



Financial Statements

June 30, 2010 and 2009

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BATTERSHELL & NICHOLS
A PROFESSIONAL SERVICE CORPORATION

ACCOUNTANTS' REPORT

To the Board of Directors of
Christian Enterprises dba Rainier Christian Schools
Renton, Washington

We have reviewed the accompanying statement of financial position of Christian Enterprises dba Rainier Christian Schools as of June 30, 2010 and the related statements of activities and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Christian Enterprises dba Rainier Christian Schools.

A review consists principally of inquiries of School personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the 2010 financial statements in order for them to be in conformity with generally accepted accounting principles.

The accompanying 2009 financial statements of Christian Enterprises dba Rainier Christian Schools were compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the 2009 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Our review of the 2010 financial statements was made of the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedules 1 and 2 is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Battershell & Nichols

January 25, 2011

Christian Enterprises dba Rainier Christian Schools
Statements of Financial Position

June 30, 2010 (Reviewed) and 2009 (Compiled)

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 34,880	\$ 285,276
Cash restricted for programs and activities	21,802	11,064
Tuition receivable, net of allowance of \$200,974 and \$137,607	302,560	285,473
Deposits and prepaid expenses	19,622	17,805
Unconditional pledges receivable, net of allowance of \$0 and \$0	<u>18,562</u>	<u>18,542</u>
Total Current Assets	<u>397,426</u>	<u>618,160</u>
Property and Equipment		
Vehicles	72,797	72,797
Furniture and equipment	461,887	461,887
Leasehold improvements	167,496	159,955
Buildings	2,136,531	2,136,531
Building improvements	695,234	674,741
Land	1,346,455	1,346,455
Land improvements	<u>28,959</u>	<u>28,959</u>
	4,909,359	4,881,325
Accumulated depreciation	<u>(1,846,786)</u>	<u>(1,672,440)</u>
Total Property and Equipment	<u>3,062,573</u>	<u>3,208,885</u>
Other Assets		
Cash restricted for investment in land and buildings	20,000	20,000
Cash permanently restricted for scholarship endowment	3,924	3,924
Construction in progress	49,295	49,295
Deferred loan costs, net of amortization of \$7,796 and \$27,992	2,835	9,988
Long term receivables	<u>209,755</u>	<u>0</u>
Total Other Assets	<u>285,809</u>	<u>83,207</u>
Total Assets	<u>\$ 3,745,808</u>	<u>\$ 3,910,252</u>

See accompanying notes and accountants' report.

Christian Enterprises dba Rainier Christian Schools
Statements of Financial Position

June 30, 2010 (Reviewed) and 2009 (Compiled)

	2010	2009
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 155,653	\$ 260,912
Accrued payroll, taxes, and compensated absences	49,389	61,721
Line of credit	255,000	349,000
Current portion of long-term debt and capital leases payable	129,592	1,022,385
Advance payments of tuition and fees	227,329	335,331
Custodial liabilities	<u>66,605</u>	<u>94,228</u>
Total Current Liabilities	<u>883,568</u>	<u>2,123,577</u>
Long-Term Debt		
Notes payable	1,820,230	1,856,150
Current portion of notes payable	(47,616)	(927,277)
Capital leases payable	164,755	259,863
Current portion of capital leases payable	<u>(81,976)</u>	<u>(95,108)</u>
Total Long-Term Debt	<u>1,855,393</u>	<u>1,093,628</u>
Total Liabilities	<u>2,738,961</u>	<u>3,217,205</u>
Net Assets		
Unrestricted Net Assets:		
Undesignated	<u>961,121</u>	<u>658,059</u>
Temporarily Restricted Net Assets Restricted for:		
Programs and activities	21,802	11,064
Investment in land and buildings	<u>20,000</u>	<u>20,000</u>
	41,802	31,064
Permanently Restricted Net Assets	<u>3,924</u>	<u>3,924</u>
	<u>45,726</u>	<u>34,988</u>
Total Net Assets	<u>1,006,847</u>	<u>693,047</u>
Total Liabilities and Net Assets	<u>\$ 3,745,808</u>	<u>\$ 3,910,252</u>

See accompanying notes and accountants' report.

