u>	<u>14,496</u>
Subtotal	50,769	64,153
Investment expenses	<u>(11,550)</u>	<u>(16,175)</u>
Net investment income included in operations	39,219	47,978
Net realized/unrealized gains (losses) on assets carried at fair value	<u>182,123</u>	<u>(51,420)</u>
 Total Net Investment Income	 <u>\$ 221,342</u>	 <u>\$ (3,442)</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

9. ASSETS HELD IN TRUST BY OTHERS

Resources held by others for future benefit of **Central Christian College of Kansas**:

Certain assets from the J.L. and C.N. Coffman Foundation have been designated for **Central Christian College of Kansas** upon termination of the trust as specified by the laws of the State of Oklahoma. No determinable value has been established at this time. These items will not be recorded as assets until the life estate interest is removed and use of the assets is fully vested in the College.

Certain conditional perpetual trusts have been established by two donors through the Free Methodist Foundation. After certain conditions have been realized, the College will receive the income from these trusts to fund two endowed scholarships. The value of these trusts is estimated at \$131,000 at June 30, 2017 and 2016. These items will not be recorded as assets until the conditions have been met.

The College has a beneficial interest in annuities held by the Free Methodist Foundation. After certain conditions have been realized, the College will receive income from these annuities. The annuities have been recognized as assets at the fair value of the beneficial interest to be received. For the years ended June 30, 2017 and 2016, the value of these assets was \$29,844 and \$33,036, respectively.

10. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Central Christian College of Kansas is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights and claims to such assets, including the right to income therefrom. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in permanently restricted net assets based on explicit donor stipulations. The fair value at June 30, 2017 and 2016, of those beneficial interests amounted to \$590,775 and \$550,131, respectively.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 1,941,840	\$ 1,507,746
Buildings and improvements	10,537,827	10,262,627
Contents and equipment	1,771,376	1,649,961
Vehicles	412,821	346,791
Construction in progress	<u>75,505</u>	<u>75,505</u>
	14,739,369	13,842,630
Less accumulated depreciation	<u>7,604,281</u>	<u>7,115,052</u>
Property, Plant and Equipment, net	<u>\$ 7,135,088</u>	<u>\$ 6,727,578</u>

Depreciation expense for the years ended June 30, 2017 and 2016 aggregated \$513,887 and \$503,879, respectively.

The College utilizes the direct expense method for *Accounting for Planned Major Maintenance Activities*.

12. LETTER OF CREDIT

The College has an irrevocable letter of credit with Comerica Bank dated October 28, 2014, amended on August 3, 2017 in the amount of \$1,016,983, payable on demand, expiring on September 30, 2018. As of the date of this report, the College had not drawn on this credit. The funds are available only with a statement signed by the U.S. Department of Education certifying that these funds will be used for:

- Paying refunds of institutional and non-institutional charges owed to students.
- Payment for the “teach-out” of students enrolled at the time in the event of the closure of the institution.
- Payment of any liabilities owed the U.S. Department of Education prior to the expiration of this letter.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

13. NOTES PAYABLE

	<u>2017</u>	<u>2016</u>
Note payable to Great Plains Conference, original amount of \$560,000, monthly payments of \$4,246, interest rate of 4.75%, final payment due August 10, 2027, unsecured.	\$ 360,177	\$ 392,888
Note payable to Great Plains Conference, original amount of \$200,000, interest rate of 4.75%, final payment was due November 24, 2016, unsecured.	170,000	170,000
Note payable to Peoples Bank & Trust, original amount of \$78,500, monthly payments of \$541, interest rate of 5.50%, final payment due April 30, 2035, collateralized by real estate.	73,613	75,907
Note payable to Peoples Bank & Trust, original amount of \$90,000, monthly payments of \$620, interest rate of 5.50%, final payment due July 30, 2034, collateralized by real estate.	82,274	84,651
Note payable to Peoples Bank & Trust, original amount of \$81,800, monthly payments of \$564, interest rate of 5.50%, final payment due December 30, 2034, collateralized by real estate.	75,916	78,077
Note payable to Peoples Bank & Trust, original amount of \$79,900, monthly payments of \$552, interest rate of 5.50%, final payment due April 30, 2035, collateralized by real estate.	75,114	77,229
Note payable to Peoples Bank & Trust, original amount of \$75,000, monthly payments of \$518, interest rate of 5.50%, final payment due April 30, 2035, collateralized by real estate.	70,509	72,481
Note payable to Peoples Bank & Trust, original amount of \$85,000, monthly payments of \$585, interest rate of 5.5% adjustable every twelve months after five years, final payment due May 31, 2034, collateralized by real estate.	77,166	79,499

