



Melissa Manriquez
Deputy Clerk

Pima County Clerk of the Board

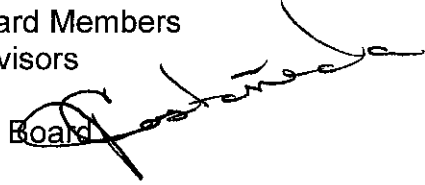
Julie Castañeda

Administration Division
130 W. Congress, 5th Floor
Tucson, AZ 85701
Phone: (520) 724-8449 • Fax: (520) 222-0448

Management of Information & Records Division
1640 East Benson Highway
Tucson, Arizona 85714
Phone: (520) 351-8454 • Fax: (520) 791-6666

MEMORANDUM

TO: Honorable Chairman and Board Members
Pima County Board of Supervisors

FROM: Julie Castañeda, Clerk of the Board 

DATE: November 5, 2019

RE: Petition for Relief of Real Property Taxes – Desert Christian Schools

Pursuant to A.R.S. §42-11104(G)(2), Desert Christian Schools, filed a petition on October 2, 2019, for relief of their 2019 Real Property Taxes as follows:

Pending Tax Payment:

<u>Parcel No.</u>	<u>Year</u>	<u>Taxes due</u>	<u>Interest</u>	<u>Total*</u>
133-03-315H-1	2019	\$22,765.68	\$.00	\$22,765.68
133-03-315H-2	2019	\$22,765.67	\$.00	\$22,765.67
Total		\$45,531.35	\$.00	\$45,531.35

On September 17, 2019, the Board of Supervisors approved Desert Christian Schools' Petition for Redemption of Property Tax Exemption Waiver for Tax year 2019. Their approved waiver was submitted to the Assessor's office for further processing and was denied.

The Assessor's review indicates that ownership of the property was not in effect during the time period required by statute and the property was not being used for the exempt purpose during the time period required by statute.

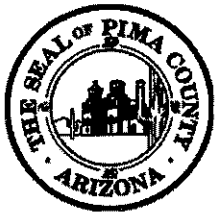
Desert Christian Schools acquired the property on May 8, 2019.

*Totals as of October 31, 2019.

/jc

Attachments

- Notice of Hearing
- Treasurer's Tax Reports
- Assessor's Review Form
- Desert Christian Schools submission



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October 23, 2019

Desert Christian Schools
Attn: Matthew Farinelli, President, Board of Trustees
7525 E. Speedway Boulevard
Tucson, AZ 85715

RE: Petition for Relief of Taxes – Parcel No. 133-03-315H

Dear Mr. Farinelli:

Please be advised that your Petition for Relief of Real Property Taxes for tax year 2019, has been scheduled before the Pima County Board of Supervisors on Tuesday, November 5, 2019, at 9:00 a.m., or thereafter, at the following location:

Pima County Administration Building
Board of Supervisors Hearing Room
130 West Congress, 1st Floor
Tucson, AZ 85701

If you have any questions regarding this hearing, please contact this office at 724-8449.

Sincerely,

A handwritten signature in black ink, appearing to read "Castañeda", is written over a horizontal line.

Julie Castañeda
Clerk of the Board

/jc



PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

ACCOUNT BALANCE

DESERT CHRISTIAN SCHOOLS INC
7525 E SPEEDWAY BLVD
TUCSON AZ 85710-8809

ACCOUNT: 13303315H
PROPERTY TYPE: Real Estate
PROPERTY LOCATION: 10129 E SPEEDWAY BL
LEGAL DESC: W480' LOT 11 & E3' LOT 12 EXC S60' THEREOF
8.92 AC SEC 2-14-15

Account Balance as of October 10, 2019

Tax Year	Cert No	Interest Date	Interest Percent	Amount	Interest Due	Fees Due	Penalties Due	Total Due
2019 - 1		11/2/2019	16.0	22,765.68	0.00	0.00	0.00	22,765.68
2019 - 2		5/2/2020	16.0	22,765.67	0.00	0.00	0.00	22,765.67
Totals				\$45,531.35	\$0.00	\$0.00	\$0.00	\$45,531.35

If you have any questions about the items on this statement, please contact our offices.



Melissa Manriquez
Deputy Clerk

Pima County Clerk of the Board

Julie Castañeda

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Petition to the Board of Supervisors - Review Form

Pursuant to ☒ A.R.S. §42-11104(G) (educational/library property) or
☐ A.R.S. §42-11109(E) (religious property)

Taxpayer Desert Christian Schools

For tax year(s) 2019 - Parcel No. 133-03-315H

- 1) Did the organization file an affidavit as required by A.R.S. §42-11153?
☒ Yes ☐ No
- 2) Was the affidavit filed on or before March 1 of the tax year as required by A.R.S. §42-11153?
☐ Yes ☒ No
- 3) If the affidavit had been filed timely, would the Assessor have granted the exemption?
☐ Yes ☒ No
- 4) If the answer to Number 3 is "No", why was the exemption denied?
☒ The required ownership of the property was not in effect during the time period required by statute.
☒ The property was not being used for the exempt purpose during the time period required by statute.
☐ The requesting church, educational or library property did not furnish the required documents requested by the Assessor at the time of application per A.R.S. §42-11152(3)&(B)
☐ Other:

Completed by: Rianna Larsen Date: Oct 7, 2019

c: Honorable Bill Staples, Pima County Assessor



Desert Christian Schools

"Discipling Students to Impact their World!"

Speedway Campus

7525 E. Speedway Blvd.
Tucson, AZ 85710

HM Office: (520) 901-5499

HS Office: (520) 298-5817

Fax: (520) 298-9312

Headmaster
Dr. Toby A. Travis

Development Director
Cherie Murphy

Admissions Director
Andrew Riebe

Bookkeeper/Financial Aid
Leslie Hatch

Academic Dean
Meg Chandler

High School Principal
Kevin Kehl

Wrightstown Campus

9415 E. Wrightstown Rd.
Tucson, AZ 85715

PS Office: (520) 795-7161

PS Fax: (520) 795-3386

K8 Office: (520) 885-4800

K8 Fax: (520) 885-4265

Preschool Director
Angie Alday

K8 Principal
Aaron Jansen

October 1, 2019

**Pima County Clerk
of the Board of Supervisors
130 W Congress St., 5th Floor
Tucson, AZ 85701**

Desert Christian Schools, a private, religious schools system, educate students from Preschool through 12th grade.

We are applying for exemption of 2019 property taxes under ARS 42-11104.

On May 8, 2019 Desert Christian Schools, Inc. (DCS) acquired property at

- 10129 East Speedway Blvd (Parcel ID 133-03-315H)

This property will be renovated and beginning August 2020 will be used primarily as a school for Preschool and Elementary age students.

Upon closing on the purchase of the property May 8, 2018, we were credited \$16,109.58 for property taxes due 1/1/2019 – 5/8/2019. We just received a property tax bill for \$45,531.35. We will pay the \$16,109.58 but are requesting an exemption on the remaining balance \$29,421.77.

Matthew Farinelli
President
Board of Trustees



*Pursue Excellence in Christian Education - Foster Christ-Centered Relationships
Endeavor to Meet the Unique Learning Needs of Every Student*

www.desertchristian.org

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AFB

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Preschool Director
Angie Alday

K8 Principal
Aaron Jansen

October 1, 2019

Pima County Assessor's Office

33 N Stone Ave. #130

Tucson, AZ 85701-1199

Attn: Bill Staples

Pima County Clerk

of the Board of Supervisors

130 W Congress St., 5th Floor

Tucson, AZ 85701

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Matthew Farinelli

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President
Board of Trustees



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Endeavor to Meet the Unique Learning Needs of Every Student*

www.desertchristian.org

2013年12月31日

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Alina Barcenas

From: Hatch, Leslie <lhatch@desertchristian.org>
Sent: Wednesday, October 2, 2019 10:04 AM
To: COB_mail
Cc: Matthew Farinelli
Subject: Property Tax Exemption Appeal
Attachments: 501-3C Papers IRS.pdf; Bylaws - Approved_04_12_16.pdf; Pty Intent letter.pdf; Petition for Pty Tax Waiver EEC 2019.pdf; Amendment to Articles of Incorporation 1985.pdf; Financial Review 17-18.pdf; Ppt Tax Exemption Questionnaire.pdf; Articles Of Incorporation 1982.pdf

This message and sender come from outside Pima County. If you did not expect this message, proceed with caution. Verify the sender's identity before performing any action, such as clicking on a link or opening an attachment.

