



Elijah House Academy
Financial Statements
June 30, 2019 and 2018



WELLS COLEMAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Elijah House Academy
Richmond, Virginia

We have audited the accompanying financial statements of Elijah House Academy (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- Continued -

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elijah House Academy as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2 to the financial statements, the Financial Accounting Standards Board has issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Not-for-Profit Entities*. Under the new standard, not-for-profits present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) on the face of the statements of financial position and present the change in those two classes on the statements of activities and changes in net assets. The new standard also enhances disclosures regarding board designations and net assets with donor restrictions and how the designations and restrictions affect the use of resources. The disclosures provide qualitative and quantitative information about how a not-for-profit manages liquid resources. Expenses are presented by both their natural and functional classification either on the statements of functional expenses or in the notes to the financial statements. Our opinion is not modified with respect to this matter.



January 9, 2020

ELIJAH HOUSE ACADEMY
STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 896,004	\$ 1,030,911
Certificates of deposit	600,000	400,000
Accounts receivable	12,910	4,730
Promises to give - current	64,050	14,850
Deposits	<u>576</u>	<u>2,400</u>
Total current assets	<u>1,573,540</u>	<u>1,452,891</u>
Property and Equipment		
Land	491,717	491,717
Building	1,486,646	1,450,496
Computers	57,274	57,274
Furniture and equipment	76,542	76,542
Vehicles	175,765	175,765
Leasehold improvements	<u>39,475</u>	<u>39,475</u>
	2,327,419	2,291,269
Accumulated depreciation	<u>(369,969)</u>	<u>(276,196)</u>
Net property and equipment	<u>1,957,450</u>	<u>2,015,073</u>
Other Assets		
Construction in progress	26,625	-
Investments	124,535	109,765
Pledges receivable - noncurrent	<u>-</u>	<u>2,000</u>
Total other assets	<u>151,160</u>	<u>111,765</u>
Total Assets	<u>\$ 3,682,150</u>	<u>\$ 3,579,729</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accrued expenses and withholding	\$ 107,474	\$ 72,070
Deferred rent - current	25,000	25,000
Agency funds held	<u>852</u>	<u>1,102</u>
Total current liabilities	<u>133,326</u>	<u>98,172</u>
Other Liabilities		
Deferred rent - long-term	<u>6,250</u>	<u>31,250</u>
Total other liabilities	<u>6,250</u>	<u>31,250</u>
Net Assets		
Without donor restrictions		
Undesignated	2,906,172	2,768,562
Designated by School	<u>283,021</u>	<u>323,241</u>
Total without donor restrictions	3,189,193	3,091,803
With donor restrictions	<u>353,381</u>	<u>358,504</u>
Total net assets	<u>3,542,574</u>	<u>3,450,307</u>
Total Liabilities and Net Assets	<u>\$ 3,682,150</u>	<u>\$ 3,579,729</u>

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Designated by School		
Public Support and Revenue				
Direct contributions	\$ 1,242,489	\$ 387,180	\$ 112,837	\$ 1,742,506
Student fees	197,494	-	-	197,494
Food services - grants	49,690	-	-	49,690
Food services - fees	7,828	-	-	7,828
Dividends and interest	31,858	-	-	31,858
Rental income	25,000	-	-	25,000
Miscellaneous income	1,795	-	-	1,795
	1,556,154	387,180	112,837	2,056,171
Net assets released from restrictions				
Satisfaction of program restrictions	117,960	-	(117,960)	-
	1,674,114	387,180	(5,123)	2,056,171
Total public support and revenue				
Expenses				
Program	1,274,629	427,400	-	1,702,029
Supporting services				
General and administrative	53,453	-	-	53,453
Fundraising and development	220,998	-	-	220,998
	274,451	-	-	274,451
Total expenses	1,549,080	427,400	-	1,976,480
Other Income (Expense)				
Unrealized gain on investments	12,576	-	-	12,576
Net other income (expense)	12,576	-	-	12,576
Change in net assets	137,610	(40,220)	(5,123)	92,267
Net Assets, beginning of year	2,768,562	323,241	358,504	3,450,307
Net Assets, end of year	\$ 2,906,172	\$ 283,021	\$ 353,381	\$ 3,542,574