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

13. NOTES PAYABLE (continued)

	<u>2017</u>	<u>2016</u>
Note payable to First Bank, monthly payments of \$286, interest rate of 5.25%, final payment due November 1, 2018, collateralized by all deposit accounts held at bank.	4,420	7,514
Note payable to McPherson Chamber of Commerce, monthly payments of \$535, zero interest, final payment due June 1, 2021, personally guaranteed by the President of the College.	25,714	32,143
Note payable to David Jeffery, 5.0% interest, total to be repaid by October 5, 2016, unsecured.	114,142	150,000
Various other unsecured loans from individuals at rates of interest ranging from 0.0 to 5.0 percent. Those loans payable and due within one year upon notice to the College are considered short-term. Loans payable with greater than one year's notice are considered long-term.	294,236	357,339
Note payable to Wanda Williams, monthly principal and interest payments of \$10,000, interest at 2.25%, due October, 2016, unsecured.	-	40,658
Note payable to Free Methodist Foundation, consisting of a line of credit of \$575,000 and a construction loan for the balance. Interest only payments at 5.75% (adjusted every five years) until the construction loan is completed. Final payment due May 12, 2039, collateralized by real estate and endowment assets. The line of credit is interest only until 2019.	2,769,632	2,770,068
Note payable to Free Methodist Foundation, original amount of \$375,000, monthly payments of \$4,222, interest rate at applicable interest rate (5.75% at June 30, 2017). Final payment due June 30, 2026, collateralized by real estate and endowment assets.	314,563	375,000

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

13. NOTES PAYABLE (continued)

	<u>2017</u>	<u>2016</u>
Note payable to Creative Dining Services, monthly payments of \$500 at zero interest, final payment due May, 2018, unsecured.	8,500	13,000
Note payable to Butterfield Memorial Foundation, original amount \$125,000, monthly payments of \$1,407, interest rate at applicable interest rate (5.75% at June 30, 2017). Final payment due June 30, 2026, collateralized by real estate and endowment assets.	125,000	125,000
Note payable to Butterfield Memorial Foundation, consisting of a line of credit of \$575,000 and a construction loan for the balance. Interest only payments at 5.75% (adjusted every five years) until the construction loan is completed. Final payment due May 12, 2039, collateralized by real estate and endowment assets. The line of credit is interest only until 2019.	1,860,772	1,860,772
Note payable to Emprise Bank, original amount \$8,275, monthly payments of \$153, interest rate of 3.99%, final payments due June 14, 2020, collateralized by inventory, chattel, paper, accounts, equipment and intangibles of Two Tigers and a Truck, LLC.	5,179	6,772
Line of credit with Free Methodist Foundation with a credit limit of \$850,000, interest rate of 6.25%, collateralized by real estate, due on demand.	849,866	850,000
Three unsecured, renewable \$25,000 notes payable to LifeLine Homes, Inc. with due dates of September 1, 2015, 2016 and 2017, respectively, interest rate of 6.25%, demand notes callable upon 30 days notice from LifeLine Homes, Inc.	25,000	50,000
Unsecured note payable to South Central Kansas Economic Development District of \$12,000, zero interest, due on demand.	8,571	10,286

