



Riverside School, Inc.

Financial Statements

June 30, 2022 and 2021

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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

Opinion

We have audited the accompanying financial statements of Riverside School, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Meadow Urgent Acee + Cook, LLP

Henrico, Virginia

November 4, 2022

Riverside School, Inc.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 2,606,498	\$ 1,990,612
Tuition fees receivable	46,813	4,795
Pledges receivable, current portion	457,833	75,000
Investments	784,517	750,214
Other current assets	-	4,057
Prepaid expenses	44,609	44,935
Total current assets	3,940,270	2,869,613
Pledges receivable, less current portion	753,197	-
Property and equipment		
Land	129,460	129,460
Building and improvements	4,198,177	4,162,680
Furniture, fixtures and equipment	464,319	406,242
	4,791,956	4,698,382
Less accumulated depreciation	(1,480,886)	(1,349,501)
Total property and equipment	3,311,070	3,348,881
Other asset	7,833	9,284
Total assets	\$ 8,012,370	\$ 6,227,778
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 84,781	\$ 18,628
Deferred tuition revenue	180,896	202,108
Current portion of retirement liability	63,600	63,600
Current portion of notes payable	50,085	-
Total current liabilities	379,362	284,336
Long-term liabilities		
Retirement liability, less current portion	246,400	286,400
Notes payable, less current portion	1,699,915	1,750,000
Total long-term liabilities	1,946,315	2,036,400
Net assets		
Without donor restriction	3,041,745	3,076,284
With donor restriction	2,644,948	830,758
Total net assets	5,686,693	3,907,042
Total liabilities and net assets	\$ 8,012,370	\$ 6,227,778

See Notes to Financial Statements.

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Tuition and fees	\$ 2,853,912	\$ -	\$ 2,853,912
Contributions	230,805	2,019,207	2,250,012
Investment loss	-	(104,442)	(104,442)
Other income	5,877	-	5,877
	<u>3,090,594</u>	<u>1,914,765</u>	<u>5,005,359</u>
Net assets released from restrictions			
Restrictions satisfied by payments	100,575	(100,575)	-
	<u>3,191,169</u>	<u>1,814,190</u>	<u>5,005,359</u>
Expenses			
Program services expense	2,626,098	-	2,626,098
Management and general	404,822	-	404,822
Fundraising expenses	194,788	-	194,788
	<u>3,225,708</u>	<u>-</u>	<u>3,225,708</u>
	<u>(34,539)</u>	<u>1,814,190</u>	<u>1,779,651</u>
Change in net assets			
Net assets - beginning of year	3,076,284	830,758	3,907,042
Net assets - end of year	<u>\$ 3,041,745</u>	<u>\$ 2,644,948</u>	<u>\$ 5,686,693</u>

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 Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 1,916,762	\$ 205,442	\$ 121,248	\$ 2,243,452
Other occupancy expenses	252,948	76,993	5,991	335,932
Expansion	108,750	-	10,622	119,372
Maintenance and repairs	95,241	5,176	3,106	103,523
Other general and administration	61,211	15,316	4,267	80,794
Other educational expenses	72,622	1,907	-	74,529
Professional fees	-	59,618	-	59,618
Utilities	42,194	3,418	3,299	48,911
Marketing and outreach	-	25,094	22,687	47,781
Technology	23,420	5,104	1,501	30,025
Insurance	21,101	4,444	1,417	26,962
School programs	26,056	-	-	26,056
Development expenses	-	-	20,005	20,005
Training and personal development	5,793	2,310	645	8,748
	<u>\$ 2,626,098</u>	<u>\$ 404,822</u>	<u>\$ 194,788</u>	<u>\$ 3,225,708</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.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 1,779,651	\$ 651,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	130,856	82,734
Forgiveness of paycheck protection program proceeds	-	(369,400)
Realized gain on investments	(23,996)	(14,611)
Unrealized (gain) loss on investments	149,737	(108,929)
Decrease (increase) in:		
Tuition fees receivable	(42,018)	8,828
Pledges receivable	(1,136,030)	(50,000)
Prepaid expenses	326	(2,832)
Other asset	1,451	(9,405)
Increase (decrease) in:		
Accounts payable and accrued expenses	66,153	3,555
Deferred tuition revenue	(21,212)	91,799
Retirement liability	(40,000)	(20,000)
Other current liabilities	4,057	(16,474)
Net cash provided by operating activities	<u>868,975</u>	<u>246,606</u>
Cash Flows from Investing Activities		
Purchases of furniture, fixtures and equipment	(93,045)	(179,156)
Net purchases of investments	<u>(160,044)</u>	<u>(57,307)</u>
Net cash used in investing activities	<u>(253,089)</u>	<u>(236,463)</u>
Net increase in cash and cash equivalents	<u>615,886</u>	<u>10,143</u>
Cash and cash equivalents, beginning of year	<u>1,990,612</u>	<u>1,980,469</u>
Cash and cash equivalents, end of year	<u>\$ 2,606,498</u>	<u>\$ 1,990,612</u>
Noncash Investing and Financing Activities		
Acquisition of property with note payable	<u>\$ -</u>	<u>\$ 1,750,000</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 three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for fiscal years 2022 and 2021. At June 30, 2022 and 2021, the balances at risk in these accounts totaled \$1,044,642 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.

