



Riverside School, Inc.

Financial Statements

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 Urgulant Arce + Cook, LLP

Henrico, Virginia

February 27, 2024

Riverside School, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,568,334	\$ 2,606,498
Tuition fees receivable	46,464	46,813
Pledges receivable, current portion	365,166	457,833
Investments	1,218,756	784,517
Other current assets	5,000	-
Prepaid expenses	26,099	44,609
Total current assets	4,229,819	3,940,270
Pledges receivable, less current portion	507,303	753,197
Property and equipment		
Land	190,324	129,460
Building and improvements	4,268,778	4,198,177
Furniture, fixtures and equipment	509,096	464,319
	4,968,198	4,791,956
Less accumulated depreciation	(1,616,073)	(1,480,886)
Total property and equipment	3,352,125	3,311,070
Other asset	6,391	7,833
Total assets	<u>\$ 8,095,638</u>	<u>\$ 8,012,370</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 62,716	\$ 84,781
Deferred tuition revenue	146,855	180,896
Current portion of retirement liability	63,600	63,600
Current portion of notes payable	69,286	50,085
Total current liabilities	342,457	379,362
Long-term liabilities		
Retirement liability, less current portion	216,400	246,400
Notes payable, less current portion	1,650,757	1,699,915
Total long-term liabilities	1,867,157	1,946,315
Net assets		
Without donor restriction	2,893,811	3,041,745
With donor restriction	2,992,213	2,644,948
Total net assets	5,886,024	5,686,693
Total liabilities and net assets	<u>\$ 8,095,638</u>	<u>\$ 8,012,370</u>

See Accompanying Notes to Financial Statements and Independent Auditor's report.

Riverside School, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Tuition and fees	\$ 2,930,214	\$ -	\$ 2,930,214
Contributions	241,493	285,127	526,620
Investment income	39,115	93,027	132,142
Other income	1,130	-	1,130
Total revenue and support	3,211,952	378,154	3,590,106
Net assets released from restrictions			
Restrictions satisfied by payments	30,889	(30,889)	-
Total revenues and reclassifications	3,242,841	347,265	3,590,106
Expenses			
Program services expense	2,736,678	-	2,736,678
Management and general	467,486	-	467,486
Fundraising expenses	186,611	-	186,611
Total expenses	3,390,775	-	3,390,775
Change in net assets	(147,934)	347,265	199,331
Net assets - beginning of year	3,041,745	2,644,948	5,686,693
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 and Independent Auditor's report.

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
Total revenue and support	3,090,594	1,914,765	5,005,359
Net assets released from restrictions			
Restrictions satisfied by payments	100,575	(100,575)	-
Total revenues and reclassifications	3,191,169	1,814,190	5,005,359
Expenses			
Program services expense	2,626,098	-	2,626,098
Management and general	404,822	-	404,822
Fundraising expenses	194,788	-	194,788
Total expenses	3,225,708	-	3,225,708
Change in net assets	(34,539)	1,814,190	1,779,651
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>

See Accompanying Notes to Financial Statements and Independent Auditor's report.

Riverside School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
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 and Independent Auditor's report.

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>

See Accompanying Notes to Financial Statements and Independent Auditor's report.

Riverside School, Inc.

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 199,331	\$ 1,779,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	135,187	130,856
Realized gain on investments	(199)	(23,996)
Unrealized loss on investments	78,566	149,737
Decrease (increase) in:		
Tuition fees receivable	349	(42,018)
Pledges receivable	338,561	(1,136,030)
Prepaid expenses	18,510	326
Other current assets	(5,000)	4,057
Other assets	1,442	1,451
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,065)	66,153
Deferred tuition revenue	(34,041)	(21,212)
Retirement liability	(30,000)	(40,000)
Net cash provided by operating activities	<u>680,641</u>	<u>868,975</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(176,242)	(93,045)
Net purchases of investments	<u>(512,606)</u>	<u>(160,044)</u>
Net cash used in investing activities	<u>(688,848)</u>	<u>(253,089)</u>
Cash Flows from Financing Activities		
Payments on note payable	<u>(29,957)</u>	-
Net cash used in financing activities	<u>(29,957)</u>	-
Net increase (decrease) in cash and cash equivalents	<u>(38,164)</u>	<u>615,886</u>
Cash and cash equivalents, beginning of year	<u>2,606,498</u>	<u>1,990,612</u>
Cash and cash equivalents, end of year	<u>\$ 2,568,334</u>	<u>\$ 2,606,498</u>

See Accompanying Notes to Financial Statements and Independent Auditor's report.

