



Riverside School, Inc.

Financial Statements

June 30, 2021 and 2020

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
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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, 2021 and 2020, 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, 2021 and 2020, 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
October 28, 2021

Riverside School, Inc.

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,990,612	\$ 1,980,469
Tuition fees receivable	4,795	13,623
Other receivables	75,000	25,000
Investments	750,214	569,367
Other current assets	4,057	-
Prepaid expenses	44,935	42,103
Total current assets	2,869,613	2,630,562
Property and equipment		
Land	129,460	9,660
Building and improvements	4,162,680	2,390,338
Furniture, fixtures and equipment	406,242	369,228
	4,698,382	2,769,226
Less accumulated depreciation	(1,349,501)	(1,266,888)
Total property and equipment	3,348,881	1,502,338
Other asset	9,284	-
Total assets	\$ 6,227,778	\$ 4,132,900
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 18,628	\$ 15,073
Deferred tuition revenue	202,108	110,309
Current portion of retirement liability	63,600	63,600
Other current liabilities	-	12,417
Total current liabilities	284,336	201,399
Long-term liabilities		
Retirement liability, less current portion	286,400	306,400
Notes payable	1,750,000	369,400
Total long-term liabilities	2,036,400	675,800
Net assets		
Without donor restriction	3,076,284	2,571,432
With donor restriction	830,758	684,269
Total net assets	3,907,042	3,255,701
Total liabilities and net assets	\$ 6,227,778	\$ 4,132,900

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Tuition and fees	\$ 2,299,442	\$ -	\$ 2,299,442
Contributions	466,976	131,589	598,565
Investment income	-	143,065	143,065
Other income	400,894	-	400,894
Total revenue and support	3,167,312	274,654	3,441,966
Net assets released from restrictions			
Restrictions satisfied by payments	128,165	(128,165)	-
Total revenues and reclassifications	3,295,477	146,489	3,441,966
Expenses			
Program services expense	2,266,013	-	2,266,013
Management and general	288,716	-	288,716
Fundraising expenses	235,896	-	235,896
Total expenses	2,790,625	-	2,790,625
Change in net assets	504,852	146,489	651,341
Net assets - beginning of year	2,571,432	684,269	3,255,701
Net assets - end of year	<u>\$ 3,076,284</u>	<u>\$ 830,758</u>	<u>\$ 3,907,042</u>

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Tuition and fees	\$ 2,354,602	\$ -	\$ 2,354,602
Contributions	228,695	142,931	371,626
Investment income	-	27,438	27,438
Other income	28,446	-	28,446
	<u>2,611,743</u>	<u>170,369</u>	<u>2,782,112</u>
Total revenue and support			
Net assets released from restrictions			
Restrictions satisfied by payments	167,237	(167,237)	-
	<u>2,778,980</u>	<u>3,132</u>	<u>2,782,112</u>
Expenses			
Program services expense	2,036,444	-	2,036,444
Management and general	329,323	-	329,323
Fundraising expenses	221,261	-	221,261
	<u>2,587,028</u>	<u>-</u>	<u>2,587,028</u>
Total expenses			
	191,952	3,132	195,084
Change in net assets			
Net assets - beginning of year	2,379,480	681,137	3,060,617
Net assets - end of year	<u>\$ 2,571,432</u>	<u>\$ 684,269</u>	<u>\$ 3,255,701</u>

Riverside School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 1,693,230	\$ 204,471	\$ 200,262	\$ 2,097,963
Expansion	185,540	-	6,813	192,353
Other occupancy expenses	125,549	6,823	4,094	136,466
Other educational expenses	59,902	1,136	162	61,200
Maintenance and repairs	49,157	2,672	1,603	53,432
School programs	44,124	-	-	44,124
Technology	41,285	1,318	1,318	43,921
Professional fees	-	42,854	-	42,854
Utilities	35,508	2,659	759	38,926
Insurance	16,060	3,592	867	20,519
Marketing and outreach	-	19,085	-	19,085
Development expenses	-	-	18,033	18,033
Other general and administration	11,950	4,106	1,485	17,541
Training and personal development	3,708	-	500	4,208
	<u>\$ 2,266,013</u>	<u>\$ 288,716</u>	<u>\$ 235,896</u>	<u>\$ 2,790,625</u>