Julie:

Per our conversation yesterday -

Regarding our newly acquired campus at 10129 E Speedway Blvd (Parcel ID 133-03-315H), I have attached the requested documents.

As I mentioned, we are prepared to pay the \$16,109.58 (per our closing agreement) for the property taxes from 1/1 - 5/8/19 when we took possession of the property. We are asking for an exemption on the remaining balance of \$29,421.77. We already receive exemptions on our other two properties, 7525 E Speedway Blvd and 9415 E Wrightstown Rd.

Thank you for your help.

Please let me know if you need anything else.

Blessings,

Leslie Hatch



Leslie Hatch | Bookkeeper/Financial Aid Coordinator

T: 520.901.5499 E: lhatch@desertchristian.org W: www.DesertChristian.org



Note: This message is a private and confidential communication. It is strictly forbidden to read, keep, copy, publish or transmit this message, or any portion of it, to persons different than the addressee or the initial sender. In case of accidental receipt by other than those addressed, please eliminate this message and refer all copies to the original sender. Este mensaje es una comunicación privada y confidencial. Está prohibido leer, conservar, copiar, divulgar o transmitir todo o parte de este mensaje a personas diferentes de su destinatario legal o su emisor original. En caso de recepción accidental por terceras personas, sírvase eliminar el mensaje y remitir toda copia al emisor original.

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NON-PROFIT AND RELIGIOUS ORGANIZATIONS
Property Tax Information and Questionnaire form

QUESTIONNAIRE FOR PROPERTY TAX EXEMPTION
ALL QUESTIONS MUST BE ANSWERED TO BE CONSIDERED FOR EXEMPTION

1. Name & Address of Organization:
Desert Christian Schools
Mailing Address - 7525 E Speedway Blvd, Tucson AZ 85710
Exemption request for - 10129 E Speedway Blvd, Tucson AZ 85715
2. Under which section of **Title 42, Chapter 11, Article 3** does your organization claim exemption? Yes
(Arizona Revised Statutes can be found at: www.azleg.gov)
3. Are there any type of business activities such as snack bars, cafés or restaurants operating on the premises? Yes ☐ No ☒
4. Is the organization exempt from Federal and/or State income taxes?
Yes ☒ No ☐
5. Is the Organization a 501 (C)? Yes ☒ which type _____. No ☐
5. Give day, month, and year deed/title was acquired by applicant.
Day 08 Month May Year 2019
6. Claimant is: Owner/Operator ☒ Owner only ☐ Operator only ☐
7. Exemption is claimed on:
All land ☒ Buildings & Improvements ☒ Personal Property ☒
8. Is any portion of the property used as a place of residence? Yes ☐ No ☒
If yes, state number of individuals occupying the premises and the duration of the occupancy. _____
9. Does applicant receive any income? (other than free will offerings in connection with this property) Yes ☐ No ☒
10. Is any portion of the property being leased or rented to a non-profit and/or a for-profit organization(s)? Yes ☐ No ☒. If yes, please list the name(s) of the organization(s) _____

11. List date of occupancy: Month May Day 08 Year 2019.

☒ M. L. Smith 10/2/18
 PROPERTY OWNER / AGENT DATE
☒ Debi H. H. H. H. 4/2/2021
 DEPUTY ASSESSOR / NOTARY COMMISSION EXPIRES



Pima County Board of Supervisors

PETITION FOR REDEMPTION OF PROPERTY TAX EXEMPTION WAIVER
Pursuant to A.R.S. §42-11153(B) and BOS Policy C4.3

Date: 9/11/2019

TAX YEAR: 2019

Name and Address of Applicant:

Desert Christian School

Last Name

First Name

10129 E Speedway Tucson AZ 85715

Address

City

State

Zip

Mailing address, if different from above:

7525 E Speedway Tucson AZ 85710

Address

City

State

Zip

520-901-5499

lhatch@desertchristian.org

Phone Number

Email Address

Parcel/Roll Number or License: 133-03-315H

Exemption type: ☐ Personal: (select one) ☐ Disabled ☐ Widow/Widower

☒ Non-Profit Organization Desert Christian School

Name of Organization

My affidavit for property tax exemption was not filed before the March 1st deadline.

This is a request that the waiver of the property tax exemption be redeemed by the Pima County Board of Supervisors under A.R.S. §42-11153(B). **NOTE: If taxes have become due, this application will not be processed and is hereby denied in conformance with Statute A.R.S. §42-11153(B) and Pima County Board of Supervisors Policy C4.3.**

Signed,

Toby Travis

Please return this form to:

Pima County Clerk of the Board of Supervisors

130 W. Congress St., 5th Floor

Tucson, AZ 85701

or

Email to: COB_mail@pima.gov

Clerk of the Board's Use Only

Approved at the Board of Supervisor's Meeting:

Date: SEP 17 2019

Clerk's Signature

This Approved redemption waiver should be included with your application to the Assessor's Office.

SEP 11 15:04:10 PCD KCFB
WV

ARTICLES OF INCORPORATION

OF

PIMA CHRISTIAN EDUCATION, INC.

DEC 9 1977
W. B. [Signature]
12/16
FEB 1978
DATE

508407

Know All Men by these Presents:

That we, the undersigned, desiring to form a non-profit corporation under the laws of the State of Arizona, do hereby associate ourselves together for that purpose and adopt the following Articles of Incorporation.

ARTICLE I

The name of this corporation shall be:

PIMA CHRISTIAN EDUCATION, INC.

ARTICLE II

The purpose for which this corporation is organized is the transaction of any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.

ARTICLE III

Said corporation is organized exclusively to establish a non-profit Christian High School for educational purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1954, including for such purposes the making of distributions to organizations that qualify as exempt organizations under Section 501(c) (3) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future United States Revenue Laws).

ARTICLE IV

The principal place of business shall be Tucson, Pima County, Arizona.

ARTICLE V

No part of the net earning of the corporation shall inure to the benefit of, or be distributable to, its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and contributions in furtherance of the purposes set forth in Article IV. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future United States Internal Revenue Laws).

ARTICLE VI

Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the corporation, dispose of all of its assets exclusively for the purposes of the corporation in such manner, or to such organizations organized and operated exclusively for charitable, educational, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations

under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Laws) as the Board of Directors shall determine. Any such assets not disposed of shall be disposed of by the Superior Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE VII

The initial lawful statutory agent for the corporation shall be:

Robert Nagel
7116 E. Port au Prince
Tucson, Arizona 85710

ARTICLE VII

The annual meeting is to be held at a place within or without the state as fixed by the bylaws.

ARTICLE IX

There shall be no less than three (3) Directors. The names and addresses of the persons who are to serve as Directors until the first annual meeting of Directors or until their successors are elected and qualified are:

Robert Nagel
7116 E. Port au Prince
Tucson, Arizona 85710

Deborah Buus
350 N. Schrader Lane
Tucson, Arizona 85710

Janna Van Egmond
8960 N. Shadow Mountain Drive
Tucson, Arizona 85704

The Directors listed above are also the incorporators.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 8th day of December, 1982.

Robert Nagel

Detaral Benson

James VanGordon

I, ROBERT NAGEL, having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed, or resignation is submitted in accordance with the Arizona Revised Statutes.

Robert Nagel
Robert Nagel

STATE OF ARIZONA)

ss:

COUNTY OF PIMA)

Subscribed and sworn to before me this 8th day of December, 1982, by the Directors of PIMA CHRISTIAN EDUCATION, INC.

Paul T. Jones
Notary Public

My Commission Expires:

September 11, 1987

Internal Revenue Service

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: May 12, 2003

Desert Christian Schools, Inc.
PO Box 31240
Tucson, AZ 85751-1240

Person to Contact:

Judy Simonson 31-04016
Customer Service Specialist

Toll Free Telephone Number:
877-829-5500

8:00 a.m. to 6:30 p.m. EST

Fax Number:

513-263-3756

Federal Identification Number:
87-0419198

Dear Sir or Madam:

This is in response to the amendment to your organization's Articles of Incorporation filed with the state on August 22, 2001. We have updated our records to reflect the name change as indicated above.

In July 1985 we issued a letter that recognized your organization as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information submitted with the application, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(ii). That classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's purposes, character, method of operations, or sources of support have changed, please let us know so we can consider the effect of the change on the organization's exempt status and foundation status.

Revenue Procedure 75-50, published in Cumulative Bulletin 1975-2 on page 587, sets forth guidelines and record keeping requirements for determining whether private schools have racially nondiscriminatory policies as to students. Your organization must comply with this revenue procedure to maintain its tax-exempt status.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, they are not automatically exempt from other federal excise taxes.