Christian Enterprises dba Rainier Christian Schools
Statements of Activities

For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

	2010	2009
Change in Unrestricted Net Assets		
Revenue and Support		
School tuition and fees less financial aid provided of \$963,184 and \$644,768, respectively	\$ 4,918,676	\$ 5,207,128
Special events	16,809	5,055
Other program income	174,097	165,400
Contributions	463,249	433,488
Noncash contributions	9,740	11,646
Contributed services	15,532	46,585
Interest income	1,447	4,995
Other income	2,130	4,102
Fund-raising income	1,770	364
Rental income	27,195	25,825
Total Revenue and Support	<u>5,630,645</u>	<u>5,904,588</u>
Net assets released from restrictions	<u>84,891</u>	<u>323,259</u>
Total Unrestricted Revenue, Support, and Net Assets Released from Restrictions	<u>5,715,536</u>	<u>6,227,847</u>
Expenses		
Rainier Christian High School	935,613	1,146,782
Rainier Christian Middle School	538,874	538,539
Rainier Christian Elem.-Kent View Campus	862,196	1,016,623
Rainier Christian Elem.-Maple Valley	731,690	804,009
Rainier Christian Elem.-Highlands	404,482	441,859
Little People Creative Learning Center	332,624	359,595
Transportation	172,715	209,572
Rainier Christian-Maple Valley Preschool / Child Care	261,248	278,223
Rainier Christian - Highlands Preschool	273,607	295,770
Total Programs	<u>4,513,049</u>	<u>5,090,972</u>
General and Administrative	730,100	927,116
Fundraising	169,325	162,765
Total Expenses	<u>5,412,474</u>	<u>6,180,853</u>
Increase in Unrestricted Net Assets	<u>303,062</u>	<u>46,994</u>
Temporarily Restricted Net Assets		
Capital equipment and other building donations	0	8,500
Restricted contributions to specific programs	30,870	14,587
Financial aid and assistance contributions	64,759	77,793
Net assets released from restrictions	<u>(84,891)</u>	<u>(323,259)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>10,738</u>	<u>(222,379)</u>
Increase (Decrease) in Net Assets	313,800	(175,385)
Net Assets, Beginning of Year	<u>693,047</u>	<u>868,432</u>
Net Assets, End of Year	<u>\$ 1,006,847</u>	<u>\$ 693,047</u>

See accompanying notes and accountants' report.

Christian Enterprises dba Rainier Christian Schools
Statements of Cash Flows

For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

	2010	2009
Cash Flows Provided (Used) by Operating Activities:		
Increase (Decrease) in Total Net Assets	\$ 313,800	\$ (175,385)
Adjustments to Reconcile Increase (Decrease) in Total Net Assets to Cash Provided by Operating Activities:		
Depreciation	174,346	186,209
Amortization of loan cost	7,153	7,596
Non-cash contributions including services	(25,272)	(58,231)
Non-cash supplies and labor expensed	23,926	50,595
Changes in Assets and Liabilities:		
(Increase) in Long term receivables	(209,755)	0
(Increase) in Tuition receivable, net of allowance	(17,087)	(114,250)
(Increase) Decrease in Inventory	0	7,035
(Increase) Decrease in Unconditional pledges receivable, net of allowance	(20)	11,863
(Increase) Decrease in Deposits and prepaid expenses	(1,817)	3,665
(Decrease) Increase in Accounts payable	(105,259)	126,934
(Decrease) Increase in Accrued payroll, taxes, and compensated absences	(12,334)	5,031
(Decrease) Increase in Advance payments of tuition and fees	(108,002)	24,189
(Decrease) Increase in Custodial liabilities	<u>(27,623)</u>	<u>3,841</u>
Total Adjustments	<u>(301,744)</u>	<u>254,477</u>
Net Cash Flows Provided by Operating Activities	<u>12,056</u>	<u>79,092</u>
 Cash Flows Provided (Used) by Investing Activities		
Purchases of property and equipment and expenditures for construction in progress	(26,734)	(103,762)
(Decrease) Increase in cash restricted for investment in land and buildings and other restrictions	<u>(10,738)</u>	<u>222,379</u>
Net Cash Flows (Used) Provided by Investing Activities	<u>(37,472)</u>	<u>118,617</u>
 Cash Flows Provided (Used) by Financing Activities		
Principal payments on notes payable and capital leases	(1,023,497)	(128,835)
Proceeds from new long-term debt	892,517	0
Repayment of short-term borrowings	(349,000)	(320,000)
Proceeds from new short-term debt	<u>255,000</u>	<u>464,000</u>
Net Cash Flows (Used) Provided by Financing Activities	<u>(224,980)</u>	<u>15,165</u>
 Net (Decrease) Increase in Cash	<u>(250,396)</u>	<u>212,874</u>
Unrestricted Cash - July 1, 2009 and 2008	<u>285,276</u>	<u>72,402</u>
 Unrestricted Cash - June 30, 2010 and 2009	<u>\$ 34,880</u>	<u>\$ 285,276</u>

