



Riverside
SCHOOL

Financial Statements
June 30, 2024 and 2023



WELLSCOLEMAN

5004 Monument Avenue • Richmond, VA 23230

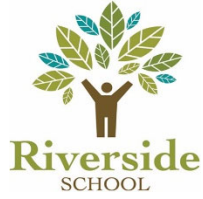


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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Riverside School, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Riverside School, Inc. (a nonprofit corporation) (the "School") which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 Riverside School, Inc. as of June 30, 2024, 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 Audits of the Financial Statements section of our report. We are required to be independent of Riverside School, Inc. and to meet our other 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.

Prior Period Financial Statements

The financial statements of Riverside School, Inc. as of June 30, 2023 were audited by other auditors whose report dated February 27, 2024, stated an unmodified opinion in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Riverside School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

- Continued -

Auditor's Responsibilities for the Audits 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 Riverside School, Inc.'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 Riverside School, Inc.'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



November 21, 2024

RIVERSIDE SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents	\$ 2,700,120	\$ 2,568,334
Tuition fees receivable	66,659	46,464
Promises to give - current portion	939,167	365,166
Investments	1,757,486	1,218,756
Other current assets	-	5,000
Prepaid expenses	<u>18,098</u>	<u>26,099</u>
Total current assets	<u>5,481,530</u>	<u>4,229,819</u>
Property and Equipment		
Land	195,138	190,324
Building and improvements	4,226,419	4,268,778
Furniture, fixtures, and equipmet	<u>614,081</u>	<u>509,096</u>
	5,035,638	4,968,198
Accumulated depreciation	<u>(1,760,157)</u>	<u>(1,616,073)</u>
Net property and equipment	<u>3,275,481</u>	<u>3,352,125</u>
Other Assets		
Promises to give, less current portion	492,867	507,303
Other assets	<u>4,868</u>	<u>6,391</u>
Net other assets	<u>497,735</u>	<u>513,694</u>
Total Assets	<u>\$ 9,254,746</u>	<u>\$ 8,095,638</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 38,267	\$ 62,716
Deferred tuition revenue	130,000	146,855
Current portion of retirement liability	270,000	280,000
Current portion of notes payable	<u>71,066</u>	<u>69,286</u>
Total current liabilities	<u>509,333</u>	<u>558,857</u>
Non-Current Liabilities		
Retirement liability	-	216,400
Notes payable	<u>1,328,817</u>	<u>1,650,757</u>
Total non-current liabilities	<u>1,328,817</u>	<u>1,867,157</u>
Total liabilities	<u>1,838,150</u>	<u>2,426,014</u>
Net Assets		
Without donor restrictions	2,591,536	2,719,823
With donor restrictions	<u>4,825,060</u>	<u>3,166,201</u>
Total net assets	<u>7,416,596</u>	<u>5,886,024</u>
Total Liabilities and Net Assets	<u>\$ 9,254,746</u>	<u>\$ 8,312,038</u>

RIVERSIDE SCHOOL, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Tuition and fee income, net of scholarships of \$238,000	\$ 3,013,636	\$ -	\$ 3,013,636
Contributions	231,167	1,554,738	1,785,905
Investment income	89,985	182,200	272,185
Other income	<u>10,189</u>	<u>-</u>	<u>10,189</u>
Net support and revenue	<u>3,344,977</u>	<u>1,736,938</u>	<u>5,081,915</u>
Net assets released from restrictions			
Satisfaction of restrictions	<u>78,078</u>	<u>(78,078)</u>	<u>-</u>
	<u>78,078</u>	<u>(78,078)</u>	<u>-</u>
Net support and revenue	<u>3,423,055</u>	<u>1,658,860</u>	<u>5,081,915</u>
Expenses			
Program services expense	2,796,886	-	2,796,886
Management and general	490,723	-	490,723
Fundraising and development	<u>185,112</u>	<u>-</u>	<u>185,112</u>
Total expenses	<u>3,472,721</u>	<u>-</u>	<u>3,472,721</u>
Other Expenses			
Loss on capital project	<u>(78,622)</u>	<u>-</u>	<u>(78,622)</u>
Change in net assets	(128,288)	1,658,860	1,530,572
Prior period adjustment	(173,987)	173,987	-
Net Assets, beginning of year	<u>2,893,811</u>	<u>2,992,213</u>	<u>5,886,024</u>
Net Assets, end of year	<u>\$ 2,591,536</u>	<u>\$ 4,825,060</u>	<u>\$ 7,416,596</u>

See accompanying notes to financial statements.

