



Riverside School, Inc.

Financial Statements

June 30, 2017 and 2016

Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Meadows Urquhart Acree & Cook, LLP

September 18, 2017

Riverside School, Inc.

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,211,276	\$ 1,490,230
Tuition fees receivable	750	11,325
Other receivables	28,750	18,508
Prepaid expenses	31,596	7,055
Total current assets	<u>1,272,372</u>	<u>1,527,118</u>
Investments	-	31,267
Cash - permanently restricted	404,164	349,347
Property and Equipment		
Land	9,660	9,660
Building and improvements	2,365,348	2,365,348
Furniture, fixtures and equipment	288,598	204,997
	<u>2,663,606</u>	<u>2,580,005</u>
Less accumulated depreciation	<u>(1,054,242)</u>	<u>(993,362)</u>
	<u>1,609,364</u>	<u>1,586,643</u>
Total assets	<u><u>\$ 3,285,900</u></u>	<u><u>\$ 3,494,375</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 31,740	\$ 6,782
Deferred tuition revenue	90,450	118,900
Accrued payroll	-	148,945
Retirement liability	63,600	63,600
Total current liabilities	<u>185,790</u>	<u>338,227</u>
Long-term portion of retirement liability	356,400	386,400
Net Assets		
Unrestricted	2,229,692	2,142,269
Temporarily restricted	109,854	246,865
Permanently restricted	404,164	380,614
Total net assets	<u>2,743,710</u>	<u>2,769,748</u>
Total liabilities and net assets	<u><u>\$ 3,285,900</u></u>	<u><u>\$ 3,494,375</u></u>

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,714,940	\$ -	\$ -	\$ 1,714,940
Contributions	102,205	68,580	23,550	194,335
Investment income	13,217	365	-	13,582
Other income	8,891	7,214	-	16,105
Total revenue and support	1,839,253	76,159	23,550	1,938,962
Net assets released from restrictions				
Restrictions satisfied by payments	213,170	(213,170)	-	-
Total revenues and reclassifications	2,052,423	(137,011)	23,550	1,938,962
Expenses				
Program services expense	1,576,409	-	-	1,576,409
Management and general	304,547	-	-	304,547
Fundraising expenses	84,044	-	-	84,044
Total expenses	1,965,000	-	-	1,965,000
Change in net assets	87,423	(137,011)	23,550	(26,038)
Net Assets - beginning of year	2,142,269	246,865	380,614	2,769,748
Net Assets - end of year	\$ 2,229,692	\$ 109,854	\$ 404,164	\$ 2,743,710

See Notes to Financial Statements .

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2016

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
Revenue and support				
Tuition and fees	\$ 1,639,515	\$ -	\$ -	\$ 1,639,515
Contributions	250,541	105,465	13,800	369,806
Investment income	4,563	-	-	4,563
Other income	1,880	-	-	1,880
Total revenue and support	1,896,499	105,465	13,800	2,015,764
Net assets released from restrictions				
Restrictions satisfied by payments	81,875	(81,875)	-	-
Total revenues and reclassifications	1,978,374	23,590	13,800	2,015,764
Expenses				
Program services expense	1,968,752	-	-	1,968,752
Management and general	427,958	-	-	427,958
Fundraising expenses	91,888	-	-	91,888
Total expenses	2,488,598	-	-	2,488,598
Change in net assets	(510,224)	23,590	13,800	(472,834)
Net Assets - beginning of year	2,652,493	223,275	366,814	3,242,582
Net Assets - end of year	\$ 2,142,269	\$ 246,865	\$ 380,614	\$ 2,769,748

See Notes to Financial Statements .

