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**Meadows Urquhart Acree & Cook, LLP**  
Certified Public Accountants

- Kelli P. Meadows
- Douglas A. Urquhart
- David C. Acree
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## 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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018, 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*

Henrico, Virginia  
November 22, 2019

Riverside School, Inc.

Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,452,060	\$ 1,194,699
Tuition fees receivable	9,475	1,155
Other receivables	25,331	46,200
Investments	528,492	435,872
Prepaid expenses	42,441	12,464
<b>Total current assets</b>	<b>2,057,799</b>	<b>1,690,390</b>
Property and equipment		
Land	9,660	9,660
Building and improvements	2,378,837	2,371,398
Furniture, fixtures and equipment	330,429	314,347
	2,718,926	2,695,405
Less accumulated depreciation	(1,191,336)	(1,120,868)
	1,527,590	1,574,537
<b>Total assets</b>	<b>\$ 3,585,389</b>	<b>\$ 3,264,927</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,206	\$ 20,438
Deferred tuition revenue	129,077	102,950
Retirement liability	63,600	63,600
Other current liabilities	14,489	-
<b>Total current liabilities</b>	<b>228,372</b>	<b>186,988</b>
Long-term portion of retirement liability	296,400	326,400
Net assets		
Without donor restriction	2,379,480	2,236,327
With donor restriction	681,137	515,212
<b>Total net assets</b>	<b>3,060,617</b>	<b>2,751,539</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,585,389</b>	<b>\$ 3,264,927</b>

Riverside School, Inc.

Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Tuition and fees	\$ 2,259,039	\$ -	\$ 2,259,039
Contributions	200,620	259,383	460,003
Investment income	-	37,645	37,645
Other income	26,668	-	26,668
<b>Total revenue and support</b>	<b>2,486,327</b>	<b>297,028</b>	<b>2,783,355</b>
<b>Net assets released from restrictions</b>			
Restrictions satisfied by payments	131,103	(131,103)	-
<b>Total revenues and reclassifications</b>	<b>2,617,430</b>	<b>165,925</b>	<b>2,783,355</b>
<b>Expenses</b>			
Program services expense	1,932,570	-	1,932,570
Management and general	336,449	-	336,449
Fundraising expenses	205,258	-	205,258
<b>Total expenses</b>	<b>2,474,277</b>	<b>-</b>	<b>2,474,277</b>
<b>Change in net assets</b>	<b>143,153</b>	<b>165,925</b>	<b>309,078</b>
Net assets - beginning of year	2,236,327	515,212	2,751,539
Net assets - end of year	\$ 2,379,480	\$ 681,137	\$ 3,060,617

Riverside School, Inc.

Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Tuition and fees	\$ 1,892,295	\$ -	\$ 1,892,295
Contributions	119,081	144,264	263,345
Investment income	-	16,160	16,160
Other income	29,172	-	29,172
<b>Total revenue and support</b>	<b>2,040,548</b>	<b>160,424</b>	<b>2,200,972</b>
<b>Net assets released from restrictions</b>			
Restrictions satisfied by payments	159,230	(159,230)	-
<b>Total revenues and reclassifications</b>	<b>2,199,778</b>	<b>1,194</b>	<b>2,200,972</b>
<b>Expenses</b>			
Program services expense	1,620,380	-	1,620,380
Management and general	345,087	-	345,087
Fundraising expenses	227,676	-	227,676
<b>Total expenses</b>	<b>2,193,143</b>	<b>-</b>	<b>2,193,143</b>
<b>Change in net assets</b>	<b>6,635</b>	<b>1,194</b>	<b>7,829</b>
Net assets - beginning of year	2,229,692	514,018	2,743,710
Net assets - end of year	<u>\$ 2,236,327</u>	<u>\$ 515,212</u>	<u>\$ 2,751,539</u>

