



Riverside School, Inc.

Financial Statements

June 30, 2015 and 2014

Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

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Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

- 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, 2015 and 2014, and the related statements of activities and changes in net assets 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, 2015 and 2014, 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

November 6, 2015

Riverside School, Inc.

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,224,330	\$ 1,137,600
Tuition fees receivable	7,581	8,675
Other accounts receivable	8,654	15,822
Prepaid expenses	3,041	2,014
Total current assets	1,243,606	1,164,111
Investments	33,379	34,493
Property and Equipment		
Land	119,378	119,378
Building and improvements	2,862,964	2,845,523
Furniture, fixtures and equipment	204,996	256,277
	3,187,338	3,221,178
Less accumulated depreciation	(1,060,560)	(1,041,486)
	2,126,778	2,179,692
Total assets	\$ 3,403,763	\$ 3,378,296
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,155	\$ 11,437
Deferred tuition revenue	51,000	57,623
Accrued payroll	99,026	85,828
Total current liabilities	161,181	154,888
Net Assets		
Unrestricted	2,652,493	2,727,482
Temporarily restricted	223,275	148,567
Permanently restricted	366,814	347,359
Total net assets	3,242,582	3,223,408
Total liabilities and net assets	\$ 3,403,763	\$ 3,378,296

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,389,812	\$ -	\$ -	\$ 1,389,812
Contributions	203,583	88,268	19,455	311,306
Investment income	6,430	-	-	6,430
Other income	6,386	-	-	6,386
Total revenue and support	1,606,211	88,268	19,455	1,713,934
Net assets released from restrictions				
Restrictions satisfied by payments	13,560	(13,560)	-	-
Total revenues and reclassifications	1,619,771	74,708	19,455	1,713,934
Expenses				
Program services expense	1,262,926	-	-	1,262,926
Management and general	358,567	-	-	358,567
Fundraising expenses	73,267	-	-	73,267
Total expenses	1,694,760	-	-	1,694,760
Change in net assets	(74,989)	74,708	19,455	19,174
Net Assets - beginning of year	2,727,482	148,567	347,359	3,223,408
Net Assets - end of year	\$ 2,652,493	\$ 223,275	\$ 366,814	\$ 3,242,582

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2014

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,431,694	\$ -	\$ -	\$ 1,431,694
Contributions	222,926	40,968	247,733	511,627
Investment income	12,897	-	-	12,897
Other income	3,000	-	-	3,000
Total revenue and support	1,670,517	40,968	247,733	1,959,218
Net assets released from restrictions				
Restrictions satisfied by payments	35,769	(35,769)	-	-
Total revenues and reclassifications	1,706,286	5,199	247,733	1,959,218
Expenses				
Program services expense	1,191,551	-	-	1,191,551
Management and general	507,043	-	-	507,043
Fundraising expenses	83,130	-	-	83,130
Total expenses	1,781,724	-	-	1,781,724
Change in net assets	(75,438)	5,199	247,733	177,494
Net Assets - beginning of year	2,802,920	143,368	99,626	3,045,914
Net Assets - end of year	\$ 2,727,482	\$ 148,567	\$ 347,359	\$ 3,223,408

See Notes to Financial Statements.

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 19,174	\$ 177,494
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	70,955	73,491
Unrealized loss on investments	1,114	1,273
Decrease (increase) in:		
Tuition fees receivable	1,094	6,257
Other accounts receivable	7,168	(5,473)
Prepaid expenses	(1,027)	4,844
Increase (decrease) in:		
Accounts payable and accrued expenses	(282)	7,126
Deferred tuition revenue	(6,623)	(34,552)
Accrued payroll	13,198	(7,638)
Net cash provided by operating activities	<u>104,771</u>	<u>222,822</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(18,041)</u>	<u>(13,257)</u>
Net cash used in investing activities	<u>(18,041)</u>	<u>(13,257)</u>
Increase in cash	<u>86,730</u>	<u>209,565</u>
Cash and cash equivalents, beginning of year	<u>1,137,600</u>	<u>928,035</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,224,330</u></u>	<u><u>\$ 1,137,600</u></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 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.

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or for specified purposes.

Permanently restricted net assets result from contributions that must be maintained by the School in perpetuity.

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 2015 and 2014. At June 30, 2015 and 2014, the balances at risk in these accounts totaled \$931,393 and \$851,184, respectively.

Cash restricted by donors as to its use amounted to \$590,089 and \$495,926 as of June 30, 2015 and 2014, 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.

Riverside School, Inc.

Notes to Financial Statements

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

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, 2015 and 2014 was \$70,955 and \$73,491, 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.

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, 2015 and 2014, the School held one mutual fund which is classified as a Level 1 investment 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, 2015 and 2014.

The School is subject to examination by federal and state tax authorities for the fiscal years ended June 30, 2013 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 and changes in net assets.

Riverside School, Inc.

Notes to Financial Statements

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 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 2015 or 2014.

Note 6—Related Party Transactions

During the years ended June 30, 2015 and 2014, the School rented a house to the principal of the School. The cost of the house is included in the Principal's compensation, in lieu of having the Principal pay rent. Net cost included in the Principal's compensation was \$16,964 and \$14,746 for the years ended June 30, 2015 and 2014, respectively. In addition, during 2013, the School loaned the Principal \$8,654. The outstanding balance owed to the School at June 30, 2015 and 2014 was \$8,654.

Note 7—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was November 6, 2015.