RIVERSIDE SCHOOL, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Tuition and fee income, net of scholarships of \$219,400	\$ 2,930,214	\$ -	\$ 2,930,214
Contributions	241,492.58	285,127	526,620
Investments	39,115	93,027	132,142
Other income	<u>1,130</u>	<u>-</u>	<u>1,130</u>
Net support and revenue	<u>3,211,952</u>	<u>378,154</u>	<u>3,590,106</u>
Net assets released from restrictions			
Satisfaction of restrictions	<u>30,889</u>	<u>(30,889)</u>	<u>-</u>
	<u>30,889</u>	<u>(30,889)</u>	<u>-</u>
Net support and revenue	<u>3,242,841</u>	<u>347,265</u>	<u>\$ 3,590,106</u>
Expenses			
Program services expense	2,736,678	-	2,736,678
Management and general	467,486	-	467,486
Fundraising and development	<u>186,611</u>	<u>-</u>	<u>186,611</u>
Total expenses	<u>3,390,775</u>	<u>-</u>	<u>3,390,775</u>
Change in net assets	(147,934)	347,265	199,331
Net Assets, beginning of year	<u>3,041,745</u>	<u>2,644,948</u>	<u>5,686,693</u>
Net Assets, end of year	<u>\$ 2,893,811</u>	<u>\$ 2,992,213</u>	<u>\$ 5,886,024</u>

See accompanying notes to financial statements.

RIVERSIDE SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Payroll and fringe benefits	\$ 2,174,497	\$ 199,954	\$ 124,971	\$ 2,499,422
Other occupancy expenses	295,680	33,986	10,196	339,862
Professional fees	-	219,963	-	219,963
Maintenance and repairs	69,061	3,753	2,252	75,066
Other educational expenses	51,181	1,045	-	52,226
Other general and administration	58,013	15,470	3,868	77,351
Utilities	79,136	6,021	860	86,017
Development expenses	-	-	36,248	36,248
Insurance	28,623	2,927	976	32,526
School programs	18,346	-	-	18,346
Marketing and outreach	-	4,229	4,769	8,998
Technology	8,111	1,145	286	9,542
Training and personal development	14,238	2,230	686	17,154
	<u>\$ 2,796,886</u>	<u>\$ 490,723</u>	<u>\$ 185,112</u>	<u>\$ 3,472,721</u>

See accompanying notes to financial statements.

RIVERSIDE SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Payroll and fringe benefits	\$ 2,042,109	\$ 192,777	\$ 122,516	\$ 2,357,402
Other occupancy expenses	299,825	34,936	8,153	342,914
Professional fees	-	196,357	-	196,357
Maintenance and repairs	95,437	5,187	3,112	103,736
Other educational expenses	92,369	1,899	-	94,268
Other general and administration	65,170	17,321	4,691	87,182
Utilities	73,563	5,909	487	79,959
Development expenses	-	-	37,672	37,672
Insurance	24,868	2,584	805	28,257
School programs	21,435	-	-	21,435
Marketing and outreach	-	7,329	8,330	15,659
Technology	10,787	1,523	381	12,691
Training and personal development	10,515	1,664	464	12,643
Financial aid expenses	600	-	-	600
	<u>\$ 2,736,678</u>	<u>\$ 467,486</u>	<u>\$ 186,611</u>	<u>\$ 3,390,775</u>

See accompanying notes to financial statements.

RIVERSIDE SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,530,572	\$ 199,331
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	144,084	135,187
Discount on promises to give	21,385	-
Loss on asset disposal	78,623	-
Reinvested dividends	(40,525)	(199)
Unrealized (gain) loss on investment	(141,675)	78,566
(Increase) decrease in operating assets		
Tuition fees receivable	(20,195)	349
Pledges receivable	(580,950)	338,561
Prepaid expenses	8,001	18,510
Other current assets	5,000	(5,000)
Other assets	1,523	1,442
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(24,449)	(22,065)
Deferred tuition revenue	(16,855)	(34,041)
Retirement liability	(10,000)	(30,000)
Net cash and cash equivalents provided by operating activities	<u>954,539</u>	<u>680,641</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(146,063)	(176,242)
Purchase of securities	(511,616)	(512,606)
Proceeds from sale of securities	155,086	-
Net cash and cash equivalents used by investing activities	<u>(502,593)</u>	<u>(688,848)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(320,160)	(29,957)
Net cash and cash equivalents used by financing activities	<u>(320,160)</u>	<u>(29,957)</u>
Net increase (decrease) in cash and cash equivalents	131,786	(38,164)
Cash and Cash Equivalents, beginning	<u>2,568,334</u>	<u>2,606,498</u>
Cash and Cash Equivalents, ending	<u>\$ 2,700,120</u>	<u>\$ 2,568,334</u>
Cash paid for interest	41,909	\$ 44,969

See accompanying notes to financial statements.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

1. Nature of Organization

Riverside School, Inc. (the School) is a nonprofit organization that was 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.