Riverside School, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services	Managment and General	Fundraising	Total
Payroll and fringe benefits	\$ 1,545,569	\$ 222,546	\$ 174,331	\$ 1,942,446
Other occupancy expenses	102,777	13,998	2,539	119,314
Expansion	90,346	-	-	90,346
Other educational expenses	49,689	5,282	-	54,971
Professional fees	-	42,930	-	42,930
Utilities	31,634	2,353	3,311	37,298
Maintenance and repairs	31,340	2,438	1,045	34,823
School programs	30,954	-	-	30,954
Marketing and outreach	-	26,732	-	26,732
Insurance	15,995	5,025	749	21,769
Other general & administration	5,584	10,571	2,827	18,982
Training and personal development	13,790	2,574	2,023	18,387
Development expenses	-	-	17,910	17,910
Technology	13,932	2,960	523	17,415
	<u>\$ 1,931,610</u>	<u>\$ 337,409</u>	<u>\$ 205,258</u>	<u>\$ 2,474,277</u>

Riverside School, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 1,312,476	\$ 233,131	\$ 207,030	\$ 1,752,637
Other occupancy expenses	100,255	14,886	2,482	117,623
Maintenance and repairs	47,158	3,668	1,572	52,398
Other educational expenses	41,062	4,115	-	45,177
Marketing and outreach	-	37,983	-	37,983
Utilities	31,699	2,364	3,177	37,240
School programs	33,916	-	-	33,916
Professional fees	-	27,199	-	27,199
Training and personal development	20,950	648	-	21,598
Other general & administration	6,288	15,334	3,085	24,707
Technology	13,526	2,444	327	16,297
Insurance	9,265	3,315	395	12,975
Development expenses	-	-	9,608	9,608
Expansion	3,785	-	-	3,785
	<u>\$ 1,620,380</u>	<u>\$ 345,087</u>	<u>\$ 227,676</u>	<u>\$ 2,193,143</u>

Riverside School, Inc.

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 309,078	\$ 7,829
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,469	66,626
Realized loss on investments	6,699	19,270
Unrealized gain on investments	(25,329)	(26,595)
Decrease (increase) in:		
Tuition fees receivable	(8,320)	(405)
Other receivables	20,869	(17,450)
Prepaid expenses	(29,977)	19,132
Increase (decrease) in:		
Accounts payable and accrued expenses	768	(11,302)
Deferred tuition revenue	26,127	12,500
Retirement liability	(30,000)	(30,000)
Other current liabilities	14,489	-
<b>Net cash provided by operating activities</b>	<u>354,873</u>	<u>39,605</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture, fixtures and equipment	(23,522)	(31,799)
Net purchases of investments	(73,990)	(428,547)
<b>Net cash used in investing activities</b>	<u>(97,512)</u>	<u>(460,346)</u>
Net increase (decrease) in cash and cash equivalents	<u>257,361</u>	<u>(420,741)</u>
Cash and cash equivalents, beginning of year	<u>1,194,699</u>	<u>1,615,440</u>
Cash and cash equivalents, end of year	<u>\$ 1,452,060</u>	<u>\$ 1,194,699</u>

Riverside School, Inc.

## Notes to Financial Statements

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### 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:

Basis of presentation: The School follows the provisions for Not-for-Profit Entities in accordance with accounting principles generally accepted in the United States of America (US GAAP). Under US GAAP, the School is required to report information regarding its financial position according to two classes of net assets based upon the existence or absence of restrictions on use that are in place by its donors: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the School, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Net assets with donor restrictions* are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained 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 2019 and 2018. At June 30, 2019 and 2018, the balances at risk in these accounts totaled \$42,091 and \$944,473, 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

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

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, 2019 and 2018 was \$70,469 and \$66,626, respectively.

Contributions: Contributions received are reported as increases in net assets, with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Deferred rent: The School records rent related to its operating leases on a straight-line basis over the life of the lease. Rent expenses in excess of rent payments are recognized as a deferred rent liability and are included as other liabilities on the statement of financial position.

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, 2019 and 2018.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform with the 2019 presentation.

Change in accounting principle: On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)---Presentation of Financial Statements of Not-for-Profit Entities. The School has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the School's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4).
- A statement of functional expenses is now a required statement and has been added for the year ended June 30, 2018 for comparative purposes.

Riverside School, Inc.