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

13. NOTES PAYABLE (continued)

	<u>2017</u>	<u>2016</u>
Unsecured note payable to Kansas Independent College Finance Authority of \$400,000, due within one year, with three equal installments of \$133,333 plus interest on February 1, March 1, and April 1, 2018. This loan had a 4.80% interest rate.	400,000	-
Note payable to KS StateBank, original amount \$7,596, monthly payments of \$142, interest rate of 4.62%, final payments due December, 2020, collateralized by equipment.	5,478	7,028
Note payable to KS StateBank, original amount \$21,500, monthly payments of \$402, interest rate of 4.62%, final payments due November, 2020, collateralized by equipment.	15,220	19,239
Note payable to Peoples Bank & Trust, original amount of \$42,000, monthly payments of \$289, interest rate of 5.50%, final payment due November 30, 2036, collateralized by real estate.	41,278	-
Note payable to Peoples Bank & Trust, original amount of \$56,000, monthly payments of \$386, interest rate of 5.50%, final payment due November 30, 2036, collateralized by real estate.	55,212	-
Note payable to Peoples Bank & Trust, original amount of \$34,400, monthly payments of \$283, interest rate of 5.58%, final payment due July 30, 2031, collateralized by real estate.	33,071	-
Note payable to Peoples Bank & Trust, original amount of \$88,000, monthly payments of \$610, interest rate of 5.50%, final payment due April 10, 2037, collateralized by real estate.	87,667	-

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

13. NOTES PAYABLE (continued)

	<u>2017</u>	<u>2016</u>
Note payable to Peoples Bank & Trust, original amount of \$38,000, monthly payments of \$261, interest rate of 5.50%, final payment due December 30, 2036, collateralized by real estate.	37,428	-
Note payable to Peoples Bank & Trust, original amount of \$62,200, monthly payments of \$1,194, interest rate of 5.689%, final payment due August 15, 2021, collateralized by equipment.	54,511	-
Unsecured note payable to vendor for purchase of vehicle. Monthly payments of \$6,000, zero interest, due November, 2017.	30,000	-
Note payable to City of McPherson, Kansas, original amount \$350,000, zero interest \$70,000 down payment, balance to be paid over 5 years, due June, 2021, secured by real estate.	224,000	-
Deposit gift agreements	<u>2,000</u>	<u>2,000</u>
Total Long-term Debt	<u>\$ 8,376,229</u>	<u>\$ 7,707,551</u>

Aggregate annual maturities on long-term debt, including capital leases, in the years ending June 30 are as follows:

<u>Year Ending June 30:</u>	
2018	\$ 2,039,799
2019	325,931
2020	276,123
2021	274,824
2022	199,369
Thereafter	<u>5,260,183</u>
Total Long-Term Debt	<u>\$ 8,376,229</u>

The amount of interest expense on debt for the years ended June 30, 2017 and 2016 was \$445,280 and \$378,782, respectively.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

14. CAPITAL LEASE

The College leased software under a capital lease. The economic substance of the lease was that the College is financing the acquisition of the software through the lease and, accordingly, it is recorded in the College's assets and liabilities. Cost of the assets included in property, plant and equipment totals was \$192,850 at June 30, 2016. Accumulated depreciation for the assets was \$99,639 at June 30, 2016. Amortization of leased assets is included in depreciation expense. During 2017, the College made the final payments on this lease of a total of \$78,299 which included interest of \$1,876.

15. DEFINED CONTRIBUTION RETIREMENT PLAN

The College has a pension plan covering substantially all employees who have in excess of one year of service. Matching contributions by the College can fluctuate as determined by the Board of Trustees. Pension plan contributions are made monthly and the funds are used to purchase tax sheltered retirement benefits for participants in the plan. The College has no further liability for the plan other than the aforementioned monthly contribution. The cost of the contributions made by the College during the year ended June 30, 2017 and 2016, was \$13,805 and \$17,581, respectively.

16. COMMITMENTS AND CONTINGENCIES

Claims and Judgments

During the ordinary course of its operations, the College is a party to various claims, legal actions and complaints. It is the opinion of the College's management and legal counsel that these matters are not anticipated to have a material impact on the College. Therefore, no liability has been recorded in these financial statements. Events could occur that would change this estimate materially in the near term.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

16. COMMITMENTS AND CONTINGENCIES (continued)

Federal Grant Programs

Advances from the federal government under the Perkins loan program are distributable to the federal government upon liquidation of the fund and thus is reflected as a liability on the Consolidated Statement of Financial Position.

Certain federally funded financial aid programs are routinely subject to special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities as well as to limit, suspend, or terminate Federal student aid programs. If the U.S. Department of Education were to terminate or alter the College's participation in these programs it could have an adverse effect on the financial operations of the College.