2. Summary of Significant Accounting Policies

Method of Accounting: The accompanying financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents: For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Tuition Fees Receivable: Tuition fees receivable are due primarily within one year and are carried at the original invoice amount less the allowance for the current expected credit loss based on history of collections in aging categories. The School uses the allowance method of accounting for credit losses for financial reporting. The School expects to fully collect the outstanding receivables and promises to give at June 30, 2024, and, therefore, no allowance is deemed necessary.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Investments: Investments are measured at fair value based on quoted market prices with gains and losses included in the statements of activities. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risk in the near-term could materially affect amounts reported on the financial statements. Interest income, dividend income, and realized and unrealized gains and losses are included in investment income on the accompanying statements of activities.

Property and Equipment: Property and equipment are recorded at cost if purchased or fair value if donated. Gifts or contributions of property and equipment are recorded at the asset's fair value at the time received. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies - Continued

Depreciation is computed by the straight-line method over the estimated useful lives of the related assets:

	<u>Years</u>
Building and improvements	10-39
Furniture and equipment	5-15
Vehicles	5

Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Deferred Tuition Revenue: Regular session tuition revenue is recognized in the period in which the related educational instruction is provided. Accordingly, student tuition and fees received for the next school term are deferred until instruction commences.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions. The School has designated from net assets without donor restrictions amounts for certain reserves.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that can be filled by actions of the School pursuant to those restrictions or that expire by the passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period the contribution is received, the contribution is recorded as net assets without donor restrictions for financial statement purposes.

Revenue Recognition: Tuition and fees are recognized over time during the school year for each student in which the School receives a signed enrollment agreement. Fees associated with student enrollment are billed with tuition charges each year. The School believes the performance obligation for providing these services is satisfied over time because the students are continually receiving and consuming the benefits as they are provided by the School over the school year. All tuition and fees are billed for at the beginning of the fiscal year but are deferred and recognized as revenue ratably over the school year.

The transaction price and financial obligations for tuition and fees are stated in the enrollment agreement and are subject to change each school year as determined by the Board of Trustees. Tuition assistance is provided to certain students based on financial need and is netted against gross tuition and fees to the extent that it exceeds incremental costs incurred. A 1% discount is available if tuition is paid in one payment before the beginning of the school year associated with the tuition and fees. Economic factors may impact the nature, amount, and timing of revenue recognition.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies - Continued

Grants and Promises to Give: The School recognizes all unconditional promises to give and grants when received. Conditional grants and promises to give are not recorded until the condition is met by the School. The ability to collect promises to give resulting from fund raising efforts is affected by general economic conditions in the Richmond Metropolitan Area. At June 30, 2024 and 2023, no allowance for doubtful accounts was necessary as grants and promises to give were considered fully collectible.

Tuition Assistance: Gross tuition and fees reflect the School's normal tuition rates for all students. Tuition assistance given on the basis of financial need is netted against gross tuition and fees to the extent that it exceeds incremental costs incurred.

Leases: The School recognizes leases in accordance with ASC Topic 842, "Leases," and subsequently issued additional related ASUs ("ASC 842 Leases"). The School did not have any long-term leases at June 30, 2024.

The School determines if an arrangement contains a lease at inception of the contract. The School has elected, for all asset classes, the practical expedient to not separate lease and non-lease components. Certain components of the School's lease agreements may include payments based on actual maintenance, taxes, insurance, and utilities.

The School has also elected that leases with an initial term of twelve months or less are not recognized on the balance sheet.

Advertising Costs: Advertising costs are charged to operations as incurred.

Functional Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses have been summarized based on function and natural classification in the statements of functional expenses. Accordingly, payroll and related costs have been allocated based on time spent in the various functions, and depreciation, interest and operations, and maintenance expenses have been allocated to functional classifications based on building square footage. Certain costs have been allocated among the programs and supporting services benefited.