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2018

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Designated by School		
Public Support and Revenue				
Direct contributions	\$ 1,059,744	\$ 468,020	\$ 302,331	\$ 1,830,095
Student fees	165,316	-	-	165,316
Food services - grants	43,836	-	-	43,836
Food services - fees	4,098	-	-	4,098
Dividends and interest	4,395	-	-	4,395
Rental income	25,000	-	-	25,000
Miscellaneous income	50	-	-	50
	1,302,439	468,020	302,331	2,072,790
Net assets released from restrictions				
Satisfaction of program restrictions	358,147	-	(358,147)	-
	1,660,586	468,020	(55,816)	2,072,790
Total public support and revenue				
Expenses				
Program	1,078,034	328,510	-	1,406,544
Supporting services				
General and administrative	32,931	-	-	32,931
Fundraising and development	190,278	-	-	190,278
	223,209	-	-	223,209
Total expenses	1,301,243	328,510	-	1,629,753
Other Income (Expense)				
Gain on sale of assets	650	-	-	650
Unrealized gain on investments	7,580	-	-	7,580
Net other income (expense)	8,230	-	-	8,230
Change in net assets	367,573	139,510	(55,816)	451,267
Net Assets, beginning of year	2,400,989	183,731	414,320	2,999,040
Net Assets, end of year	\$ 2,768,562	\$ 323,241	\$ 358,504	\$ 3,450,307

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,077,555	\$ 26,916	\$ 132,970	\$ 1,237,441
Payroll taxes	82,487	2,059	10,172	94,718
Employee benefits	105,647	2,160	6,455	114,262
Bad debts	1,434	-	-	1,434
Board and teachers' expense	21,713	-	-	21,713
Branding	-	1,183	10,651	11,834
Contract services	18,730	-	-	18,730
Depreciation	86,350	4,639	2,784	93,773
Dues	3,115	-	-	3,115
Food service expense	32,517	-	-	32,517
Fundraising	-	-	54,015	54,015
Insurance	15,213	827	496	16,536
Miscellaneous	17,413	-	-	17,413
Postage	506	27	16	549
Printing	10,009	544	326	10,879
Professional fees	522	9,911	-	10,433
Repairs and maintenance	60,062	-	-	60,062
Special programs	37,873	-	-	37,873
Supplies	37,224	2,023	1,214	40,461
Teacher certification	400	-	-	400
Telephone	5,020	273	164	5,457
Testing	3,050	-	-	3,050
Textbooks	16,623	-	-	16,623
Utilities	53,196	2,891	1,735	57,822
Vehicle expense	15,370	-	-	15,370
	<u>\$ 1,702,029</u>	<u>\$ 53,453</u>	<u>\$ 220,998</u>	<u>\$ 1,976,480</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 847,250	\$ 17,409	\$ 119,820	\$ 984,479
Payroll taxes	61,923	1,332	9,166	72,421
Employee benefits	78,040	2,648	6,314	87,002
Bad debts	2,354	-	-	2,354
Board and teachers' expense	16,271	-	-	16,271
Branding	-	467	4,201	4,668
Contract services	8,730	-	-	8,730
Depreciation	80,822	-	-	80,822
Dues	4,263	-	-	4,263
Food service expense	29,848	-	-	29,848
Fundraising	-	-	50,777	50,777
Insurance	16,133	-	-	16,133
Miscellaneous	13,062	-	-	13,062
Postage	300	-	-	300
Printing	8,901	-	-	8,901
Professional fees	875	11,075	-	11,950
Repairs and maintenance	76,639	-	-	76,639
Special programs	29,238	-	-	29,238
Supplies	25,570	-	-	25,570
Teacher certification	2,360	-	-	2,360
Telephone	4,852	-	-	4,852
Testing	2,562	-	-	2,562
Textbooks	19,566	-	-	19,566
Utilities	59,469	-	-	59,469
Vehicle expense	17,516	-	-	17,516
	<u>\$ 1,406,544</u>	<u>\$ 32,931</u>	<u>\$ 190,278</u>	<u>\$ 1,629,753</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 92,267	\$ 451,267
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	93,773	80,822
Gain on disposal of assets	-	(650)
Unrealized gain on investments	(12,576)	(7,580)
Reinvested interest and dividends	(2,194)	(2,095)
 (Increase) decrease in operating assets		
Accounts receivable	(8,180)	(4,730)
Promises to give	(47,200)	44,534
Deposits	1,824	70
 Increase (decrease) in operating liabilities		
Accrued expenses and withholding	(25,000)	(25,000)
Payroll liabilities	35,404	(23,731)
Agency funds held	(250)	(209)
 Net cash and cash equivalents provided by operating activities	 <u>127,868</u>	 <u>512,698</u>
 Cash Flows from Investing Activities		
Purchase of certificates of deposit	(200,000)	(400,000)
Purchase of property, plant, and equipment	(62,775)	(251,064)
Proceeds from sale of assets	<u>-</u>	<u>650</u>
 Net cash and cash equivalents used by investing activities	 <u>(262,775)</u>	 <u>(650,414)</u>
 Decrease in cash and cash equivalents	 (134,907)	 (137,716)
 Cash and Cash Equivalents, beginning of year	 <u>1,030,911</u>	 <u>1,168,627</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 896,004</u>	 <u>\$ 1,030,911</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. Nature of Organization