Desert Christian Schools, Inc.
87-0419198

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

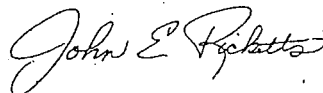
The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. If your organization had a copy of its application for recognition of exemption on July 15, 1987, it is also required to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,

A handwritten signature in dark ink, appearing to read "John E. Ricketts". The signature is fluid and cursive, with the first name "John" being the most prominent.

John E. Ricketts, Director, TE/GE
Customer Account Services

BY-LAWS
of
DESERT CHRISTIAN SCHOOLS
Tucson, Arizona
(as amended 04/12/16)

ARTICLE I - NAME

The name of this corporation shall be DESERT CHRISTIAN SCHOOLS, Inc.

ARTICLE II - PURPOSE

IT IS THE PURPOSE of the corporation to establish and maintain a Christian school system in Pima County, Arizona.

IT IS THE PURPOSE of the school to provide an excellent academic program permeated with Christian love and faith. To this end every person connected with the school (board members, administrator(s), teachers, staff members) must be capable and well trained for their particular task and have a deep concern for the spiritual as well as the educational development of the student.

IT IS THE PURPOSE of the school to establish and maintain an atmosphere which will encourage personal faith in Christ and the building of Christian character. The selection of teachers and staff members, the criteria for student admission and dismissal, the choice of literature and textbooks, the rules and regulations for conduct, shall be designed to create an influence toward healthy, normal, Christian living.

IT IS THE PURPOSE of the school to be cooperative with every other sincere Christian effort but to be independent of all denominational ties. The Faith Statement and Philosophy of Education as set forth in Article V herein is not subject to compromise. In matters in which there may be denominational interpretations, students must be referred to their parents and pastor. Each student is urged to serve faithfully in the church of which he or she is a member or normally attends.

ARTICLE III - MANAGEMENT

This organization is a non-profit corporation incorporated and operated under the laws of the State of Arizona. Its affairs are conducted and controlled by a Board of Trustees of not less than twelve and not more than twenty members. The actual number per year is to be set by the Board of Trustees.

ARTICLE IV - FISCAL YEAR

The fiscal year shall begin with the first day of July of each year and close with the thirtieth day of June of the following year.

ARTICLE V - FAITH STATEMENT AND PHILOSOPHY OF EDUCATION

Section 1 – Faith Statement

Recognizing that all people possess a worldview, a set of fundamental assumptions through which they interpret and respond to life, and recognizing that organizations also operate from a worldview, DCS puts forth the following faith statement and philosophy of education as part of the school's worldview.

God

We believe in one eternal supreme being, God. He is infinite, but personal. All His thoughts, motives and actions are morally pure, righteous and good. God is triune, existing as one God in three distinct persons, Father, Son and Holy Spirit, each simultaneously sharing the divine essence and co-equal in nature, power and glory. God is the all powerful, all knowing, sovereign creator and sustainer of all that exists apart from Himself. While transcendently separate from His creation, He is also among it (Deuteronomy 6:1, Isaiah 44:6-8, Genesis 18:25, Exodus 34:6-7, James 1:17, Psalm 25:8-10, Genesis 1:26, II Corinthians 13:14, Daniel 4:34-35, Isaiah 45:5-7, Colossians 1:15-17, Romans 8:28-29, Psalm 139:1-12, Psalm 90:2, Romans 8:15-16).

Scripture

We believe the Bible (the 66 books of the Old and New Testaments) is God's special revelation to man. Each word in the Bible as originally given, is "God-breathed." When rightly interpreted (i.e., using such standards as literary, historical, contextual principles) the Bible addresses truthfully, without error, moral, historical, scientific and spiritual matters. The Bible, though not an exhaustive revelation of truth, is a reliable, sufficient and authoritative source of truth for all of life, because it reveals God's being and His purposes for creation and man (II Timothy 3:15-17, John 17:17, II Timothy 2:15, II Peter 1:20).

Creation

We believe everything that has being, outside of God Himself, was brought into existence and is sustained in existence by God. Everything that exists in the universe was created by God out of nothing, and therefore has meaning as a purposeful creation of God. The creation includes both the spiritual unseen universe and the physical seen universe. The spiritual realm includes angels and other spiritual beings and is a place where God's presence is especially evident. The cosmos, God's complex, orderly physical creation, declares God's existence, majesty, and divine attributes. The truth revealed in God's "Book of Works," the physical cosmos, will never contradict the truth revealed in His "Book of Words," the Bible. The cosmos operates uniformly under laws designed by God but is also open to His divine intervention as He chooses (Genesis 1:1, Psalm 90:2, Colossians 1:15-17, Psalm 33:6-9, Psalm 104:24-32, Jeremiah 10:6-13, Revelation 4:1-11, Romans 1:18-20, Luke 1:36, Exodus 4:1-5).

Christ

We believe that Jesus Christ, the second person of the trinity, is Himself God. Christ, as God incarnate, possessed a human nature, though sinless, while simultaneously existing as divine. We acknowledge and accept as actual: Christ's entrance into time and space through the virgin birth, His works of power, His sinless life, His death on the cross, the resurrection of His body from the dead and His ascension into heaven. Currently, Christ sits at the right hand of the Father, interceding for His people while awaiting the consummation of His Kingdom

(John 1:1-5,18, John 8:58-59, John 10:31-38, John 14:7-9, Matthew 1:18-25, Colossians 1:15-19, Philippians 2:5-8, John 5:36, John 2:11, Hebrews 4:15, Romans 8:34-39, Hebrews 7:25, Hebrews 9:9-13, I Peter 2:22).

Holy Spirit

We believe the Holy Spirit is the third person of the Godhead. The Holy Spirit is not just an impersonal "force," but is Himself God, possessing all of the divine attributes and exercising divine authority. The Holy Spirit glorifies Christ and saves people by: convicting them of sin and righteousness, regenerating them, indwelling them, and empowering them for a life of service to God (I Corinthians 3:16, II Corinthians 13:14, John 3:5-8, I Corinthians 2:12-13, Titus 3:5-6, John 14:16-18, John 16:7-15, Acts 1:8, I Corinthians 12:1-11, Galatians 5:22-23).

Man

We believe God created Mankind in His own image, male and female, a social being uniquely designed to live in relationship with God, and with one another (Genesis 1:17). As a physical being, Man is under God's physical laws. We believe the first humans, Adam and Eve, were created male and female respectively to glorify God. As a personal being, Man bears the image and likeness of God, and possesses the capacities of self-reflection and self-determination. Because of these abilities, Man is morally responsible to God to fulfill His purposes in righteousness. While not autonomous, Man is free to think and act under God's sovereign rule, and thus can impact his world significantly. Adam and Eve chose to rebel against God, rather than honor, trust, and obey Him. As a spiritual being, Man is under God's spiritual and moral laws and, therefore, upon physical death, will receive God's everlasting judgment. Because Adam and Eve defied God's authority, all Mankind has inherited a sin nature from birth. Sin impacts Man's total being and causes him to be hostile towards God. As a sinner, Man is estranged from God, under His just wrath, and incapable of pleasing Him by his efforts alone.

We believe the term "marriage" has only one meaning: the uniting of one Man and one Woman in a single, exclusive union, as delineated in scripture (Genesis 18-25). We believe that God intends sexual intimacy to occur only between a Man and a Woman who are married to each other (I Corinthians 6:18 and 7:2-5, Hebrews 13:4). We believe God has commanded that no intimate sexual activity be engaged in outside of a marriage between a Man and a woman.

We believe that any form of sexual activity outside of marriage as described above, is immoral, sinful, and offensive to God. This includes adultery, fornication, homosexual behavior, bisexual conduct, bestiality, incest, and the use of pornography (Matthew 15:18-20, I Corinthians 6:9-10).

We believe that in order to uphold our Christian philosophy of education and views, and to provide a biblical role model to the students and parents of the Desert Christian Schools

community, it is imperative that all persons employed by Desert Christian Schools, in any capacity, or who may serve as volunteers, agree to abide by this statement on Man (Matthew 5:16, Philippians 2:14-16, I Thessalonians 5:22).