Tax Status: The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501 (c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate taxes. The School periodically recognizes unrelated business income from various sources, including building rental and program sponsorships. The tax effect of the net unrelated business income is not material to the financial statements for the years ended June 30, 2024 or 2023. Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the School has no significant financial statement exposure to uncertain income tax positions at June 30, 2024 or 2023. The School is not currently under audit by any tax jurisdiction.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies - Continued

Reclassification: Certain accounts relating to the prior year have been reclassified to conform to the current-year presentation with no effect on previously reported changes in net assets.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 periods reported. Actual results could differ from those estimates.

Accounting Standards Adopted in 2023: On July 1, 2023, the School adopted Accounting Standards Update 2016-13 "Financial Instruments - Credit Losses" (Topic 326): "Measurement of Credit Losses on Financial Instruments" (Accounting Standards Codification 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Evaluation of Subsequent Events: Management has evaluated subsequent events through November 21, 2024, which is the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

Cash and cash equivalents	\$ 2,700,120
Tuition fees receivable	66,659
Promises to give, current	939,167
Investments	1,757,486
Less cash unavailable for general expenditure within one year, due to:	
Donor-imposed restrictions	(4,332,193)
	<u>\$ 1,131,239</u>

4. Concentrations of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains cash and cash equivalents in several financial institutions. From time to time, balances in these accounts exceed the federally insured limit.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

4. Concentrations of Credit Risk - Continued

The majority of accounts receivable at June 30, 2024 and 2023 are from parents of students located primarily in the Richmond, Virginia area. The School's ability to collect these unsecured receivables is influenced by economic conditions in the region. Accounts receivable past due ninety days or more totaled \$55,720 and \$6,607 as of June 30, 2024 and 2023, respectively.

5. 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, 2025 are discounted at 4.33%.

Promises to give include the following unconditional promises to give at June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 939,167	\$ 365,166
Receivable in one to five years	514,252	525,959
Total promises to give	<u>1,453,419</u>	891,125
Less discount to present value	<u>(21,385)</u>	(18,656)
	<u><u>\$ 1,432,034</u></u>	<u><u>\$ 872,469</u></u>

6. Investments and Fair Market Value

Exchange-traded funds are 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.

Financial Accounting Standards Board Accounting Standards Codification 820-10-50, "*Fair Value Measurements*," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The School uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. As of June 30, 2024 and 2023, the School's investments were valued based on Level 1 inputs.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

6. Investments and Fair Market Value - Continued

The table below sets forth a summary of investments reported in the fair value hierarchy in the accompanying financial statements at June 30, 2024 and 2023:

		Fair Value Measurements Using		
		Quoted Prices		
		in Active		
		Markets		
		for Identical		
		Assets		
		(Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
June 30, 2024				
Exchange-traded funds	\$ 1,736,661	\$ 1,736,661	\$ -	\$ -
Cash deposits	<u>20,825</u>	<u>20,825</u>	-	-
Total	<u>\$ 1,757,486</u>	<u>\$ 1,757,486</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2023				
Exchange-traded funds	\$ 1,201,036	\$ 1,201,036	\$ -	\$ -
Cash deposits	<u>17,720</u>	<u>17,720</u>	-	-
Total	<u>\$ 1,218,756</u>	<u>\$ 1,218,756</u>	<u>\$ -</u>	<u>\$ -</u>

7. Long-Term Debt

Long-term debt at year-end consists of the following:

	<u>2024</u>	<u>2023</u>
Term loan with monthly payments of \$9,339, including interest at 2.54%. Collateralized by real property. Term loan matures in December 2027.	\$ 1,399,883	\$ 1,720,043
Less current portion	<u>(71,066)</u>	<u>(69,286)</u>
Long-Term Debt	<u>\$ 1,328,817</u>	<u>\$ 1,650,757</u>

Long-term debt repayment requirements in the succeeding four years are as follows:

<u>Year ending June 30</u>	
2025	\$ 71,066
2026	72,892
2027	74,795
2028	<u>1,181,130</u>
Total	<u>\$ 1,399,883</u>

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

7. Long-Term Debt - Continued

The remaining outstanding balance of the loan will be payable in one final ballon payment in December 2027.

Interest expense amounted to \$41,909 and \$44,969 as of June 30, 2024 and 2023, respectively.