Notes to Financial Statements

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

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,236,327	\$ -
Temporarily restricted net assets	90,198	-
Permanently restricted net assets	425,014	-
Net assets without donor restrictions	-	2,236,327
Net assets with donor restrictions	-	515,212
Total net assets	<u>\$ 2,751,539</u>	<u>\$ 2,751,539</u>

New accounting pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all lease assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure regarding the nature and extent of leasing activities. ASU 2016-02 is effective for non-public entities for annual reporting periods beginning after December 15, 2020. The requirements of this statement are effective for the School for the year ending June 30, 2022. The School is currently evaluating the impact of this statement.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for non-public entities for annual reporting periods beginning after December 15, 2018. The requirements of this statement are effective for the School for the year ended June 30, 2020. The School is currently evaluating the impact of this statement.

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.

Riverside School, Inc.

Notes to Financial Statements

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Note 3—Deferred tuition revenue

Deferred tuition revenue at June 30 consisted of the following:

	2019	2018
School tuition	\$ 94,427	\$ 70,000
Summer camp tuition	34,650	32,950
	<u>\$ 129,077</u>	<u>\$ 102,950</u>

Deferred tuition revenue results from the School recognizing tuition revenue in the period in which the related education instruction is performed. Accordingly, tuition revenues received for the next school term and summer camp are deferred until the instruction commences.

Note 4—Liquidity and Availability of Resources

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2019	2018
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,452,060	\$ 1,194,699
Tuition fees receivable	9,475	1,155
Other receivables	25,331	46,200
Investments	528,492	435,872
Total financial assets	2,015,358	1,677,926
Less those unavailable for general expenditures within one year, due to donor restrictions (Note 6):	<u>681,137</u>	<u>515,212</u>
Financial assets available to management for general expenditures within one year	<u>\$ 1,334,221</u>	<u>\$ 1,162,714</u>

Notes to Financial Statements

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Note 5—Investments

In determining fair value, the School employs various valuation techniques. In accordance with US GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the School. Unobservable inputs reflect the School's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets and liabilities in inactive markets.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Cash deposits:* Valued at cost which approximates fair value.

*Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Funds held by the School are open-end funds that are registered with the SEC. The funds are required to publish their daily net asset value (NAV). The funds held by the School are deemed to be actively traded.

The methods described above may produce a fair calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash deposits	\$ 21,965	\$ -	\$ -	\$ 21,965
Mutual funds	218,738	-	-	218,738
Exchange traded funds	287,789	-	-	287,789
	<u>\$ 528,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,492</u>

Riverside School, Inc.

Notes to Financial Statements

Note 5—Investments (continued)

The following table presents by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash deposits	\$ 19,858	\$ -	\$ -	\$ 19,858
Mutual funds	176,845	-	-	176,845
Exchange traded funds	239,169	-	-	239,169
	<u>\$ 435,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,872</u>

Note 6—Net assets with donor restrictions

At June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Financial aid	\$ 461,157	\$ 368,767
In-service training & conferences	111,946	48,849
Educational initiative	70,364	45,091
Parent association	22,034	9,157
Technology	5,124	-
Library	4,464	37,398
Art & music	3,518	3,519
Math & science	2,180	1,430
Early ID	350	1,001
	<u>\$ 681,137</u>	<u>\$ 515,212</u>

Note 7—Endowment Funds

The School maintains an endowment, from which the earnings have been designated to spend on scholarships, books and professional training for teachers. The endowment funds are invested in accordance with the School's investment policy. As of June 30, 2019, and 2018, The School's endowment funds totaled \$493,201 and \$425,014, respectively. The endowment funds are included in investments and net assets with donor restrictions on the accompanying statements of financial position.

Note 8—Retirement Plan

The School sponsors 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 \$41,299 and \$36,919 for the years ending June 30, 2019 and 2018, respectively.

Riverside School, Inc.

Notes to Financial Statements

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Note 9—Leases

The School leases a building under an operating lease which expires July 31, 2023 and includes annual escalations over the lease term. Rent expense for the year ended June 30, 2019 was \$42,311. There was no rent expense for the year ended June 30, 2018.

Future minimum lease payments as of June 30, 2019 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	44,622
2020	49,570
2021	50,544
2022	51,555
2023	52,569
Thereafter	4,388

Note 10—Related Party Transactions

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 (6%). The result was a retirement liability of \$360,000 and \$390,000 at June 30, 2019 and 2018, respectively, which is included in the statements of financial position. The School recognized expenses of \$33,186 and \$33,144 for the years ended June 30, 2019 and 2018, respectively, which is included in the statements of activities.

Note 11—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was November 22, 2019.