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, 2022 and 2021 was \$130,856 and \$82,613, 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.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from 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, 2022 and 2021.

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.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement for Credit Losses on Financial Instruments*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 also requires additional disclosures regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. The requirements of this statement are effective for the School for the year ended June 30, 2024. The School is currently evaluating the impact of this statement.

Riverside School, Inc.

Notes to Financial Statements

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—Deferred tuition revenue

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.

Deferred tuition revenue at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
School tuition	\$ 158,146	\$ 182,558
Summer camp tuition	22,750	19,550
	<u>\$ 180,896</u>	<u>\$ 202,108</u>

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>2022</u>	<u>2021</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,606,498	\$ 1,990,612
Tuition fees receivable	46,813	4,795
Pledge receivable	457,833	75,000
Investments	784,517	750,214
Total financial assets	3,895,661	2,820,621
Less those unavailable for general expenditures within one year, due to donor restrictions (Note 7):	<u>2,644,948</u>	<u>830,758</u>
Financial assets available to management for general expenditures within one year	<u>\$ 1,250,713</u>	<u>\$ 1,989,863</u>

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 investments 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:

	2022	2021
Exchange traded funds	\$ 771,990	\$ 732,398
Cash deposits	12,527	17,816
	<u>\$ 784,517</u>	<u>\$ 750,214</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, 2022 and 2021, respectively.

The principal payment requirements on existing debt for future years ending after June 30, 2022 are as follows:

Years Ending June 30,	Amount
2023	\$ 50,085
2024	102,096
2025	104,719
2026	107,410
2027	110,171
Thereafter	1,275,519
	<u>\$ 1,750,000</u>

Note 7—Net assets with donor restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Capital campaign	\$ 1,749,335	\$ -
Financial aid	579,150	570,343
In-service training and conferences	265,826	203,779
Educational initiative	26,123	26,356
Parent association	14,059	19,331
Art and music	4,752	3,688
Technology	2,904	3,061
Math and science	1,802	1,550
Library	997	2,650
	<u>\$ 2,644,948</u>	<u>\$ 830,758</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 \$14,116 and \$11,450 for the years ending June 30, 2022 and 2021, respectively. The endowment funds are invested in accordance with the School's investment policy. As of June 30, 2022, and 2021, The School's endowment funds totaled \$786,528 and \$543,769, respectively. The endowment funds are included in cash, 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 \$46,768 and \$40,864 for the years ending June 30, 2022 and 2021, 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 (5.75% and 4.25% as of June 30, 2022 and 2021, respectively). The result was a retirement liability of \$310,000 and \$350,000 as of June 30, 2022 and 2021, respectively, which is included in the statements of financial position. The School recognized expenses of \$86,978 and \$103,876 for the years ended June 30, 2022 and 2021, respectively, which is included in the statements of activities.

Note 11—Promises to Give

The School held a capital campaign to raise funds related to scholarship growth and property acquisition. These promises to give are restricted in nature and are to be used for scholarships or the acquisition of property. Promises to give that are due after June 30, 2023 are discounted at 3%. Pledges receivable also include promises to give related to the School's educational initiative of \$25,000 and \$75,000 as of June 30, 2022 and 2021, respectively.

Pledges receivable consist of the following as of June 30:

	2022	2021
Receivable in less than one year	\$ 457,833	\$ 75,000
Receivable in one to five years	789,167	-
Total promises to give	1,247,000	75,000
Less discount to present value	(35,970)	-
	<u>\$ 1,211,030</u>	<u>\$ 75,000</u>

Note 12—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was November 4, 2022.