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 2023 and 2022. At June 30, 2023 and 2022, the balances at risk in these accounts totaled \$2,082,658 and \$1,044,642, 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, 2023 and 2022 was \$135,474 and \$130,856, 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.

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, 2023 and 2022.

Leases: The School recognizes leases in accordance with ASC Topic 842, *Leases*, and subsequently issued additional related ASUs ("ASC 842, *Leases*"), which was adopted through a cumulative effect adjustment on July 1, 2022. The adoption of FASB ASC 842, *Leases*, did not have a material effect on net assets as of July 1, 2022.

The School determines if an arrangement is or contains a lease at inception of the contract. The School has elected, for all asset classes, the practical expedient to not separate lease and nonlease 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.

New accounting pronouncement: 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 as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
School tuition	\$ 146,855	\$ 158,146
Summer camp tuition	-	22,750
	<u>\$ 146,855</u>	<u>\$ 180,896</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>2023</u>	<u>2022</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,568,334	\$ 2,606,498
Tuition fees receivable	46,464	46,813
Pledge receivable	365,166	457,833
Investments	1,218,756	784,517
Total financial assets	4,198,720	3,895,661
Less those unavailable for general expenditures within one year, due to donor restrictions (Note 7):	<u>2,992,213</u>	<u>2,644,948</u>
Financial assets available to management for general expenditures within one year	<u>\$ 1,206,507</u>	<u>\$ 1,250,713</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:

	2023	2022
Exchange traded funds	\$ 1,201,036	\$ 771,990
Cash deposits	17,720	12,527
	<u>\$ 1,218,756</u>	<u>\$ 784,517</u>

Riverside School, Inc.

Notes to Financial Statements

Note 6—Note Payable

The School entered into a financing agreement in the amount of \$1,750,000 secured by real property with a commercial bank in June 2021. In January 2023, the School began to make payments on the outstanding principal of the loan in 59 monthly payments of \$9,339. 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 \$1,720,043 and \$1,750,000 as of June 30, 2023 and 2022, respectively.

The principal payment requirements on existing debt for future years ending after June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 69,286
2025	71,066
2026	72,892
2027	74,795
2028	1,432,004
	<u>\$ 1,720,043</u>

Note 7—Net Assets with Donor Restrictions

As of June 30, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 1,788,239	\$ 1,749,335
Financial aid	762,088	579,150
In-service training and conferences	345,816	265,826
Educational initiative	67,591	26,123
Parent association	11,531	14,059
Art and music	10,746	4,752
Technology	2,503	2,904
Library	1,967	997
Math and science	1,732	1,802
	<u>\$ 2,992,213</u>	<u>\$ 2,644,948</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 \$9,634 and \$14,116 for the years ending June 30, 2023 and 2022, respectively. The endowment funds are invested in accordance with the School's investment policy. As of June 30, 2023, and 2022, The School's endowment funds totaled \$1,036,065 and \$786,528, 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 \$44,789 and \$46,768 for the years ending June 30, 2023 and 2022, 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 (8.25% and 5.75% as of June 30, 2023 and 2022, respectively). The result was a retirement liability of \$280,000 and \$310,000 as of June 30, 2023 and 2022, respectively, which is included in the statements of financial position. The School recognized expenses of \$97,669 and \$86,978 for the years ended June 30, 2023 and 2022, 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, 2024 are discounted at 3%. Pledges receivable also include promises to give related to the School's educational initiative of \$0 and \$25,000 as of June 30, 2023 and 2022, respectively.

Pledges receivable consist of the following as of June 30:

	2023	2022
Receivable in less than one year	\$ 365,166	\$ 457,833
Receivable in one to five years	525,959	789,167
Total promises to give	891,125	1,247,000
Less discount to present value	(18,656)	(35,970)
	<u>\$ 872,469</u>	<u>\$ 1,211,030</u>

Note 12—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued, which was February 27, 2024.