We believe that every person must be afforded compassion, love, kindness, and respect, and dignity (Mark 12:28-31, Luke 6:31). Hateful and harassing behavior, or attitudes directed toward any individual are to be repudiated and are in accord with neither scripture nor the doctrines of Desert Christian Schools (Genesis 1:26-28, Genesis 2:7, Psalm 42:1, Genesis 2:15-17, Psalm 8:3-6, Hebrews 4:12, I Corinthians 3:10-15, Romans 15:1-2, Joshua 24:15, Philippians 4:4-9, Proverbs 21:1, Genesis 2:18-24, Genesis 3:1-24, Romans 5:12-21, Psalm 51:5, Psalm 58:3, Ephesians 4:17-18, Romans 3:10-18, Jeremiah 17:9, Romans 7:14-24, Galatians 6:6-10, Hebrews 9:27-28).

Redemption

We believe God has acted sovereignly to remedy man's hopeless condition. Jesus Christ was sent by God to earth to redeem man from the penalty of his rebellion. Having suffered and died on the cross for sinners, Christ in His atoning death satisfies God's just wrath and brings about reconciliation and redemption for those who trust this work. Just as believers' sins are imputed to Christ, Christ's sinless life on earth is credited to all believers. Both God's love and justice are perfectly revealed in Christ's death on the cross. God's redemption of any person is totally a work of God's grace, received only through faith in Christ and not as a result of human effort, will or merit. This redemptive work has a past, present and future tense. When a person trusts in Christ's salvation, he is redeemed from God's just penalty for sin (justification). As the Christian lives his daily life he experiences God's present redemption related to power over sin's hold (sanctification). The Christian's ultimate hope lies in his final future redemption which will occur at Christ's second coming (glorification). Those who are redeemed will spend eternity with God. Those who do not trust in Christ will be in Hell, separated from God forever. History involves the outworking of God's redemptive purposes for mankind as a whole (Romans 5:1-11, Romans 7:14-25, Ephesians 1:2-12, Ephesians 2:1-10, Philippians 2:12-15, II Thessalonians 2:13-16, Romans 8:29-30, I Corinthians 15:50-54).

The Church

We believe the universal Christian church is a spiritual body made up of all believers in Christ, regardless of denominational differences. Local congregations are physical expressions of the body of Christ. The purpose of the universal Church is to reveal Christ to a watching world in both word and deed and to proclaim God's redemption in Christ while building up believers in their faith as they expectantly await His promised return. All believers serve as ministers, who are called to proclaim the message of reconciliation and commissioned by God to go into the world with Christ's saving "good news." (Matthew 16:13-18, Ephesians 2:19-22, Ephesians 4:1-6, I Corinthians 12:12-14, Colossians 1:18, Hebrews 10:23-25, II Peter 3:10-18, II Corinthians 5:20, Romans 9:12-15, John 17:13-26)

Section 2 – Philosophy of Education

Introduction

DCS believes that Christians should desire to learn and grow. Throughout scripture, the pursuit of knowledge (true understanding of how things actually are) is seen as desirous and beneficial (Proverbs 18:15, II Pet. 1:5, Hosea 4:6). God reveals, however, that wisdom (skill in applying such

understanding to daily life, in a way that honors God), not knowledge, is the desired end of education (Proverbs 4:5).

DCS recognizes that God unifies all education and learning in Christ, “In whom are hidden all the treasures of wisdom and knowledge.” (Colossians 2:3). Subsequently, DCS acknowledges that “the fear of the Lord is the beginning of wisdom, and the knowledge of the Holy One is understanding.” (Proverbs 9:10).

Believing the mind to be crucial to the acquisition of knowledge and wisdom, DCS places an emphasis on the diligent training of the mind in order to assist students in their God-given responsibility to love God with all their hearts, souls, and minds (Matthew 22:37).

While stressing mental growth, DCS also emphasizes moral and character development (II Peter 1:2-9), recognizing that Christ desires that His disciples follow His example (Luke 2:52) by learning to think and act in all ways which please God the Father (II Thessalonians 4:1, Ephesians 4:13).

Vision

DCS desires that each of its students reflects the image of Christ in the totality of life: morally, spiritually, mentally, socially, and emotionally. In other words, DCS desires that students understand, interpret, and respond to life out of a Christian worldview (Ephesians 4:12,13; Romans 12:13).

DCS recognizes that schooling plays only a partial, though significant, role of one's life-long process of education. DCS attempts to provide an arena where students are nurtured and encouraged in their development of a Christian worldview and life style. Emphasis is placed on "desired" outcomes because education is a complex process where individuals can choose to cooperate or not (Hebrews 3:7-13).

Mission

It is the specific mission of DCS to serve Christian families by offering a rigorous, traditional liberal arts curriculum from a Christian worldview, where young people can develop understandings, values, skills, and character critical to impacting their world for Christ.

Purpose

It is the purpose of DESERT CHRISTIAN SCHOOLS to:

- Provide and maintain independent, interdenominational, parent-sponsored and board-directed Christian schools on the east side of Tucson.
- Serve parents in their God-given responsibility to train their children “in the discipline and instruction of the Lord.” (Ephesians 6:4; Deuteronomy 6:4-6).
- Provide a rigorous liberal arts education, which emphasizes the Lordship of Christ in the totality of life and the skills of thinking, communicating, and relating (Colossians 3:23; I Corinthians 10:26; Acts 7:22).

- Promote a personal trust in Jesus Christ for the ultimate purpose of glorifying God through a life of service and obedience (Psalm 3:5,6; I Corinthians 10:31; Mark 10:43-45).

Values

DCS values:

- Truth - because God is a God of Truth John 14:6.
- Goodness - because God is Good Psalm 25:8.
- Sacrificial relationships - because God is Love Romans 5:8.
- Obedience - because God is Lord Luke 6:26.
- Beauty and excellence - because God is Beautiful and does all things well Psalm 50:2 & Mark 7:37.
- People - because God created man in His image Genesis 1:27.

Role of parents

DCS acknowledges that parents bear the primary responsibility for the education of their children (Deuteronomy 6:4-9). God entrusts children to parents and requires that they be raised in the instruction and discipline of the Lord (Ephesians 6:4). One way parents discharge their covenant responsibility is by engaging the services of a Christian school, where Christian administrator(s), teachers and staff assist in the educational development of their children. Parents give support and encouragement to teachers so that there is continuity and cooperation between the home and school (I Timothy 5:17,18).

Role of the teacher

DCS believes the teacher serves as an extension of parents and is therefore entrusted with great responsibility (Matthew 18:6; James 3:1). The teacher plays a significant role in the delivery of the formal and informal curriculum of the school to students (Luke 6:40). Since a teacher's worldview will greatly impact the worldview of his/her students, it is imperative that the Christian teacher have a genuinely Christian worldview, as well as an understanding, commitment to, and ability to communicate effectively principles of Christian education (Romans 12:2; I Thessalonians 2:8). The effective teacher is concerned with transmission of knowledge, transformation towards Christlikeness, and nurture towards a life of faith in Christ. The effective teacher is a student of the Bible, has a shepherd's heart, serves God with joy, Biblically integrates all teaching and learning, and generates within students a desire to learn (I Thessalonians 5:14-22; II Timothy 2:20-26).

Role of the students

Students are image bearers of God, who possess physical as well as spiritual capacities, needs, and desires (Genesis 1:27; Genesis 2:7). Each student has been given by his/her Creator various gifts and abilities that can be developed through education (Ephesians 2:10; II Timothy 2:15). Students have a responsibility to cooperate with the learning process and discover their giftedness so that they may be adequately prepared to impact their world for Christ (I Corinthians 4:2; Romans 12:6). This preparation involves submitting and responding to the leadership and direction of their

parents and teachers (Ephesians 6:1,2; Hebrews 13:17). As members of a student body, they are responsible to fellow students and must be sensitive and helpful to one another (Philippians 2:3,4).

Role of Christian community

The Christian community has a responsibility to encourage and assist parents in fulfilling their covenant obligation to nurture their children in the Christian faith. As members of the same family of God, the Christian community establishes and maintains Christian schools to prepare young persons to be members of the Church and to serve in God's Kingdom. This community is called to pray for, work for, and give generously in support of Christian schools (Philippians 2:3,4; I Corinthians 3:6-9; James 5:16; Romans 14:9).

ARTICLE VI - MEMBERSHIP

Members of the Board of Trustees, Parents and/or legal guardians of students enrolled in Desert Christian Schools who subscribe to the Faith Statement and Philosophy of Education as set forth in these By-laws shall be considered members of this corporation.

ARTICLE VII - ASSOCIATION MEETINGS

The annual meeting of the members of the corporation shall be held on the 3rd Tuesday of April of each year. All members of the corporation shall be eligible to vote at the annual meeting.