Riverside School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 1,625,850	\$ 232,255	\$ 183,719	\$ 2,041,824
Other occupancy expenses	108,962	14,705	2,647	126,314
Expansion	73,854	-	7,002	80,856
Other educational expenses	54,310	1,713	-	56,023
Maintenance and repairs	50,807	2,761	1,657	55,225
Utilities	36,005	2,829	3,972	42,806
Marketing and outreach	-	31,983	-	31,983
School programs	31,328	-	-	31,328
Professional fees	-	26,433	-	26,433
Insurance	17,833	4,198	1,193	23,224
Technology	16,588	3,615	1,063	21,266
Training and personal development	12,231	4,351	1,214	17,796
Development expenses	-	-	16,609	16,609
Other general and administration	8,676	4,480	2,185	15,341
	<u>\$ 2,036,444</u>	<u>\$ 329,323</u>	<u>\$ 221,261</u>	<u>\$ 2,587,028</u>

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 651,341	\$ 195,084
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	82,734	75,552
Forgiveness of paycheck protection program proceeds	(369,400)	-
Realized (gain) loss on investments	(14,611)	436
Unrealized (gain) loss on investments	(108,929)	852
Decrease (increase) in:		
Tuition fees receivable	8,828	(4,148)
Other receivables	(50,000)	331
Prepaid expenses	(2,832)	338
Other asset	(9,405)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,555	(6,133)
Deferred tuition revenue	91,799	(18,768)
Retirement liability	(20,000)	10,000
Other current liabilities	(16,474)	(2,072)
Net cash provided by operating activities	<u>246,606</u>	<u>251,472</u>
Cash Flows from Investing Activities		
Purchases of furniture, fixtures and equipment	(179,156)	(50,300)
Net purchases of investments	(57,307)	(42,163)
Net cash used in investing activities	<u>(236,463)</u>	<u>(92,463)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of new debt	-	369,400
Net cash provided by investing activities	<u>-</u>	<u>369,400</u>
Net increase in cash and cash equivalents	<u>10,143</u>	<u>528,409</u>
Cash and cash equivalents, beginning of year	<u>1,980,469</u>	<u>1,452,060</u>
Cash and cash equivalents, end of year	<u>\$ 1,990,612</u>	<u>\$ 1,980,469</u>
Noncash Investing and Financing Activities		
Acquisition of property with note payable	<u>\$ 1,750,000</u>	<u>\$ -</u>

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:

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 2020 and 2019. At June 30, 2021 and 2020, the balances at risk in these accounts totaled \$2 and \$2, 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)

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, 2021 and 2020 was \$82,613 and \$75,552, respectively.

Other assets: Other assets consist of loan costs totaling \$9,284 as of June 30, 2021 and are shown net of accumulated amortization. Costs are amortized on a straight-line basis over the term of the related borrowings. Amortization amounted to \$121 for the year ended June 30, 2021. Amortization expense is expected to be \$1,452 annually from 2022 through 2026.

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.

Revenue: Tuition and fees income generally relate to contracts with students' families in which performance obligations are to provide educational services to the students. Revenue is recognized in the applicable school year. Tuition received related to future school years is reflected as deferred tuition revenue in the statement of financial position.

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, 2021 and 2020.

Reclassifications: Certain amounts in the 2020 financial statements have been reclassified for comparative purposes to conform with the 2021 presentation.