Elijah House Academy is a Virginia nonprofit corporation founded in 1990. The Academy was established to operate a school that would provide a quality education in a Christian atmosphere to children from public housing projects in the inner city of Richmond, Virginia.

2. Significant Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents are comprised of demand deposits and short-term investments with maturity dates which do not exceed three months from the balance sheet date.

Certificates of Deposit: Certificates of deposit are investments with maturity dates which exceed three months from the balance sheet date. Investments in certificates of deposit are recorded at cost. Subsequent write ups or write downs to fair value to recognize unrealized gains and losses are not recorded. Interest on investments in certificates of deposit is recognized when received and accrued interest receivable has not been recorded. Interest is paid monthly or at maturity on certificates of deposit.

Accounts Receivable: Students are billed for tuition and fees. Bad debts are written off as the receivables are determined to be uncollectible per review of management of specific accounts. No allowance for doubtful accounts has been recorded at June 30, 2019 or 2018.

Property and Equipment: Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of gift. Depreciation is charged to expense over estimated useful lives of the property and equipment using the straight-line method.

Investments: The Academy maintains investment funds consisting of mutual fund shares. All investments are reported at fair value on the statements of financial position.

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 Academy has designated net assets without donor restrictions for certain programs.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that can be filled by actions of the Academy 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 statement 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 unrestricted for financial statement purposes.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

2. Significant Accounting Policies - Continued

Contributions: Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Scholarships and Financial Aid: Tuition and fees reflect the Academy's normal tuition rates for all students less scholarships and discounts awarded on the basis of financial need.

Functional Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Management specifically allocates certain expenses to program, general and administrative, and fundraising and development based on the nature and reason for the expense. Other expenses require allocation on a reasonable basis that is consistently applied and allocated based on management's estimate of time and resources expended reflected in percentages determined by management.

Income Taxes: The Internal Revenue Service has determined that the Academy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Academy's Forms 990 for the years ending 2015 forward are subject to examination by tax authorities, generally for three years after the return has been filed.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Change in Accounting Policy: FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is effective for annual reporting periods beginning after December 15, 2017.

Reclassification: Certain prior-year balances have been reclassified to conform with the current-year presentation.

Evaluation of Subsequent Events: Management has evaluated subsequent events through January 9, 2020, which is the date the financial statements were available to be issued.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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 balance sheet date, comprise the following:

Cash and cash equivalents	\$	896,004
Certificates of Deposit		600,000
Accounts receivable		12,910
Promises to give		64,050
Deposits		576
Less cash unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions		(289,331)
Total financial assets available for general expenditures		\$ 1,284,209

As part of the Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Concentration of Credit Risk

From time to time, the Academy has cash on deposit at a bank in excess of federally insured limits.

