

Riverside School, Inc.

Financial Statements

June 30, 2011 and 2010

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8



Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

- Kelli P. Meadows
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Independent Auditor's Report

To the Board of Directors
Riverside School, Inc.
Richmond, Virginia

We have audited the accompanying statements of financial position of the Riverside School, Inc. (the School) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside School, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Meadows Urquhart Acree + Cook, LLP

October 16, 2012

Riverside School, Inc.

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 810,373	\$ 737,631
Tuition fees receivable, net of allowance of \$29,340 for 2011 and \$0 for 2010	9,770	18,301
Pledges receivable	-	10,000
Other accounts receivable	3,413	8,237
Prepaid expenses	2,679	2,563
Total current assets	826,235	776,732
Investments	53,038	46,102
Property and Equipment		
Land	119,378	119,378
Building and improvements	2,825,390	2,825,390
Furniture, fixtures and equipment	239,633	215,839
	3,184,401	3,160,607
Less accumulated depreciation	(807,975)	(729,333)
	2,376,426	2,431,274
Total assets	\$ 3,255,699	\$ 3,254,108
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 8,720	\$ 24,867
Deferred tuition revenue	52,000	65,000
Accrued payroll	112,528	104,272
Total current liabilities	173,248	194,139
Net Assets		
Unrestricted	2,933,251	2,932,470
Temporarily restricted	101,600	70,099
Permanently restricted	47,600	57,400
Total net assets	3,082,451	3,059,969
Total liabilities and net assets	\$ 3,255,699	\$ 3,254,108

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities
Year Ended June 30, 2011

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,528,662	\$ -	\$ -	\$ 1,528,662
Contributions	183,869	83,747	200	267,816
Investment income	17,117	-	-	17,117
Rental income, net	12,001	-	-	12,001
Total revenue and support	1,741,649	83,747	200	1,825,596
Net assets released from restrictions				
Restrictions satisfied by payments	62,246	(52,246)	(10,000)	-
Total revenues and reclassifications	1,803,895	31,501	(9,800)	1,825,596
Expenses				
Program services expense	1,134,371	-	-	1,134,371
Management and general	550,874	-	-	550,874
Fundraising expenses	117,869	-	-	117,869
Total expenses	1,803,114	-	-	1,803,114
Change in net assets	781	31,501	(9,800)	22,482
Net Assets - beginning of year	2,932,470	70,099	57,400	3,059,969
Net Assets - end of year	<u>\$ 2,933,251</u>	<u>\$ 101,600</u>	<u>\$ 47,600</u>	<u>\$ 3,082,451</u>

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities
Year Ended June 30, 2010

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,348,889	\$ -	\$ -	\$ 1,348,889
Contributions	144,810	43,128	200	188,138
Investment income	12,607	-	-	12,607
Total revenue and support	1,506,306	43,128	200	1,549,634
Net assets released from restrictions				
Restrictions satisfied by payments	59,536	(59,536)	-	-
Total revenues and reclassifications	1,565,842	(16,408)	200	1,549,634
Expenses				
Program services expense	1,034,921	-	-	1,034,921
Management and general	441,636	-	-	441,636
Fundraising expenses	48,585	-	-	48,585
Rental expense, net	9,528	-	-	9,528
Total expenses	1,534,670	-	-	1,534,670
Change in net assets	31,172	(16,408)	200	14,964
Net Assets - beginning of year	2,901,298	86,507	57,200	3,045,005
Net Assets - end of year	<u>\$ 2,932,470</u>	<u>\$ 70,099</u>	<u>\$ 57,400</u>	<u>\$ 3,059,969</u>

See Notes to Financial Statements.

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 22,482	\$ 14,964
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	78,642	72,675
Unrealized gain on investments	(6,936)	(4,481)
Decrease (increase) in:		
Tuition fees receivable	8,531	806
Pledges receivable	10,000	23,680
Other accounts receivable	4,824	(7,798)
Prepaid expenses	(117)	20
Increase (decrease) in:		
Accounts payable	(16,147)	11,083
Deferred tuition revenue	(13,000)	7,000
Accrued payroll	8,256	5,737
Net cash provided by operating activities	<u>96,535</u>	<u>123,686</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(23,793)	(34,408)
Proceeds from sale of investments	-	13,852
Net cash used in investing activities	<u>(23,793)</u>	<u>(20,556)</u>
Increase in cash	<u>72,742</u>	<u>103,130</u>
Cash and cash equivalents, beginning of year	<u>737,631</u>	<u>634,501</u>
Cash and cash equivalents, end of year	<u>\$ 810,373</u>	<u>\$ 737,631</u>

See Notes to Financial Statements.