The trustees of the corporation shall be elected by a simple majority of the members present at the annual meeting by use of a written ballot. Term of office for elected trustees shall begin on July 1.

The trustees of the corporation may call a special meeting of the Association at such time and for such purpose as the trustees deem appropriate. The membership shall be informed by mail of the date, time, place, and purpose of the meeting at least two (2) weeks in advance.

ARTICLE VIII - BOARD OF TRUSTEES

Section 1 - ELECTION OF BOARD MEMBERS AND TERM

Members of the Board of Trustees shall be elected at the annual meeting of the members from the list of nominations submitted to the membership by the Board of Trustees for a term of not more than three years as individually established by the Board Membership Committee and the Board of Trustees, in keeping with the desire that the term of office of approximately one-third of the members shall expire each year. Election shall be by a simple majority of the members of the corporation eligible to vote and present at the annual meeting of the corporation.

Section 2 - NOMINATING PROCEDURE

The Board Membership Committee, at least 45 days prior to the annual meeting of the membership shall prepare a list of nominations for membership on the Board of Trustees and present it to the Board of Trustees for approval prior to placing the names before the membership of the corporation for vote. The Board Membership Committee shall consider for nomination all persons suggested to them by members of the corporation, Board members, or other sources, including their own committee. The Board Membership Committee shall provide to each member of the Board of Trustees at least 30 days prior to the annual meeting of the members, a copy of the nominees they have selected. Nominees shall include only persons who, in the judgment of the Board Membership Committee, have evidenced a sincere interest in the affairs and purposes of the school and meet the qualifications listed in these By-Laws.

A list of the nominees approved by the board shall be provided to each member of the corporation at least 15 days prior to the annual meeting of the membership.

Section 3 - QUALIFICATIONS

1. Be able to give clear testimony of a true Christian faith.
2. A nominee must be a member in good standing of some church, in whatever method membership is acknowledged and recognized in that church whose doctrinal statement or teaching is in harmony with the Statement of Philosophy of this school.
3. A nominee must subscribe without reservation to the Statement of Philosophy as shown in these By-Laws.
4. A nominee must give evidence of a willingness to assume, with other Board members, the responsibility of the school program.
5. A nominee must give evidence of a willingness to adjust personal business affairs to permit regular attendance at the board meetings.

The election of a nominee may not permit any one congregation to have in excess of five members on the Board of Trustees nor any denomination to have in excess of one-third of the members of the Board of Trustees. It is the intent that the Board of Trustees be representative of as many evangelical groups as possible. Churches designated as Bible churches and/or independent churches will each be considered one denomination.

Section 4 - VACANCIES

Any vacancy or vacancies in the Board of Trustees resulting from death, incapacity, resignation or removal prior to expiration of term may be filled by the Board of Trustees if they deem it in the best interest of the corporation to fill such vacancy prior to the annual meeting of the members of the corporation.

Section 5 - DUTIES AND POWERS

The Board of Trustees shall determine the policies and the general organization under which the school shall operate.

Title to all property shall be in the name of the Corporation. The President and Secretary of the Board of Trustees are authorized to sign for the Corporation all instruments pertaining to transactions involving real property which have been approved by Board action. The Board of Trustees shall appoint the Administrator(s) of the School(s) and define their duties as necessary, except as they are defined herein. The Administrator(s) may be offered contracts or employment for such term and on such conditions as are approved by the Board of Trustees.

Section 6 - ORGANIZATION MEETING

Within 30 days following each annual meeting of the members, the Board of Trustees shall hold an organization meeting for the purpose of organization, election of officers, establishing a calendar of regular Board meetings for the year, and the transaction of other business.

Section 7 - REGULAR BOARD MEETINGS

Regular meetings of the Board of Trustees shall be held at any place designated from time to time by resolution of the Board. In the absence of such designation, regular meetings shall be held at the principal office of the corporation.

Section 8 - SPECIAL MEETINGS

Special meetings of the Board of Trustees shall be held on call of the President of the Board or any two trustees. Such meetings require a five-day notice or a waiver of notice by all members of the Board of Trustees.

Section 9 - QUORUM

A majority of the Trustees shall constitute a quorum. No member may vote by proxy to another member.

Section 10 - ADJOURNMENT

In the absence of a quorum at any meeting of the Board of Trustees, the majority of the Trustees present may adjourn the meeting until the time fixed for the next regular meeting of the Board. The Secretary shall give notice of the time and place of holding an adjourned meeting to all members of the Board of Trustees.

Section 11 - OFFICERS

The Board of Trustees shall be organized with the following officers: President; Vice President; Secretary; and Treasurer. These officers shall be elected for a one-year term at the annual organization meeting by a two-thirds vote of those Trustees present. Any one person shall not occupy the offices of President or Treasurer for more than two consecutive years.

The Board Membership Committee, immediately following the annual meeting of the members of the corporation, shall prepare a list of nominations for officers of the Board of Trustees, to be elected by the Board of Trustees at the annual organization meeting.

Section 12 - DUTIES OF OFFICERS

The President shall, when present, preside at all meetings of the Board of Trustees. The Vice-President shall act in the place of the President when he cannot serve. If the Vice President is unable to serve, the President may permit another member to preside when proper. The President shall appoint all standing and special committees subject to approval of the Board, and be an ex-officio member of all committees.

The Secretary shall record the actions of the Board of Trustees and of the Corporation and preserve these records, and perform such other duties as the Board of Trustees shall prescribe.

The Treasurer shall supervise the handling of all monies for the Corporation; shall be responsible for the keeping of proper financial records and provide the Board of Trustees with an annual audit. He shall, with the Administrator(s), formulate an annual budget and present it to the Board of Trustees for approval.

Section 13 - EXECUTIVE COMMITTEE

The Executive Committee shall be composed of the officers of the Board of Trustees. They may be called into session without formal notice by the President, or, in his absence, by another member of the Committee. The Executive Committee may take action on any urgent matter pertaining to the school which requires action prior to the time within which a special board meeting may be called, such action to be subject to the approval of the Board of Trustees at its next meeting.

Section 14 - COMMITTEES

Standing committees shall serve for a term of one year and shall be as follows: Finance Committee; Development Committee; and Board Membership Committee and/or other such committees as deemed appropriate by the Board of Trustees. Special committees shall be appointed and serve for such term as is specified by the President with approval of the Board.

ARTICLE IX - RULES OF ORDER

The proceedings of all meetings herein provided for shall abide by Christian principles and be conducted according to ROBERT'S RULES OF ORDER except where such rules conflict with these By-Laws or the Articles of Incorporation under which this body operates, or are suspended by a two-thirds vote.

ARTICLE X – ADMINISTRATION

The Administrator(s) shall be responsible to the Board of Trustees for the carrying out of the purposes (Article II) for which the school exists, and for this purpose may delegate authority to school personnel under their supervision in accordance with policies and procedures approved by the Board of Trustees.

ARTICLE XI - AMENDMENTS

These By-Laws may be amended or altered at the annual meeting of the corporation, or at any other duly called meeting of the corporation, by the affirmative vote of two-thirds of the members of the corporation present at the meeting, provided that two weeks' previous notice has been duly given to the members stating the nature of the desired change; provided, however, that the substance of Articles II and V of these By-Laws is not subject to change except by the unanimous vote of the Board of Trustees and a three-fourths vote of the members of the corporation present at the annual meeting.

AZ. CORP. COMMISSION
FOR THE STATE OF AZ.
DELIVERED

JAN 31 12 41 PM '85

FILED BY Betty Pearson
DATE FILED 1-24-85
TERM _____
DATE _____ TIME _____

508407-4

ARTICLES OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

SOUTHWEST COMMUNITY CHRISTIAN HIGH SCHOOL, INC.

AZ. CORP. COMMISSION
FOR THE STATE OF AZ.
DELIVERED

JAN 21 12 03 PM '85

FILED BY _____
DATE FILED _____
TERM Betty Pearson
DATE 1-22-85 TIME _____

TOM REGINA and LYNNE DEBOER certify:

1. That they are the President and Secretary, respectively, of the Board of Directors of Southwest Community Christian High School, Inc., an Arizona non-profit corporation.

2. That the resolution of the Board of Directors to amend the Articles of Incorporation was duly adopted by act of the members of the corporation on October 8, 1984, in the manner prescribed by the Arizona Non-Profit Corporation Act.