See accompanying notes and accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

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

Nature of Activities

Christian Enterprises dba Rainier Christian Schools was originally incorporated as a not-for-profit religious corporation under the laws of the State of Washington in January 1967 for the purpose of operating Maple Valley Christian School. In 1995, Christian Enterprises merged with Kent View Christian Schools to form Rainier Christian Schools. The schools' administrative office is located in Renton, Washington.

Christian Enterprises operates three elementary schools, one middle school, a high school, and three preschool/daycare facilities. These schools are located in Kent, Renton, Auburn, and Covington, Washington. Transportation service is available to students at several of the schools' campuses.

Basis of Accounting

Christian Enterprises presents financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Christian Enterprises is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

Permanently restricted net assets - Permanently restricted net assets must be maintained by Christian Enterprises in perpetuity, the income of which is expendable for operations. Permanently restricted net assets increase when Christian Enterprises receives contributions for which donor-imposed restrictions limiting Christian Enterprises' use of an asset for its economic benefits neither expire with the passage of time nor can be removed by Christian Enterprises meeting certain requirements. The balances of permanently restricted net assets were \$3,924 and \$3,924 as of June 30, 2010 and 2009, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include useful lives of property and equipment, allocation of expenses to programs, and allowance

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

for losses on uncollectable tuition and pledges receivable.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified and summarized differently to provide more meaningful comparisons with the current year financial statements.

Cash

For purposes of the statements of cash flows, cash includes time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less which are not restricted by the donor for a specific purpose.

Buildings, Equipment, Improvements, and Depreciation

Buildings, equipment, and improvements purchases are stated at cost. Donated assets are stated at fair market value at date of receipt. Donated services that create or enhance non-financial assets are capitalized at fair market value at the date the services are provided. Depreciation is provided by use of the straight-line method over the estimated useful lives of the related assets ranging from five to ten years for equipment and thirty to forty years for leasehold improvements and buildings. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation expense for the years ended June 30, 2010 and 2009 was \$174,346 and \$186,209, respectively.

Fair Value Measurement

Generally accepted accounting principles uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in the active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Deferred Financing Costs

Costs relating to securing a mortgage loan are treated as deferred costs and are amortized over the life of the mortgage loan. As of June 30, 2010 and 2009, amortization expense was \$7,153 and \$7,596, respectively.

Change in Accounting Policy

In 2010, the School changed the threshold for capitalization of assets from \$1,000 to \$1,500. This policy was effective beginning July 1, 2009 and has been implemented prospectively.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Tuition Receivable and Allowance for Doubtful Accounts

Christian Enterprises records a receivable for tuition and program fees. An allowance for doubtful accounts is provided based on management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based upon review of specific accounts and historical loss experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. Accounts are considered delinquent based on contractual terms.

Advance Payments of Tuition and Fees

A liability results from the recognition of tuition revenue in the period in which the related educational instruction is performed. Accordingly, tuition fees received for the next school term are recorded as a liability on the Statement of Financial Position until the instruction commences.

Accrued Compensated Absences

Employees are entitled to paid vacation depending upon job classification, length of service, or other factors. As of June 30, 2010 and 2009, accrued vacation was \$42,944 and \$47,256, respectively.

Federal Income Tax

Christian Enterprises is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) except to the extent of unrelated business taxable income, if any.