During the year ended June 30, 2017, the College received notice from the U.S. Department of Education that it was in violation of certain financial responsibility regulations. Consequently, the College will be required to submit an irrevocable letter of credit in the amount of \$1,016,983 in order to continue participation in the Title IV, HEA student financial assistance programs. It is also required to make disbursements under the cash monitoring 1 payment method and satisfy additional compliance requirements under the zone alternative. The College obtained this letter of credit in accordance with the federal mandate on August 3, 2017, and has met the additional compliance requirements.

Other Federal programs are also subject to audit. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

17. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, student and other receivables and mortgages. The College places substantially all of its cash and liquid investments with financial institutions and limits the amount of credit exposure to any one financial institution. However, cash balances may periodically exceed federally insured limits. Student receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities. The College's operations are dependent upon the spendable return from endowment investments. Therefore, an extended downturn in financial markets could have an adverse effect on the College's programs and activities.

18. RELATED PARTY TRANSACTIONS

The College had a note payable to a member of the Board of Trustees in the amount of \$220,000 which was converted to a gift annuity during the year ended June 30, 2008. The present value of the annuity gift during the years ended June 30, 2017 and 2016, amounted to \$163,573, and semi-annual interest payments in the amount of \$5,500 were paid each year.

At June 30, 2017 and 2016, the College had a \$437,556 and \$465,100, respectively, unconditional promise to give from board members and other related parties of the College.

A loan of \$81,650 was entered into with a board member during 2016. The balances at June 30, 2017 and 2016, were \$64,030 and \$79,183, respectively.

Cash contributions of \$285,433 was received from board members of the College during the year ended June 30, 2017.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

19. NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Gifts and other unexpected revenues and gains available for:		
Campus improvements	\$ 8,628	\$ 8,628
Instruction and other support	78,376	112,741
Scholarships	200,000	-
Gift annuity	<u>-</u>	<u>80,027</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 287,004</u>	 <u>\$ 201,396</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for support:

Endowment funds	<u>\$ 6,139,342</u>	<u>\$ 5,964,810</u>
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Donor-imposed restrictions expired on temporarily restricted net assets during the year ended June 30, 2017 and 2016 as follows:

Purpose restricted contributions for:		
Property, plant and equipment	\$ 6,900	\$ 43,727
Student financial support	186,871	38,090
Miscellaneous projects	<u>228,938</u>	<u>367,112</u>
 Total Purpose Restricted Contributions	 <u>\$ 422,709</u>	 <u>\$ 448,929</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

20. POSTEMPLOYMENT BENEFITS

The College established a plan to provide health insurance coverage for employees who retire from the institution and meet the following qualifications. The employee must:

- Be at least 65 years old at the time of retirement
- Have served the College for 15 years or more (3/4 time qualifies as full year)
- Enroll in Medicare at age 65 or at retirement date
- Not assume full-time employment elsewhere

Persons not meeting all the above requirements may be considered for the plan on an individual basis. The plan shall include the following benefits:

Inclusion, as a retiree, in the College's health insurance plan (family plan, if married and single plan, if not) until Medicare eligibility is attained by both retiree and spouse. The College will pay approximately 1/3 of the premium. Upon the retiree's enrollment in Medicare, the College will pay the monthly premium for the retiree only, for coverage under Plan 65 (Blue Cross and Blue Shield of Kansas).

In accordance with FASB ASC 712, such costs are to be accounted for on the accrual basis. As of June 30, 2017 and 2016, respectively, management has estimated that any costs that should be accrued would not be material to the financial statements. The 2017 and 2016 financial statements respectively include a charge to operations for \$42,254 and \$36,402, representing the cost of postemployment benefits on the cash basis.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

21. SABBATICAL LEAVE

College faculty are eligible to apply for a sabbatical leave after six continuous years of service provided the faculty member has not been granted a leave of absence during that time period. If a leave of absence has been permitted, calculation of years of service required for sabbatical application begins at the conclusion of said leave of absence. Dependent on the financial resources available to the College, all faculty members having acquired six years of continuous service will be required to take a sabbatical prior to their tenth year of service. Applications for sabbatical are submitted to the Provost and are subject to the approval of the Academic Affairs and Assessment Committee or the President's Cabinet. The length and scope of the sabbatical will be determined by the Provost in conjunction with the faculty member seeking the sabbatical. The faculty member will receive customary pay for a faculty member teaching a full load and equivalent with his or her current level of remuneration. Management has determined that the College's liability for accumulated sabbatical leave cannot be reasonably estimated; accordingly, no such liability has been recorded in the financial statements as of June 30, 2017 and 2016, respectively.

22. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses for the year are classified as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 10,521,084	\$ 10,797,256
Supporting services:		
General and administrative	1,927,634	1,978,233
Fundraising	<u>317,549</u>	<u>325,885</u>
Total Expenses	<u>\$ 12,766,267</u>	<u>\$ 13,101,374</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION

The College's endowment consists of many donor-restricted and board-designated funds for scholarships and operating purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 6,139,342	\$6,139,342
Total Funds	\$ -	\$ -	\$ 6,139,342	\$6,139,342

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 5,964,810	\$5,964,810
Total Funds	\$ -	\$ -	\$ 5,964,810	\$5,964,810

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION (continued)

Changes in Endowment Net Assets For the Fiscal Year Ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ -	\$ -	\$ 5,964,810	\$5,964,810
Investment return:				
Net appreciation (realized and unrealized)	-	-	-	-
Total Investment Return	-	-	-	-
New gifts	-	-	134,986	134,986
Gain on perpetual trusts	-	-	39,546	39,546
Total Other Changes	-	-	174,532	174,532
Released from restriction (transfers)	-	-	-	-
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,139,342</u>	<u>\$6,139,342</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION (continued)

Changes in Endowment Net Assets For the Fiscal Year Ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ -	\$ -	\$ 5,427,575	\$5,427,575
Investment return:				
Net appreciation (realized and unrealized)	-	-	-	-
Total Investment Return	-	-	-	-
New gifts	-	-	11,649	11,649
Change in value of split-interest agreements	-	-	550,819	550,819
Loss on perpetual trusts	-	-	(25,233)	(25,233)
Total Other Changes	-	-	525,586	525,586
Released from restriction (transfers)	-	-	-	-
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,964,810</u>	<u>\$5,964,810</u>

Investment returns added to permanently restricted net assets represent amounts required to be retained permanently as a result of explicit donor stipulations.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Prior to adoption of FASB ASC 958, *Not-for-Profit Entities*, deficiencies of this nature were transferred and reported in unrestricted net assets of the current funds. These kinds of deficiencies can result from unfavorable investment market fluctuations. As of June 30, 2017, and in accordance with ASC 958, these unrealized gains were left in the endowment fund and unrestricted net assets.

Endowment restrictions require the College to maintain an appropriate composition of assets (usually cash and marketable securities) in amounts needed to comply with all donor stipulations. The deficiencies amounted to approximately \$1,600,000 and \$1,700,000 for the years ended June 30, 2017 and 2016, respectively. All scholarship obligations are currently being satisfied in accordance with donor requests.

Return Objectives

The College has adopted investment and spending policies 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 the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The primary investment objective of the College is to maximize the financial return over the long term within an acceptable level of risk. The minimum performance objective over time is to earn an average annual return equal to the rate of inflation as measured by the Higher Education Price Index (HEPI). Rate of return goals will be reviewed periodically in light of the constantly evolving market conditions along with any changing needs of the fund itself. The secondary investment objective is to constrain the volatility of the total fund through a program of broad diversification. The fund should have a standard deviation of less than 10 over rolling three and five year time frames.

Strategies Employed for Achieving Objective

It is recognized that a significant element in achieving successful investment results over time is the proper identification and periodic review of investment objectives. These should be reviewed at least on an annual basis by Board members to insure consistent direction as well as sufficient reflection of the attitudes of the fund on an ongoing basis. Consistent with the maturity levels of the fund and the general obligations to the participants, the overall approach will be one of growth and income, with an emphasis on growth.

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the years ended June 30, 2017 and 2016, the College maintained a spending rate policy of 90% of monthly endowment fund earnings less investment expenses.