3. That at a meeting of the membership of the corporation duly held in Tucson, Arizona, on October 8, 1984, the following resolution was adopted:

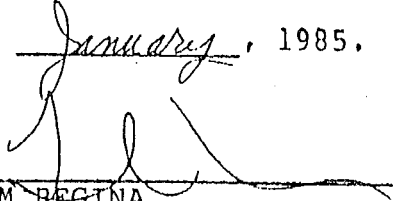
"RESOLVED: That the Articles of Incorporation are amended by deleting Article I and substituting the following:

ARTICLE I. The name of this corporation shall be:
DESERT CHRISTIAN HIGH SHCOOL, INC."


That with the exception of the deletion and substitution of the foregoing article, the Articles of Incorporation of this corporation, as approved by the Arizona Corporation Commission, remain intact and in full force and effect as though fully set forth herein.

000968

IN WITNESS WHEREOF, we have hereunto signed our names and
executed this said Amendment of Articles of Incorporation for the
purposes set out this 18th day of January, 1985.




TOM REGINA
President



LYNNE DEBOER
Secretary

SUBSCRIBED AND SWORN to, before me this 18th day of
January, 1985.



Notary Public

My Commission Expires:

December 2, 1989

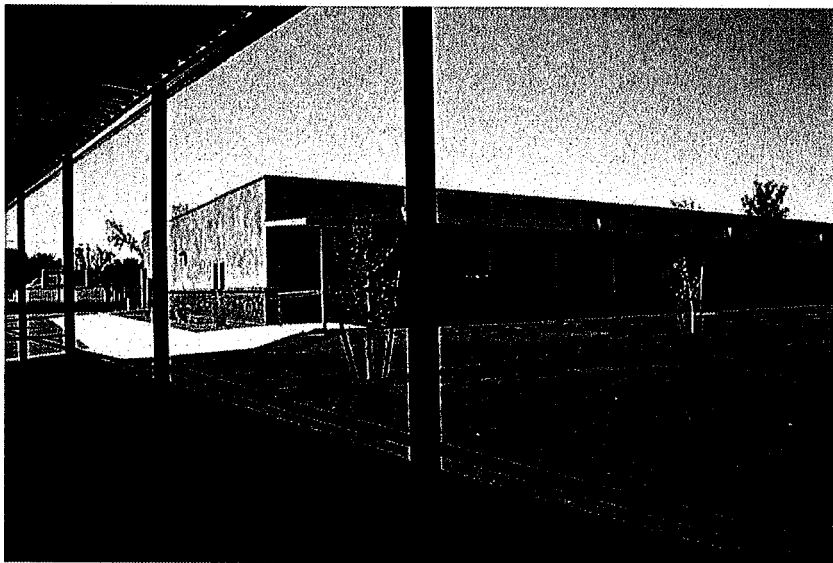


DESERT CHRISTIAN SCHOOLS, INC.



Compiled Financial Statements and Supplementary Information

For the years ended June 30, 2018 and 2017



DESERT CHRISTIAN SCHOOLS, INC.

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S.E.Clark & Company, P.C.

Registered Firm: Public Company Accounting Oversight Board

ACCOUNTANTS' COMPILATION REPORT

To the Board of Trustees
of Desert Christian Schools, Inc.

Management is responsible for the accompanying financial statements of Desert Christian Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.

We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to Desert Christian Schools, Inc. as of and for the years ended June 30, 2018 and 2017, because we performed certain accounting oversight and financial reporting services that impaired our independence.

/s/ **S.E.Clark & Company, P.C.**

September 21, 2018
Tucson, Arizona

DESERT CHRISTIAN SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 633,566	\$ 2,018,300
Accounts receivable, net	129,460	86,405
Short-term investments	906,019	-
Prepaid expenses and other current assets	51,989	14,462
Total current assets	1,721,034	2,119,167
Long-term Investments	1,559,744	-
Property and equipment, net	12,587,776	12,499,698
Total assets	<u>\$ 15,868,554</u>	<u>\$ 14,618,865</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 222,185	\$ 46,834
Payroll liabilities	154,105	134,765
Accrued expenses	2,265	6,542
Unearned tuition and fees	405,160	295,533
Capital leases payable, current portion	45,793	44,887
Total current liabilities	829,509	528,561
Capital leases payable, non-current portion	700,780	746,573
Note payable, due in 2021	-	398,000
Total liabilities	1,530,288	1,673,134
Net assets:		
Unrestricted net assets:		
Board designated	273,907	326,979
Unrestricted	12,268,006	11,651,143
Total unrestricted	12,541,913	11,978,122
Temporarily restricted	769,658	967,609
Permanently restricted	1,026,695	-
Total net assets	14,338,266	12,945,731
Total liabilities and net assets	<u>\$ 15,868,554</u>	<u>\$ 14,618,865</u>

See accountants' compilation report
and notes to financial statements.

DESERT CHRISTIAN SCHOOLS, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

	Unrestricted	With Restriction	Total	2017
Revenue and support: Education operations:				
Tuition income	\$ 4,016,074	\$ -	\$ 4,016,074	\$ 3,733,844
Contributions	378,648	1,453,337	1,831,985	1,135,702
Debt forgiveness	398,000		398,000	1,343,000
Other income	86,254		86,254	83,054
Education fees	51,541		51,541	42,517
Scrip sales, net	2,117		2,117	1,909
Other fund raising, net	19,062		19,062	21,698
Investment income (loss)	12,811	7,587	20,398	(5,495)
Extra-curricular activities:			-	-
Drama	30,436	-	30,436	35,223
Athletics	24,005		24,005	28,041
Student activities	49,409		49,409	50,386
Class funds	29,245	-	29,245	31,172
Net assets released from restrictions	632,181	(632,181)	-	-
Total revenue and support	5,729,783	828,744	6,558,526	6,501,051
Expenses:				
Operating expenses	4,802,227	-	4,802,227	4,870,758
Extra-curricular activities	363,765		363,765	460,328
Total expenses	5,165,992	-	5,165,992	5,331,087
Change in net assets	563,791	828,744	1,392,535	1,169,964
Net assets, beginning of year	11,978,122	967,609	12,945,731	11,775,767
Net assets, end of year	\$ 12,541,913	\$ 1,796,353	\$ 14,338,266	\$ 12,945,731

See accountants' compilation report
and notes to financial statements.

DESERT CHRISTIAN SCHOOLS, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Unrestricted	With Restriction	Total
Revenue and support: Education operations:			
Tuition income	\$ 3,733,844	\$ -	\$ 3,733,844
Contributions	342,905	792,797	1,135,702
Debt forgiveness	1,343,000		1,343,000
Other income	83,054		83,054
Education fees	42,517		42,517
Scrip sales, net	1,909		1,909
Other fund raising, net	21,698		21,698
Investment income (loss)	4,570	(10,065)	(5,495)
Extra-curricular activities:			-
Drama	35,223	-	35,223
Athletics	28,041		28,041
Student activities	50,386		50,386
Class funds	31,172	-	31,172
Net assets released from restrictions	144,532	(144,532)	-
Total revenue and support	5,862,851	638,200	6,501,051
Expenses:			
Operating expenses	4,870,758	-	4,870,758
Extra-curricular activities	460,328		460,328
Total expenses	5,331,087	-	5,331,087
Change in net assets	531,765	638,200	1,169,964
Net assets, beginning of year	11,446,357	329,409	11,775,767
Net assets, end of year	\$ 11,978,122	\$ 967,609	\$ 12,945,731

See accountants' compilation report
and notes to financial statements.

DESERT CHRISTIAN SCHOOLS, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,392,535	\$ 1,169,964
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	480,000	478,000
Note payable principal forgiven	(398,000)	(1,343,000)
Changes in operating assets and liabilities:		
Accounts receivable	(43,055)	22,865
Short-term investments	(906,019)	
Prepaid expenses and other current assets	(37,527)	40,331
Accounts payable	175,351	(39,577)
Payroll liabilities	19,340	22,002
Accrued expenses	(4,278)	(3,132)
Unearned tuition and fees	109,627	4,204
Total adjustments	(604,561)	(818,305)
Net cash provided (used) by operating activities	787,974	351,659
Cash flows from investing activities:		
Purchase of long-term investments	(1,559,744)	-
Purchases of property and equipment	(568,078)	(144,080)
Net cash used in investing activities	(2,127,822)	(144,080)
Cash flows from financing activities:		
Principal payments on capital leases payable	(44,887)	(43,999)
Net cash provided by financing activities	(44,887)	(43,999)
Net change in cash and cash equivalents	(1,384,735)	163,580
Cash and cash equivalents, beginning of year	2,018,300	1,854,721
Cash and cash equivalents, end of year	\$ 633,565	\$ 2,018,300
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 20,152	\$ 91,558
Schedule of non-cash investing and financing activities:		
Note payable principal forgiven	\$ 398,000	\$ 1,343,000

See accountants' compilation report
and notes to financial statements.