8. Net Assets with Donor Restrictions

The following schedule details the activity of the School's net assets with donor restrictions for the year ended June 30, 2024:

	Balance 06/30/2023	Receipts	Released from Restrictions	Balance 06/30/2024
Net assets restricted by purpose:				
Capital campaign	\$ 1,788,239	\$ 212,607	\$ -	\$ 2,000,846
Art and music	10,745	8,000	18,745	-
Educational initiative	67,591	35,000	73	102,518
Financial aid	767,053	331,672	30,579	1,068,146
In-service training and conferences	514,844	299,259	21,862	792,241
Library	1,968	-	1,968	-
Math and science	1,730	-	1,730	-
Parent association	11,530	-	221	11,309
Playground	-	850,000	-	850,000
Technology	2,500	400	2,900	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net Assets with Donor Restrictions	<u>\$ 3,166,200</u>	<u>\$ 1,736,938</u>	<u>\$ 78,078</u>	<u>\$ 4,825,060</u>

9. Endowment Funds

The School's endowment consists of approximately 11 individual funds established for a variety of purposes. Its endowment includes donor-restricted funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are included in cash, investments, and net assets with donor restrictions on the accompanying statements of financial position.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

9. Endowment Funds - Continued

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, and (7) the School's investment policies. The School maintains an endowment from which the earnings have been designated to spend on scholarships, books, and professional training for teachers.

The School has adopted investment and spending policies approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for purposes supported by the endowment funds while also maintaining the purchasing power of the endowments.

Objectives:

- The primary **structural objective** of the endowment, which is determined by the Board of Trustees (Board), is to ensure the indefinite success of the Academy while respecting donor instructions and wishes.
- The overall **financial objectives** of the endowment, which are determined by the Board, are (1) to meet the spending requirements of the endowment while keeping pace with inflation, (2) to grow and preserve the real value of the endowment over time, (3) to provide for the Academy's short-term liquidity needs from unrestricted endowment funds, and (4) to ensure that the investments meet the philosophical priorities of the Academy.
- The **spending objective** is to maintain endowment funds from which the earnings have been designated to spend on scholarships, professional training for teachers, and other supporting costs. In establishing this policy, the School considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The School expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the School's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

9. Endowment Funds - Continued

- The primary **investment objective** of the endowment is to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes exchange-traded funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not to exceed 4% while growing the funds if possible. Therefore, the School expects its endowment assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees of the School has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment net asset composition by type of fund as of June 30, 2024 and 2023 are as follows:

	Restricted by Purpose	In Perpetuity	Total Net Endowment Assets
Net assets with donor restriction			
June 30, 2024	\$ 215,971	\$ 1,541,515	\$ 1,757,486
June 30, 2023	\$ 83,856	\$ 1,134,900	\$ 1,218,756

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

9. Endowment Funds - Continued

Changes in endowment net assets for the year ended JUNE 30, 2024 are as follows:

	Restricted by Purpose	In Perpetuity	Total Net Endowment Assets
Contributions	\$ -	\$ 406,615	\$ 406,615
Investment Income	40,525	-	40,525
Net Unrealized Gains	141,675	-	141,675
Investment Fees	(13,269)	-	(13,269)
Amounts Appropriated for Expenditures	(36,816)	-	(36,816)
Net change in net assets	132,115	406,615	538,730
Endowment Net Assets, beginning of year	83,856	1,134,900	1,218,756
Endowment Net Assets, end of year	\$ 215,971	\$ 1,541,515	\$ 1,757,486

Changes in endowment net assets for the year ended June 30, 2023 is as follows:

	Restricted by Purpose	In Perpetuity	Total Net Endowment Assets
Contributions	\$ -	\$ 342,983	\$ 342,983
Investment Income	21,957	-	21,957
Net Unrealized Gains	(78,765)	-	(78,765)
Investment Fees	(9,466)	-	(9,466)
Amounts Appropriated for Expenditures	-	-	-
Net change in net assets	(66,274)	342,983	276,709
Endowment Net Assets, beginning of year	150,130	791,917	942,047
Endowment Net Assets, end of year	\$ 83,856	\$ 1,134,900	\$ 1,218,756

RIVERSIDE SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

10. 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 total expense related to the Plan was \$46,271 and \$44,789 for the years ended June 30, 2024 and 2023, respectively.

11. Related Party

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 (8.25% as of June 30, 2024 and 2023). The result was a retirement liability of \$270,000 and \$280,000 as of June 30, 2024 and 2023, respectively, which is included in the statements of financial position. The School recognized expenses of \$116,603 and \$97,669 for the years ending June 30, 2024 and 2023, respectively, which is included in the statements of activities.

12. 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.

13. Prior Period Adjustment

The School identified that several donor designated account balances were not properly reported at June 30, 2023. As a result, a total of \$173,987 was adjusted from net assets without donor restrictions to net assets with donor restrictions in the current-year Statement of Activities.