Contributions Received

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Gifts received of long-lived assets, in the absence of donor imposed use restrictions, are reported as unrestricted support.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services and Materials

A large number of people have contributed significant amounts of time to the activities of Christian Enterprises without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, the services do not meet the recognition criteria of creating or enhancing non-financial assets required by generally accepted accounting principles and no reliable basis exists for determining an appropriate value for those services. Donated materials are included in the financial statements at their estimated fair market values as of the date of their receipt.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Christian Enterprises has recognized contributed services of \$15,532 and \$46,585 for the years ended June 30, 2010 and 2009, respectively. Contributed services relate to campus development and benefit most school programs.

Advertising Costs

Costs of advertising are charged to expense as they are incurred, or when the advertising takes place for the first time, and include costs for production of advertising materials and delivery of advertising messages through the mail or other media. Advertising expenses for the years ended June 30, 2010 and 2009 were \$9,055 and \$14,393, respectively.

Note 2 - Concentrations

The School maintains cash balances at financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). Amounts on deposit with banks may occasionally exceed the FDIC insurance limit of \$250,000 per institution. It is the School's policy to evaluate the financial condition of the banks in which funds are on deposit on a regular basis, to determine the extent of credit risk for deposits in excess of FDIC insurance limits. Bank balances on deposit in excess of insurance limits and amounts in uninsured accounts were \$1,850 and \$28,472 as of the years ended June 30, 2010 and 2009, respectively.

Note 3 - Endowment

Several years ago, Rainier Christian Schools began a fund raising drive with the goal of building an endowment for the purpose of providing tuition assistance to students. The funds raised in that effort remain in permanently restricted net assets, but were insufficient to generate income necessary to grant assistance. Management and the Board are reviewing the feasibility of renewing the effort as well as developing the necessary investment and spending policies required to properly administer an endowment fund. This effort is expected to occur in fiscal 2012.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Note 4 - Unconditional Promises Receivable

Unconditional promises receivable as of June 30, 2010 and 2009 are as follows:

	<u>Unrestricted Pledges Receivable</u>	
	<u>2010</u>	<u>2009</u>
Promises to give expected to be collected in:		
Less than one year	\$ 18,562	\$ 18,542
One to five years	<u>0</u>	<u>0</u>
	18,562	18,542
Less allowance for uncollectable promises to give	0	0
Unamortized prepaid pledges	0	0
Less discount on promises to give	<u>0</u>	<u>0</u>
Net unconditional promises to give	<u>\$ 18,562</u>	<u>\$ 18,542</u>

Unconditional promises receivable are recognized as contributions revenue in the year the pledge is made. All unrestricted pledges receivable are promised to Christian Enterprises within one year.

Note 5 - Fair Value Measurements

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Gain (Loss) Recognized
Donated land and buildings from the US government - see Note 8	\$ 555,000	\$ 0	\$ 0	\$ 555,000	\$ 0
Unconditional pledges receivable	<u>\$ 18,562</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,562</u>	<u>\$ 0</u>
Total assets	<u>\$ 573,562</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 573,562</u>	<u>\$ 0</u>

Generally accepted accounting principles requires disclosures about the methods used in determining the fair value of non-financial assets that are valued on a recurring or nonrecurring basis. The School's property received from the US government was valued based on valuations from county property tax assessments.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Note 6 - Notes Payable

	2010	2009
Notes payable consist of the following:		
Note payable to a bank secured by property in Auburn, Washington purchased from Thomas Academy. Monthly payments of \$6,655 included interest at 6.45% for 59 months beginning June 1, 2005 through maturity date of May 1, 2010 with balance due at maturity. Loan was refinanced on May 1, 2010 through same lender. Monthly payments of \$6,207 include interest at 5.5% for 60 months through maturity date of May 1, 2015 with balance due at maturity.	\$ 888,109	\$ 905,861
In November of 2006, the Schools financed property in Renton, Washington to provide funds to reduce the balance of the line of credit and to provide permanent operating capital. The principal amount of the loan was \$980,000. The term of the loan is ten years with monthly installments equal to \$7,373.45 including interest with an initial rate of 7.65% until it adjusts at December 25, 2011. The payment will adjust based on interest at the FHLB Seattle average plus 2.5%. Payments are based on a 20 year amortization with the balance due on October 31, 2016.	929,236	945,916
An agreement was reached with Puget Sound Energy over a billing resulting from faulty meter-reading transmission equipment on their part. The charges billed went back to October 2005 and totaled \$17,545. Puget Sound reduced the balance to \$13,118.31 and agreed to a zero interest installment payment plan at \$364 per month for 36 months, beginning July 1, 2007.	<u>2,885</u>	<u>4,373</u>
	1,820,230	1,856,150
Less Current Portion	<u>(47,616)</u>	<u>(927,277)</u>
Notes Payable--Long-Term	<u>\$ 1,772,614</u>	<u>\$ 928,873</u>