DESERT CHRISTIAN SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

1. Organization

Desert Christian Schools, Inc. (the School) is an Arizona corporation organized in 1982. Its primary mission is to pursue excellence in Christian education, foster Christ-centered relationships, and endeavor to meet the unique learning needs of every student.

Summary of Significant Accounting Policies Basis of Accounting

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

- Unrestricted net assets — Net assets that are not subject to donor-imposed stipulations. A portion of the unrestricted net assets have been designated by the board of trustees for future capital expenditures.
- Temporarily restricted net assets — Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets — Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the School. No amounts have been reflected in the financial statements for permanently restricted support because the School has received no such gifts or contributions.

Income Tax Status

The School is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and from Arizona income tax under Arizona Revised Statute section 43-1201(4). Therefore, no provision has been made for income taxes in the accompanying financial statements. In addition, the Internal Revenue Service (IRS) has determined that the School is not a "private foundation" within the meaning of section 509(a) of the IRC.

The School's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2018, there were no uncertain tax positions that are potentially material. The School's federal Form 990, Return of Organization Exempt from Income Tax and Arizona Form 99, Arizona Exempt Organization Annual Information Return, are generally subject to examination by the IRS for three years and the Arizona Department of Revenue for four years, respectively, after the date the returns were filed.

Use of Estimates

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

DESERT CHRISTIAN SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The School considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. At June 30, 2018 and 2017, the School had cash and investment balances of approximately \$2,455,000 and \$1,231,000, respectively, in excess of the FDIC and SIPC limitations.

Unearned Tuition and Fees

Unearned tuition and fees are a result of the School recognizing tuition revenue in the period in which the related educational instruction is performed. Accordingly, tuition fees received for the next school term are deferred until the instruction commences.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on that 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.

In-kind Contributions

In-kind contributions consist of donated marketable securities, which were valued at the average of the high and low price on the day they were received.

Property and Equipment

Purchases of property and equipment in excess of \$1,000 per item or per group of like items purchased together, with an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated on a straight-line basis using the following estimated useful lives.

Buildings and improvements	5-39 years
Equipment and other assets	5-7 years
Furniture and fixtures	5-7 years
Vehicles	5 years

The cost of repairs and maintenance is charged to expense in the year incurred. When the asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition.

DESERT CHRISTIAN SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

The School measures its financial assets and liabilities and non-financial assets at their fair value, including measurements of impairment for Property and Equipment. Management estimates that there are no non-financial assets requiring impairment as of June 30, 2018.

Functional Allocation of Expenses

The costs of operations and extra-curricular activities have been summarized on a functional basis in the statement of activities. Costs are charged to operations and activities based on direct expenses incurred.

3. Accounts Receivable

At June 30, 2018 and 2017, accounts receivable consists of amounts due for tuition and fees. Management uses the allowance method to estimate bad debt expense. The allowance for uncollectible accounts was \$60,499 and \$65,499 at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, accounts receivable included \$58,916 and \$36,354 respectively, that were greater than ninety days past due.

4. Investments

During the fiscal year ended June 30, 2018 the Board adopted an investment policy to achieve a greater return on the funds of the School. The investment policy for the four created funds is as follows:

- A. **Operating & Program Fund:** The Operating & Program Fund will be invested with the objective of preserving its assets to cover operating expenses and realizing earnings in a way that allows for, daily liquidity to meet the School's ongoing programmatic and operational needs. Operating & Program Fund assets may be maintained in the checking account that the School uses for day-to-day operations and may be invested in other cash-equivalent investments, such as savings accounts, money market accounts (MM), certificates of deposit, US Treasury bills and other investments that are relatively easy to liquidate.
- B. **Reserve Funds:** The Reserve Funds will be invested with the objective of preserving the long-term real purchasing power of the Funds' assets while realizing appropriate investment income. Reserve Funds' assets may be invested in cash equivalents, certificates of deposit, US Treasury bills, mutual funds, exchange traded funds (ETF's) and investment grade fixed income securities
- C. **Restricted Funds:** The Restricted Funds will be invested with the objective of preserving and enhancing the purchasing power of the Funds' assets while ensuring that liquidity requirements can be met. Restricted Funds' assets may be invested in cash equivalents, certificates of deposit, Treasury bills, mutual funds, exchange traded funds, equities, investment grade fixed income securities.
- D. **Endowment Funds:** The Endowment Funds will be invested with the objective of preserving the long-term real purchasing power of the Funds' assets while realizing appropriate investment income. Endowment Fund assets may be invested in cash equivalents, certificates of deposit, US Treasury bills, mutual funds, exchange traded funds, equities, fixed income securities, alternate investment vehicles such as Real Estate Investment Trusts(REITS), US Treasury Inflation Protected Securities,(TIPS) and similar publicly traded and liquid securities.

DESERT CHRISTIAN SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

The long-term investments held by the School at June 30, 2018, carried at fair value based upon quoted prices in active markets for identical assets (level 1), are as follows:

TD Ameritrade Account	06/30/18 Balance	FDIC MM	SPIC ETF's
Operating Fund	\$ 489,478	\$ 489,478	\$ -
Cash Equivalents	489,478	489,478	-
Reserve Fund	906,019	9,237	896,783
Short-Term Investments	906,019	9,237	896,783
Restricted Fund	528,276	6,019	522,257
Endowment Fund	1,031,468	8,983	1,022,485
Long-Term Investments	1,559,744	15,002	1,544,742
	\$ 2,955,242	\$ 513,717	\$ 2,441,525

Earnings on the above funds including dividends, interest, realized and unrealized gains and losses is included in the Statement of Activities under the caption "Investment Income (Loss)"

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Land and improvements	\$ 5,107,333	\$ 5,103,933
Buildings and improvements	10,125,434	10,008,412
Equipment and other assets	788,513	760,438
Furniture and fixtures	440,344	426,840
Vehicles	362,409	362,409
Construction in progress	427,257	21,180
Total property and equipment	17,251,290	16,683,212
Less accumulated depreciation	(4,663,514)	(4,183,514)
Property and equipment, net	\$ 12,587,776	\$ 12,499,698

DESERT CHRISTIAN SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

6 Note Payable

The note payable consists of the following at June 30:

	2018	2017
Note payable to a private foundation, loan amount not to exceed \$3,000,000; monthly interest only payments at 7% per annum based on the outstanding principal balance; a portion of the loan is forgivable based on matching funds raised by the School. During the years ended June 30, 2018 and 2017, \$389,000 and \$1,343,000, respectively, was forgiven; each December 31st thereafter, the foundation will forgive an amount of the loan equal to the matching funds raised by the School during each calendar year, not to exceed \$500,000 in each year unless authorized by the Foundation. Any remaining unpaid principal and interest as of March 31, 2021 will be due and payable. Secured by a deed of trust on real property.	\$ -	\$ 398,000

7 Capital Leases Payable

During the year ended June 30, 2013, the School entered into three solar panel lease agreements. At June 30, 2018 and 2017, the cost of the solar panel equipment under these leases is \$993,418 and the accumulated depreciation is \$198,915 and \$149,167, respectively. Capital leases payable consist of the following at June 30:

	2018	2017
Capital lease payable to Solar H2O Leasing, LLC, due in monthly payments of \$1,236 including interest, through October 2032, collateralized by solar panel equipment	\$ 184,016	\$ 195,043
Capital lease payable to Solar H2O Leasing, LLC, due in monthly payments of \$1,915 including interest, through October 2032, collateralized by solar panel equipment	285,224	302,317
Capital lease payable to Solar H2O Leasing, LLC, due in monthly payments of \$1,875 including interest, through August 2032, collateralized by solar panel equipment	277,333	294,101
Total capital leases payable	746,573	791,460
Capital leases payable, current portion	(45,793)	(44,887)
Capital leases payable, non-current portion	\$ 700,780	\$ 746,573

DESERT CHRISTIAN SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

Future maximum lease payments due under capital leases	
Year	
2019	\$ 60,258
2020	60,258
2021	60,258
2022	60,258
2024	60,258
Thereafter	558,665
Total lease payments	859,955
Less imputed interest	(113,382)
Net minimum lease payments	<u>\$ 746,573</u>

8 Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2018	2017
Building drive funds	\$ 144,157	\$ 161,974
Scholarship funds	99,956	138,627
Excellence in teaching fund	473,733	519,032
Other donor restricted funds	51,812	194,755
Total temporarily restricted net assets	<u>\$ 769,658</u>	<u>\$ 924,388</u>

Permanently restricted net assets consist of an endowment established by a major donor during the year ended June 30, 2018. The fund is managed in accordance with the investing policies of the School. The funds are to insure the ongoing non-tuition based support of the School's ministry.