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (26,038)	\$ (472,834)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,880	62,475
Realized gain on investment	(7,020)	-
Unrealized loss on investments	-	2,112
Loss on sale of property	-	57,280
Decrease (increase) in:		
Tuition fees receivable	10,575	(3,744)
Other receivables	(10,242)	(9,854)
Prepaid expenses	(24,541)	(4,014)
Increase (decrease) in:		
Accounts payable and accrued expenses	24,958	(4,369)
Deferred tuition revenue	(28,450)	67,900
Accrued payroll	(148,945)	49,919
Retirement liability	(30,000)	450,000
Net cash provided by (used in) operating activities	<u>(178,823)</u>	<u>194,871</u>
Cash Flows from Investing Activities		
Purchases of furniture, fixtures, and equipment	(83,601)	-
Proceeds from sale of investments	38,287	-
Proceeds from sale of property	-	420,376
Net cash provided by (used in) investing activities	<u>(45,314)</u>	<u>420,376</u>
Net increase (decrease) in cash and cash equivalents	<u>(224,137)</u>	<u>615,247</u>
Cash and cash equivalents, beginning of year	<u>1,839,577</u>	<u>1,224,330</u>
Cash and cash equivalents, end of year	<u>\$ 1,615,440</u>	<u>\$ 1,839,577</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 K-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 financial statements of the School are prepared under the accrual method of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as 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 regular checking accounts, a savings 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 2017 and 2016. At June 30, 2017 and 2016, the balances at risk in these accounts totaled \$1,114,790 and \$1,537,961, 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, 2017 and 2016 was \$60,880 and \$62,475, 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: At June 30, 2016, the School held investments that were 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. At June 30, 2016, 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).

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, 2017 and 2016.

Reclassifications: Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform with the 2017 presentation.

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

At June 30, 2017 and 2016, temporarily restricted net assets are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Financial aid	\$ 44,229	\$ 54,351
Educational initiative	25,000	30,000
Parent association	13,819	10,649
Playground	7,285	49,717
In-service training & conferences	7,020	18,432
Art & music	4,981	11,001
Early ID	3,460	9,468
Library	2,412	2,600
Technology	998	51,482
Math & science	650	2,000
Progress monitoring	-	7,165
	<u>\$ 109,854</u>	<u>\$ 246,865</u>

The following assets as of June 30, 2017 and 2016 are temporarily restricted as to use:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 84,854	\$ 234,365
Other receivables	25,000	12,500
	<u>\$ 109,854</u>	<u>\$ 246,865</u>

Permanently restricted funds represent funds donated to the School's endowment, from which the earnings have been designated to be spent on scholarships, books and professional training for the teachers.

The following assets as of June 30, 2017 and 2016 are permanently restricted as to use:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 404,164	\$ 349,347
Investments	-	31,267
	<u>\$ 404,164</u>	<u>\$ 380,614</u>

Riverside School, Inc.

Notes to Financial Statements

Note 5—Retirement Plan

During the year ended June 30, 2016, the School provided a 403(b) retirement plan for all eligible employees. Under the plan, employees were able to 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 year 2016.

During the year ended June 30, 2017, the School began to sponsor a defined contribution retirement plan in accordance with Section 401(k) of the Internal Revenue Code covering all employees. The School matches 100% of the amount of the participant's elective deferrals that do not exceed 1%, plus 50% of the deferrals that exceed 1% but do not exceed 6%. The School's contribution expense related to the plan was \$7,468 for the year ending June 30, 2017.

Note 6—Related Party Transactions

During the year ended June 30, 2015, the School rented a house to the principal of the School. The outstanding balance owed to the School at June 30, 2016 was \$6,008 and was written off during the year ended June 30, 2017.

The School and its founder, Patricia W. DeOrio, signed an agreement in April 2016 whereby the School will pay her \$5,000 a month plus health benefits for the remainder of her life. The School estimated this liability using IRS Publication 590-B Life Expectancy Table I and discounting the cash flow using the prime rate plus one percent (5%). The result was a retirement liability of \$420,000 and \$450,000 at June 30, 2017 and 2016, respectively, which is included in the statements of financial position. The School recognized expenses of \$32,343 and \$450,000 for the years ended June 30, 2017 and 2016, respectively, which is included in the statements of activities.

Note 7—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was September 18, 2017.