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Principal payments required for the next five years ending June 30 are as follows:

2011	\$ 47,616
2012	47,632
2013	50,773
2014	54,125
2015	798,630
Subsequent years	<u>821,454</u>
	<u>\$ 1,820,230</u>

Note 7 - Leases

Capital Leases

Christian Enterprises currently has modular buildings under capital leases expiring in 2011 and 2013. The assets and liabilities under capital leases are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense. The following is a summary of property held under capital leases as of June 30:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 609,481	\$ 609,481
Less accumulated depreciation	<u>(133,787)</u>	<u>(103,314)</u>
	<u>\$ 475,694</u>	<u>\$ 506,167</u>

Minimum future lease payments under capital leases as of June 30, 2010 for each of the next five years and in the aggregate are:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 94,022
2012	70,592
2013	17,648
2014	0
2015	0
Subsequent to fiscal 2015	<u>0</u>
Total minimum lease payments	182,262
Less: Amount representing interest	<u>(17,507)</u>
Present value of net minimum lease payment	\$ 164,755
Current portion	<u>(81,976)</u>
Included in long-term debt	<u>\$ 82,779</u>

Interest rates on capitalized leases are based on the lessor's implicit rate of return. Title to

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

equipment transfers to Christian Enterprises upon final lease payment.

Operating Leases

School facilities and certain equipment are leased under operating leases expiring in various years through 2015. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2010 for each of the next five years and in the aggregate are:

<u>Years ending June 30,</u>	<u>Amount</u>
2011	\$ 54,837
2012	44,509
2013	42,443
2014	5,243
2015	5,243
Subsequent to fiscal 2015	<u>0</u>
Total minimum future rental payments	<u>\$ 152,275</u>

Operating lease payments and facility lease payments included in expense for the years ended June 30, 2010 and 2009 were \$241,707 and \$235,349, respectively. Certain operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Note 8 - Contingencies

On June 27, 2002, Christian Enterprises entered into a Declaration of Covenant with the United States government to receive a 34.5 acre parcel adjacent to its 7.743 acre property. Christian Enterprises received this property by Quitclaim Deed subject to certain conditions for a period of thirty years. These conditions are that: a) the property be used exclusively for educational purposes, b) the school be in compliance with Title VI of the Civil Rights Act, and c) the school be operated by a non-profit organization, exempt from taxation under Section (501)(c)(3). Christian Enterprises is prohibited from selling, sub-leasing, encumbering, or disposing of the property during the thirty year period without the express written consent of the United States Secretary of Health, Education, and Welfare. Failure to comply with these conditions could cause the property to revert to and become the property of the United States government. A report is filed annually with the federal government certifying that all of the above conditions have been met. The property had an approximate fair market value of \$555,000.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Notes to Financial Statements
For the years ended June 30, 2010 (Reviewed) and 2009 (Compiled)

Note 9 - Supplemental Cash Flow Information

	2010	2009
Interest paid	\$ 156,482	\$ 174,926
Interest expense	169,974	182,522

Note 10 - Line of Credit

As of June 30, 2010, Christian Enterprises maintains a line of credit of \$400,000 with a bank for supplemental working capital, secured by all assets and a deed of trust on property at Maple Valley Elementary/Preschool campus in Renton, maturing October 31, 2010. The line bears interest at a rate of the Wall Street Journal prime rate plus 1 percent. As of June 30, 2010 and 2009, the balance was \$255,000 and \$349,000, respectively. The line was renewed for an additional four months on the same terms and matures February 28, 2011.