New accounting pronouncement: 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, 2021. The requirements of this statement are effective for the School for the year ending June 30, 2023. 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

Note 3—Deferred tuition revenue

Deferred tuition revenue at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
School tuition	\$ 182,558	\$ 107,409
Summer camp tuition	19,550	2,900
	<u>\$ 202,108</u>	<u>\$ 110,309</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.

	<u>2021</u>	<u>2020</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,990,612	\$ 1,980,469
Tuition fees receivable	4,795	13,623
Other receivables	75,000	25,000
Investments	750,214	569,367
Total financial assets	2,820,621	2,588,459
Less those unavailable for general expenditures within one year, due to donor restrictions (Note 7):	<u>830,758</u>	<u>684,269</u>
Financial assets available to management for general expenditures within one year	<u>\$ 1,989,863</u>	<u>\$ 1,904,190</u>

Riverside School, Inc.

Notes to Financial Statements

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.

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. All of the School's assets are considered level 1 in the fair market value hierarchy.

The following table presents all the School's level 1 assets within the fair value hierarchy as of June 30:

	2021	2020
Exchange traded funds	\$ 732,398	\$ 526,613
Cash deposits	17,816	42,754
	<u>\$ 750,214</u>	<u>\$ 569,367</u>

Riverside School, Inc.

Notes to Financial Statements

Note 6—Note Payable

The School entered into a financing agreement secured by real property with a commercial bank in June 2021. The agreement provides the School the opportunity to draw up to \$2,250,000, which is payable in 18 monthly interest only payments beginning in July 2021. In January 2023, the School will begin to make payments on the outstanding principal of the loan in 59 monthly payments of \$12,008, assuming the full \$2,250,000 has been borrowed. The remaining outstanding balance of the loan will be payable in one final balloon payment in December 2027. The loan accrues interest at 2.54%. The outstanding balance was \$1,750,000 as of June 30, 2021.

The principal payment requirements on existing debt for future years ending after June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ -
2023	50,085
2024	102,096
2025	104,719
2026	107,410
Thereafter	1,385,690
	<u>\$ 1,750,000</u>

Note 7—Net assets with donor restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Financial aid	\$ 570,343	\$ 483,695
In-service training and conferences	203,779	136,615
Educational initiative	26,356	27,664
Parent association	19,331	20,172
Art and music	3,688	3,520
Technology	3,061	4,699
Library	2,650	3,369
Math and science	1,550	1,435
Early ID	-	3,100
	<u>\$ 830,758</u>	<u>\$ 684,269</u>

Riverside School, Inc.

Notes to Financial Statements

Note 8—Endowment Funds

The School maintains an endowment, from which the earnings have been designated to spend on scholarships, books and professional training for teachers. Amounts spent from the endowment funds were \$11,450 and \$8,000 for the years ending June 30, 2021 and 2020, respectively. The endowment funds are invested in accordance with the School's investment policy. As of June 30, 2021, and 2020, The School's endowment funds totaled \$543,769 and \$528,856, respectively. The endowment funds are included in investments and net assets with donor restrictions on the accompanying statements of financial position.

Note 9—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 \$40,864 and \$43,341 for the years ending June 30, 2021 and 2020, respectively.

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 (4.25% and 6% at June 30, 2021 and 2020, respectively). The result was a retirement liability of \$350,000 and \$370,000 at June 30, 2021 and 2020, respectively, which is included in the statements of financial position. The School recognized expenses of \$103,876 and \$73,522 for the years ended June 30, 2021 and 2020, respectively, which is included in the statements of activities.

Note 11—Paycheck Protection Program Income

On April 20, 2020, the School received loan proceeds in the amount of \$369,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided for loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after twenty-four weeks as a loan as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The School has spent the funds on qualifying expenses as of June 30, 2021, which was the stipulated condition for forgiveness. The School finds the condition to be substantially met and, in accordance with ASC 958 has included \$369,400 as other income in the accompanying statement of activities and changes in net assets. In August 2021, the Company was approved for PPP forgiveness.

Note 12—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was October 28, 2021.