9 Retirement Plan

The School maintained a salary deferral plan under Section 403(b) of the Internal Revenue Code. The School terminated the 403(b) plan and replaced it with a 401(k) plan (Plan) effective August 1, 2012. The Plan allows eligible employees to elect to defer a portion of their compensation on a tax-deferred basis until the employee withdraws the funds upon retirement or termination. The School contributes a percentage of base pay of eligible employees, regardless of employee contributions. The percentage contributed is 7% of base salary for principals and headmaster and 3% of base salary for all full-time employees, plus an additional 1% for each five full years of employment with the school. Employees are 0% vested in school contributions for the first 36 months, are 50% vested for the next 12 months, are 75% vested for the next 12 months, and are 100% vested thereafter; they are always 100% vested in their own contributions, if any. Total expense under the 401(k) plan for the years ended June 30, 2018 and 2017 was \$111,182 and \$136,120, respectively. The FY 2018 and FY 2017 amount included special contributions authorized by the Board of \$34,500 and \$60,000 respectively. The amounts are included with payroll taxes and benefits on the schedule of operating expenses.

DESERT CHRISTIAN SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

10. Fundraising and Scrip Sales

During the years ended June 30, 2018 and 2017, the School managed the sale of scrip cards to provide additional funding for school activities. Specifically, the net proceeds from scrip sales are used for the VIP Fund, which is a board designated discretionary fund used to cover the costs for non-budgeted purchases. Total income from scrip sales during the years ended June 30, 2018 and 2017 was \$37,408 and \$39,767, respectively. Total costs from scrip sales during the years ended June 30, 2018 and 2017 was \$35,290 and \$37,657, respectively.

Additionally, during the years ended June 30, 2018 and 2017, the School sponsored other fund raising events in the fall and spring. The fall fundraiser is intended to meet the operational needs of the School not covered by tuition and fees. The proceeds from this fundraiser are included in contributions. The net proceeds from the spring fundraiser, called "Desert Dash", are utilized to provide scholarships for low income students. Fundraising expenses totaling \$51,472 in FY 2018 and \$48,600 in FY 2017 were netted against the proceeds of these fundraising events.

11 Subsequent Events

Due to market competition from a newly opened East side P-8 charter school, enrollments for the 2018 fall semester are down by approximately 20% for the pre-school and 10% for the elementary school. Enrollment at the high school is up slightly from the prior year. In the event the fall fundraiser does not cover the resulting shortfall, the Board has authorized the headmaster to dip into the operating cash reserves of the School. Through discussion with management of other Christian schools facing similar market competition, management anticipates the enrollment will rebound in FY 2019-2020.

In anticipation of future growth and expanded services to the student body, the School is contemplating expanding the pre-school and elementary campuses which will act as a feeder to the high school enrollment. Estimates of the project range from \$3,000,000 to \$5,600,000 with scheduled completion in time for the fall 2020 semester. A major donor has committed approximately \$1,000,000 to start the capital campaign. Based on a feasibility study, the School estimates that the campaign will yield additional donor gifts ranging from \$2,600,000 to \$3,800,000. The School is currently negotiating the terms of the additional funding needed, to be provided by a loan from a private company, in an amount ranging from \$2,000,000 to \$3,500,000, with an interest rate of approximately 6%, and a twenty-five year amortization with a ten year stop. Based on the above, the estimated monthly payment on the loan will range from approximately \$12,900 to \$22,500.

Any interest incurred on the loan during the construction period will be capitalized as part of the cost of construction. The anticipated principal payments on the loan upon completion will approximate the following:

<u>Year</u>	<u>\$ 2,000,000</u>	<u>\$ 3,500,000</u>
2020	\$ 36,000	\$ 62,000
2021	38,000	66,000
2022	40,000	70,000
2023	43,000	75,000
2024	45,000	79,000
Thereafter	1,798,000	3,148,000
	<u>\$ 2,000,000</u>	<u>\$ 3,500,000</u>

The School is unaware of any other subsequent events as of September 21, 2018, the date the financial statements were available to be issued, that need to be reported.

SUPPLEMENTAL SCHEDULES

DESERT CHRISTIAN SCHOOLS, INC.

SCHEDULES OF OPERATING EXPENSES
For the years ended June 30, 2018 and 2017

	2018	2017
Payroll, taxes and benefits	\$ 3,321,223	\$ 3,369,111
Depreciation	480,000	478,000
Maintenance and repairs	210,690	204,065
Interest expense	20,152	91,558
Textbooks and educational expenses	303,945	250,233
Utilities	102,360	94,757
Office supplies and expense	117,776	113,658
Outside services	87,733	55,094
Insurance	47,760	47,760
Development	86,139	81,484
Miscellaneous	20,686	52,673
Provision for uncollectible accounts (recoveries)	3,764	32,365
	<u>\$ 4,802,227</u>	<u>\$ 4,870,758</u>

Supplementary Schedule.
See accountants' compilation report

DESERT CHRISTIAN SCHOOLS, INC.

SCHEDULES OF EXTRA-CURRICULAR ACTIVITY EXPENSES

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Athletics	\$144,280	\$138,037
Drama	43,734	61,306
Class activities	17,616	41,288
Student travel and retreats	39,180	126,031
Other activities	118,955	93,667
	<u>\$363,765</u>	<u>\$460,328</u>

Supplementary Schedule.
See accountants' compilation report.

DESERT CHRISTIAN SCHOOLS, INC.

SCHEDULE OF INVESTMENTS

As of June 30, 2018

	CUSIP	Total		Reserve Fund		Restricted Funds		Endowment Funds					
TIPS	TIP	\$	116,482	4.7%	\$	36,006	4.0%	\$	26,299	5.0%	\$	54,178	5.3%
S&P500	IVV		200,692	8.1%		35,497	3.9%		36,316	6.9%		128,880	12.5%
S&P MCP	IJH		102,454	4.2%		18,115	2.0%		21,231	4.0%		63,109	6.1%
RUS 2000 VAL	IWN		78,492	3.2%		18,865	2.1%		16,490	3.1%		43,138	4.2%
S&P US VLU	IUSV		95,711	3.9%		17,500	1.9%		20,452	3.9%		57,760	5.6%
S&P SCP	IJR		133,286	5.4%		19,112	2.1%		27,959	5.3%		86,214	8.4%
MSCI EMKT	IEMG		94,308	3.8%		15,963	1.8%		18,589	3.5%		59,756	5.8%
MSCI INTL	IDEV		235,816	9.6%		42,784	4.7%		50,120	9.5%		142,912	13.9%
US REIT	USRT		81,048	3.3%		19,807	2.2%		17,301	3.3%		43,940	4.3%
EQUITIES			1,138,290	46.2%		223,648	24.7%		234,756	44.4%		679,886	65.9%
ULTR SH TRM BD	ICSH		581,196	23.6%		449,941	49.7%		131,256	24.8%		-	0.0%
IBONDS DEC19	IBDK		145,781	5.9%		44,852	5.0%		31,396	5.9%		69,533	6.7%
IBONDS DEC20	IBDL		145,032	5.9%		44,746	4.9%		31,325	5.9%		68,960	6.7%
IBONDS DEC21	IBDM		144,441	5.9%		44,646	4.9%		31,242	5.9%		68,553	6.6%
IBONDS DEC22	IBDN		143,752	5.8%		44,542	4.9%		31,180	5.9%		68,030	6.6%
IBONDS DEC23	IBDO		143,033	5.8%		44,408	4.9%		31,103	5.9%		67,523	6.5%
BONDS			1,303,235	52.9%		673,135	74.3%		287,502	54.4%		342,599	33.2%
Money Market			24,239	1.0%		9,237	1.0%		6,019	1.1%		8,983	0.9%
			\$ 2,465,764	100.0%		\$ 906,019	100.0%		\$ 528,276	100.0%		\$ 1,031,468	100.0%

The School did not invest in assets other than cash and cash equivalents in previous years.

Supplementary Schedule.
See accountants' compilation report.