Note 11 - Defined Contribution Plan

Christian Enterprises maintains a defined contribution pension plan which provides for salary deferral under Internal Revenue Code section 403(b). No matching contributions were made during the years ended June 30, 2010 and 2009.

Note 12 - Subsequent Events

Management considered and found no subsequent events requiring disclosure in the financial statements occurring after the balance sheet date until January 25, 2011, the date the financials were available to be issued.

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Schedule 1
Schedule of Functional Expenses
For the year ended June 30, 2010

	Program Services								Support Services					
	TOTAL	Rainier Christian High School	Rainier Christian Middle School	Rainier Christian Elem.-Kent View Campus	Rainier Christian Elem.-Maple Valley	Rainier Christian Elem.- Highlands	Little People Creative Learning Center	Transportation	Rainier Christian- Maple Valley Preschool / Child Care	Rainier Christian - Highlands Preschool	Total Program Services	General and Administrative	Fundraising	Total Support Services
Personnel	\$ 3,769,756	\$ 640,952	\$ 407,747	\$ 686,491	\$ 565,525	\$ 319,934	\$ 282,498	\$ 109,164	\$ 218,453	\$ 223,382	\$ 3,454,146	\$ 315,610	\$ 0	\$ 315,610
Academic expenses	147,256	23,306	9,033	50,661	35,845	21,104	3,285	0	3,672	350	147,256	0	0	0
Staff development	2,525	142	270	489	134	162	355	19	559	374	2,504	21	0	21
Student services and activities	155,804	25,726	16,005	37,824	15,665	15,284	17,893	0	19,776	7,631	155,804	0	0	0
Athletic expenses	50,648	35,003	13,677	1,968	0	0	0	0	0	0	50,648	0	0	0
Advertising and promotion	9,493	0	0	0	0	0	0	0	138	0	138	9,355	0	9,355
Postage	7,351	1,219	441	249	463	283	46	0	0	31	2,732	4,619	0	4,619
Printing	1,861	21	21	21	0	59	77	0	74	0	273	1,588	0	1,588
Telephone	22,328	3,644	3,124	2,334	1,416	998	1,600	2,252	1,846	1,212	18,426	3,902	0	3,902
Transportation	45,698	0	0	0	0	0	0	45,698	0	0	45,698	0	0	0
Bad debts expense	104,804	0	0	0	0	0	0	0	0	0	0	104,804	0	104,804
Insurance	44,369	0	0	2,054	0	0	0	8,460	0	0	10,514	33,855	0	33,855
Dues and subscriptions	10,440	35	0	0	0	0	0	0	0	0	35	10,405	0	10,405
Miscellaneous expenses	141,677	3,689	16,137	1,885	0	0	276	493	575	0	23,055	100	118,522	118,622
Professional services	12,506	0	0	0	0	0	0	0	105	0	105	12,401	0	12,401
Licenses and permits	2,662	54	0	714	255	0	0	690	0	0	1,713	949	0	949
Development expenses	27,236	0	30	0	0	0	0	0	0	0	30	0	27,206	27,206
Outside services	13,889	0	0	0	0	0	0	0	0	0	0	13,889	0	13,889
Special events	23,597	0	0	0	0	0	0	0	0	0	0	0	23,597	23,597
Benevolence	500	0	0	0	0	0	0	0	0	0	0	500	0	500
Facilities	406,960	148,258	57,420	43,444	61,921	28,062	15,549	0	15,097	24,908	394,659	12,301	0	12,301
Depreciation	174,346	44,398	7,820	26,669	45,747	15,374	8,129	5,939	0	15,374	169,450	4,896	0	4,896
Interest	169,974	0	0	0	0	0	0	0	0	0	0	169,974	0	169,974
Program administration expenses	66,794	9,166	7,149	7,393	4,719	3,222	2,916	0	953	345	35,863	30,931	0	30,931
	<u>\$ 5,412,474</u>	<u>\$ 935,613</u>	<u>\$ 538,874</u>	<u>\$ 862,196</u>	<u>\$ 731,690</u>	<u>\$ 404,482</u>	<u>\$ 332,624</u>	<u>\$ 172,715</u>	<u>\$ 261,248</u>	<u>\$ 273,607</u>	<u>\$ 4,513,049</u>	<u>\$ 730,100</u>	<u>\$ 169,325</u>	<u>\$ 899,425</u>

See accountants' report.