The College's spending policies for endowment funds vary according to each specific written donor agreement. In all cases, the endowment fund spending policies do not exceed investment policy targeted return.

The Board of Trustees of **Central Christian College of Kansas** has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary, but also interprets the relevant law as allowing, if prudent to the institution, the invasion of endowment principal. As a result of this interpretation, **Central Christian College of Kansas** classifies as permanently restricted net assets the sum of:

- a) the original value of gifts donated to the permanent endowment,
- b) the original value of subsequent gifts to the permanent endowment,
- c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and
- d) if any invasion of endowment principal shall occur the institution will show the amount of such invasion as a negative value in the unrestricted net assets of the endowment fund.

The remaining portion of the donor-restricted endowment fund (such as current year dividends, interest, and income) that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

23. ENDOWMENT COMPOSITION (continued)

- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

24. INTANGIBLE ASSETS

The College has incurred \$685,700 of development costs in relation to their online courses. These costs are being amortized over the estimated life of the asset. Accumulated amortization as of June 30, 2017 is \$434,758.

Amortization expense of \$114,283 has been recorded for the year ended June 30, 2017.

Future amortization expense during the next five years ending June 30 is as follows:

2018	\$ 100,950
2019	80,117
2020	40,950
2021	19,283
2022	<u>9,642</u>
Total Future Estimated Amortization Expense	<u>\$ 250,942</u>

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

24. INTANGIBLE ASSETS (continued)

The College acquired a landscaping business during 2016 and in relation to that purchase acquired a customer list valued at \$33,350. These costs are being amortized over the estimated life of the asset. Amortization expense of \$6,670 has been recorded for the year ended June 30, 2017.

Future amortization expense during the next four years ending June 30 is as follows:

2018	\$ 6,670
2019	6,670
2020	6,670
2021	<u>6,670</u>
Total Future Estimated Amortization Expense	<u>\$ 26,680</u>

25. COMPOSITE SCORE STANDARD

As a condition of eligibility to participate in the various federal financial assistance programs, the College is required to demonstrate financial responsibility, as defined in United States Department of Education regulations, by maintaining a “composite score standard” of at least 1.5. The regulations also established a composite score zone between 1.0 and 1.4, demonstrating an institution as financially weak, but viable. Regulations allow institutions falling within this zone up to three consecutive years to improve their financial condition without requiring surety.

The College’s “composite score standard” at June 30, 2017, was .7 and, therefore, not in compliance with the above requirement.

SUPPLEMENTAL INFORMATION



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees

Central Christian College of Kansas and Affiliates

We have audited the consolidated financial statements of **Central Christian College of Kansas and Affiliates** as of and for the year ended June, 30, 2017, and our report thereon dated February 2, 2018 in which we expressed an unmodified opinion appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The schedule of single member LLCs and other related organization's activity 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.

Overland Park, Kansas
February 2, 2018

CENTRAL CHRISTIAN COLLEGE OF KANSAS AND AFFILIATES

SCHEDULE OF SINGLE MEMBER LLCs AND OTHER RELATED ORGANIZATION'S ACTIVITY

Year Ended June 30, 2017

	Central Christian Coffee Shop, LLC	Kids Kampus, Inc.	Two Tigers and a Truck LLC	Total
Revenues:				
Loss on sale of assets	-	-	(304)	(304)
Day Care Income, including interest	-	1,272,371	-	1,272,371
Two Tigers and a Truck Income	-	-	145,175	145,175
	<u>-</u>	<u>-</u>	<u>145,175</u>	<u>145,175</u>
Total Revenues	<u>-</u>	<u>1,272,371</u>	<u>144,871</u>	<u>1,417,242</u>
Expenses:				
Payroll	-	707,344	100,578	807,922
Retirement	-	10,821	-	10,821
Other	170	254,933	88,665	343,768
	<u>170</u>	<u>254,933</u>	<u>88,665</u>	<u>343,768</u>
Total Expenses	<u>170</u>	<u>973,098</u>	<u>189,243</u>	<u>1,162,511</u>
Change in Net Assets/Equity	<u>\$ (170)</u>	<u>\$ 299,273</u>	<u>\$ (44,372)</u>	<u>\$ 254,731</u>