Riverside School, Inc.

Notes to Financial Statements

Note 1—Nature of Activities and Significant Accounting Policies

Nature of activities: Riverside School, Inc. (the School) is a nonprofit organization that is incorporated under the laws of the Commonwealth of Virginia. The School, located in Richmond, Virginia, operates a private coeducational day school providing multi-sensory, structured and rational education for dyslexic children and children with specific language based learning disabilities / differences in grades 1-8. Tuition represents the School's primary source of revenue.

A summary of the School's significant accounting policies follows:

Financial statement presentation: The School follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the School is required to report information regarding the nature and amount of its net assets as unrestricted, temporarily restricted and permanently restricted.

Basis of accounting: The School uses the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of estimates: The presentation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of a regular checking account, a money market fund that can be converted to cash within three months.

The School maintains bank accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for fiscal years 2011 and 2010. At June 30, 2011 and 2010, the balances at risk in these accounts totaled \$554,355 and \$403,302, respectively.

Cash restricted by donors as to its use amounted to \$149,200 and \$117,499 as of June 30, 2011 and 2010, respectively.

Tuition fees receivable: Tuition fees receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, and receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when collected.

Deferred tuition revenue: Deferred tuition revenue results from the School recognizing tuition revenue in the period in which the related educational instruction is performed. Accordingly, tuition revenue received for the next school term is deferred until the instruction commences.

Property and equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to fifty years. Depreciation expense for the years ended June 30, 2011 and 2010 was \$78,642 and \$72,675, respectively.

Contributions: Contributions received are reported as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Riverside School, Inc.

Notes to Financial Statements

Note 1—Nature of Activities and Significant Accounting Policies (Continued)

Valuation of investments, at fair value: The School's investments are stated at fair value. In accordance with accounting principles generally accepted in the United States of America (GAAP), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The fair value hierarchy established by GAAP categorizes investments into three levels based on the various inputs. As of June 30, 2011 and 2010, the School held one mutual fund and two certificates of deposit which are classified as Level 1 investments defined as follows:

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

Income taxes: Riverside School, Inc. is a not-for-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3).

The School adopted the provisions of Financial Accounting Standards Board Codification 740, *Accounting for Uncertainty in Income Taxes* (ASC 740 - formerly FIN 48), on July 1, 2009. As a result of implementation of ASC 740, the School has concluded that they do not have any material uncertain tax positions to be accounted for in the financial statements at June 30, 2011.

The School is subject to examination by federal and state tax authorities for the fiscal years ended June 30, 2009 forward. The School is not currently under tax examination for any of these periods.

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to presentations adopted in 2011.

Note 2—Pledges Receivable

Contributions receivable at June 30, 2011¹⁰ consisted of \$10,000 which was due in less than one year. There were no contributions receivable at June 30, 2011.

Contributions receivable are reflected at present value.

Note 3—Donated Services

The value of nonprofessional donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time for School functions.

Note 4—Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities.

Riverside School, Inc.

Notes to Financial Statements

Note 5—Temporarily and Permanently Restricted Funds

Temporarily restricted funds represent funds restricted for use in establishing or continuing class programs or for scholarships. Permanently restricted funds represent funds donated to the School's endowment, from which the earnings have been designated to be spent on books and professional training for the teachers.

Note 6—Retirement Plan

The School provides for a 403(b) retirement plan for all eligible employees. Under the plan, employees contribute certain amounts through salary deferral in an amount not to exceed annual limitations imposed by the Internal Revenue Service. The School did not contribute to the plan during fiscal years 2011 or 2010.

Note 7—Related Party Transactions

The School rents a house to the principal of the School. Rental income related to this lease was \$17,050 and \$15,313 for the years ended June 30, 2011 and 2010, respectively.

Note 8—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was October 16, 2012.