Christian Enterprises dba Rainier Christian Schools
Schedule 2
Schedule of Functional Expenses
For the year ended June 30, 2009

	Program Services									Support Services				
	TOTAL	Rainier Christian High School	Rainier Christian Middle School	Rainier Christian Elem.-Kent View Campus	Rainier Christian Elem.-Maple Valley	Rainier Christian Elem.- Highlands	Little People Creative Learning Center	Transportation	Rainier Christian- Maple Valley Preschool / Child Care	Rainier Christian - Highlands Preschool	Total Program Services	General and Administrative	Fundraising	Total Support Services
Personnel	\$ 4,283,634	\$ 791,611	\$ 397,296	\$ 797,912	\$ 624,589	\$ 337,874	\$ 303,802	\$ 123,247	\$ 230,639	\$ 230,871	\$ 3,837,841	\$ 415,448	\$ 30,345	\$ 445,793
Academic expenses	247,232	51,920	24,099	96,035	38,900	27,399	3,315	0	4,337	1,227	247,232	0	0	0
Staff development	8,807	2,394	825	1,629	1,137	606	(173)	278	977	150	7,823	984	0	984
Student services and activities	178,002	32,069	19,123	35,877	15,361	17,366	19,578	0	24,227	14,401	178,002	0	0	0
Athletic expenses	60,145	44,794	15,111	240	0	0	0	0	0	0	60,145	0	0	0
Advertising and promotion	15,237	0	0	0	0	0	0	0	9	0	9	15,228	0	15,228
Postage	8,686	771	857	310	530	202	93	0	0	35	2,798	5,888	0	5,888
Printing	2,535	0	71	0	167	53	0	103	0	0	394	2,141	0	2,141
Telephone	23,914	3,763	2,667	2,362	1,422	1,099	1,600	3,619	1,586	1,241	19,359	4,555	0	4,555
Transportation	68,439	0	0	0	0	0	0	68,439	0	0	68,439	0	0	0
Bad debts expense	166,244	0	0	0	0	0	0	0	0	0	0	166,244	0	166,244
Insurance	37,556	0	0	0	0	0	0	5,896	0	0	5,896	31,660	0	31,660
Dues and subscriptions	11,373	0	0	30	0	0	0	0	0	0	30	11,343	0	11,343
Miscellaneous expenses	83,075	0	0	0	0	0	0	749	0	0	749	0	82,326	82,326
Professional services	25,641	0	0	0	0	0	0	0	483	0	483	25,158	0	25,158
Licenses and permits	3,593	0	0	682	398	0	266	1,021	0	300	2,667	926	0	926
Development expenses	21,960	490	0	0	411	0	0	0	0	0	901	0	21,059	21,059
Outside services	12,028	0	0	0	0	0	0	0	0	0	0	12,028	0	12,028
Special events	29,035	0	0	0	0	0	0	0	0	0	0	0	29,035	29,035
Facilities	456,472	158,998	59,009	49,585	70,817	36,337	19,433	0	15,084	29,287	438,550	17,922	0	17,922
Depreciation	186,209	46,117	7,820	23,201	45,902	17,608	8,074	6,157	0	17,608	172,487	13,722	0	13,722
Interest	182,522	0	0	0	0	0	0	0	0	0	0	182,522	0	182,522
Program administration expenses	68,514	13,855	11,661	8,760	4,375	3,315	3,607	63	881	650	47,167	21,347	0	21,347
	<u>\$ 6,180,853</u>	<u>\$ 1,146,782</u>	<u>\$ 538,539</u>	<u>\$ 1,016,623</u>	<u>\$ 804,009</u>	<u>\$ 441,859</u>	<u>\$ 359,595</u>	<u>\$ 209,572</u>	<u>\$ 278,223</u>	<u>\$ 295,770</u>	<u>\$ 5,090,972</u>	<u>\$ 927,116</u>	<u>\$ 162,765</u>	<u>\$ 1,089,881</u>

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