

Riverside School, Inc.

Financial Statements

June 30, 2013 and 2012

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- Kelli P. Meadows
- Douglas A. Urquhart
- David C. Acree
- Shannon W. Cook

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Riverside School, Inc. (the School), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside School, Inc. as of June 30, 2013 and 2012, and its activities and 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

July 30, 2014

Riverside School, Inc.

Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 928,035	\$ 853,935
Tuition fees receivable	14,932	21,162
Other accounts receivable	10,349	1,695
Prepaid expenses	6,859	2,708
Total current assets	960,175	879,500
Investments	35,766	32,445
Deposits	-	100
Property and Equipment		
Land	119,378	119,378
Building and improvements	2,837,800	2,832,230
Furniture, fixtures and equipment	250,742	249,633
	3,207,920	3,201,241
Less accumulated depreciation	(967,995)	(887,298)
	2,239,925	2,313,943
Total assets	\$ 3,235,866	\$ 3,225,988
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,311	\$ 25,161
Deferred tuition revenue	92,175	59,000
Accrued payroll	93,466	88,900
Total current liabilities	189,952	173,061
Net Assets		
Unrestricted	2,774,819	2,838,130
Temporarily restricted	211,995	165,697
Permanently restricted	59,100	49,100
Total net assets	3,045,914	3,052,927
Total liabilities and net assets	\$ 3,235,866	\$ 3,225,988

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities
Year Ended June 30, 2013

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,498,257	\$ -	\$ -	\$ 1,498,257
Contributions	170,619	105,653	10,000	286,272
Investment income	7,109	-	-	7,109
Other income	1,900	-	-	1,900
Total revenue and support	1,677,885	105,653	10,000	1,793,538
Net assets released from restrictions				
Restrictions satisfied by payments	59,355	(59,355)	-	-
Total revenues and reclassifications	1,737,240	46,298	10,000	1,793,538
Expenses				
Program services expense	1,211,941	-	-	1,211,941
Management and general	506,189	-	-	506,189
Fundraising expenses	70,481	-	-	70,481
Rental expense, net	11,940	-	-	11,940
Total expenses	1,800,551	-	-	1,800,551
Change in net assets	(63,311)	46,298	10,000	(7,013)
Net Assets - beginning of year	2,838,130	165,697	49,100	3,052,927
Net Assets - end of year	<u>\$ 2,774,819</u>	<u>\$ 211,995</u>	<u>\$ 59,100</u>	<u>\$ 3,045,914</u>

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities
Year Ended June 30, 2012

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,453,477	\$ -	\$ -	\$ 1,453,477
Contributions	139,760	122,090	1,500	263,350
Investment income	5,180	-	-	5,180
Rental income, net	2,625	-	-	2,625
Total revenue and support	1,601,042	122,090	1,500	1,724,632
Net assets released from restrictions				
Restrictions satisfied by payments	57,993	(57,993)	-	-
Total revenues and reclassifications	1,659,035	64,097	1,500	1,724,632
Expenses				
Program services expense	1,161,058	-	-	1,161,058
Management and general	493,970	-	-	493,970
Fundraising expenses	99,128	-	-	99,128
Total expenses	1,754,156	-	-	1,754,156
Change in net assets	(95,121)	64,097	1,500	(29,524)
Net Assets - beginning of year	2,933,251	101,600	47,600	3,082,451
Net Assets - end of year	<u>\$ 2,838,130</u>	<u>\$ 165,697</u>	<u>\$ 49,100</u>	<u>\$ 3,052,927</u>

See Notes to Financial Statements.

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (7,013)	\$ (29,524)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	80,697	79,323
Unrealized gain (loss) on investments	(3,321)	1,241
Decrease (increase) in:		
Tuition fees receivable	6,230	(11,392)
Other accounts receivable	(8,654)	1,718
Prepaid expenses	(4,152)	(29)
Other assets	100	(100)
Increase (decrease) in:		
Accounts payable	(20,850)	16,441
Deferred tuition revenue	33,175	7,000
Accrued payroll	4,566	(23,628)
Net cash provided by operating activities	<u>80,778</u>	<u>41,050</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(6,678)	(16,840)
Proceeds from sale of investments	-	19,352
Net cash provided by (used in) investing activities	<u>(6,678)</u>	<u>2,512</u>
Increase in cash	<u>74,100</u>	<u>43,562</u>
Cash and cash equivalents, beginning of year	<u>853,935</u>	<u>810,373</u>
Cash and cash equivalents, end of year	<u>\$ 928,035</u>	<u>\$ 853,935</u>

See Notes to Financial Statements.

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, 2013 and 2012, the School held one mutual fund and one certificate 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).

In accordance with GAAP, the School has concluded that it does not have any material uncertain tax positions to be accounted for in the financial statements at June 30, 2013 and 2012.

The School is subject to examination by federal and state tax authorities for the fiscal years ended June 30, 2011 forward. The School is not currently under tax examination for any of these periods.

Note 2—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 3—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.

Note 4—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 5—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 2013 or 2012.

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 and 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 2013 and 2012. At June 30, 2013 and 2012, the balances at risk in these accounts totaled \$682,817 and \$586,433, respectively.

Cash restricted by donors as to its use amounted to \$271,095 and \$214,797 as of June 30, 2013 and 2012, 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, 2013 and 2012 was \$80,697 and \$79,323, 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 6—Related Party Transactions

The School rents a house to the principal of the School. Rental income related to this lease was \$1,550 and \$18,600 for the years ended June 30, 2013 and 2012, respectively. During 2013, the Board of Directors decided to include the cost of the house in the Principal's compensation going forward, in lieu of having the Principal pay rent. In addition, during 2013, the School loaned the Principal \$8,654. The outstanding balance to the School at June 30, 2013 was \$8,654.

Note 8—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was July 30, 2014.