5. Promises to Give

Promises to give as of June 30, 2019 and 2018 are reported as follows:

	<u>2019</u>	<u>2018</u>
Current - less than one year	\$ 64,050	\$ 14,850
Noncurrent - one to four years	-	2,000
	\$ 64,050	\$ 16,850

Management estimates that all promises to give at June 30, 2019 are fully collectible.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

6. Agency Funds

The Academy maintains the assets of groups through an agency arrangement whereby the Academy collects and disburses funds at the direction of the group. These amounts have been included as assets and liabilities in the accompanying statements of financial position. As of June 30, 2019, and 2018, the Academy held the following cash:

	<u>2019</u>	<u>2018</u>
Box tops	\$ 843	\$ 862
Uniform rebate	<u>9</u>	<u>240</u>
	<u>\$ 852</u>	<u>\$ 1,102</u>

7. Investments

FASB Accounting Standards Update 820-10-50, "Fair Value Measurements", establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This 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 Academy uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. At June 30, 2019 and 2018, all of the Academy's investments were valued based on Level 1 inputs.

Fair values are summarized as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Mutual Funds	<u>\$ 124,535</u>	<u>\$ 124,535</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 124,535</u>	<u>\$ 124,535</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>June 30, 2018</u>				
Mutual Funds	<u>\$ 109,765</u>	<u>\$ 109,765</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 109,765</u>	<u>\$ 109,765</u>	<u>\$ -</u>	<u>\$ -</u>

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

8. Deferred Rent

On October 5, 2016, the Academy purchased property located at 6627 and 6629 Jahnke Road from Crestwood Presbyterian Church, Inc. The property is located on the Academy campus and was rented by the Academy from Crestwood prior to the purchase. The buildings and land were valued at \$1.2 million. The purchase price for the property was \$1.1 million and the purchase agreement includes a lease-back option in which Crestwood will lease part of the facility for \$100,000 over 4 years. Total rental income recognized during the year ended June 30, 2019 was \$25,000.

The future minimum lease rental income for the years ending June 30 are as follows:

2020	\$ 25,000
2021	<u>6,250</u>
Total	<u>\$ 31,250</u>

9. Contributions, Grants, and Net Assets with Donor Restrictions

All contributions and grants are considered to be available for general use unless specifically restricted by the donor. The Academy receives contributions, grants, and promises to give that are restricted for facility upgrades, branding, teacher certification, academy programs, and equipment and repairs.

Net assets with donor restrictions at June 30, 2019 were available for the following purposes:

	<u>Balance</u> <u>6/30/2018</u>	<u>Receipts</u>	<u>Released from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/2019</u>
Subject to expenditure for specific purposes:				
Branding	\$ 7,399	\$ -	\$ 7,399	\$ -
Facilities	285,903	45,000	90,980	239,923
School programs	19,607	67,787	19,181	68,213
Teacher certification	28,595	-	400	28,195
Kell Legacy Fund	<u>17,000</u>	<u>50</u>	<u>-</u>	<u>17,050</u>
	<u>\$ 358,504</u>	<u>\$ 112,837</u>	<u>\$ 117,960</u>	<u>\$ 353,381</u>

For the years ended June 30, 2019 and 2018, \$117,960, and \$358,147, respectively were released from restriction by meeting the purpose of the restriction.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

10. Net Assets without Donor Restrictions Designated by School

Net assets without donor restrictions designated by the School are designated for the following purposes as of June 30, 2019:

	<u>Balance</u> <u>6/30/2018</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance</u> <u>6/30/2019</u>
Designated by School				
EISTCP Scholarship Foundation	\$ 323,241	\$ 387,180	\$ 427,400	\$ 283,021

11. Student Fee Reductions

Student fees for the years ended June 30, 2019 and 2018 are reported net of student fee reductions. The detail of student fees are as follows:

	<u>2019</u>	<u>2018</u>
Tuition	\$ 936,413	\$ 755,828
Application fees	2,950	1,925
Re-enrollment fees	3,040	2,120
Textbook fees	31,932	26,923
Late fees	3,050	3,250
Summer Academy	2,400	3,000
EHA Scholarship Foundation	(427,400)	(328,510)
Internal assistance and staff discounts	(354,891)	(299,220)
	<u>\$ 197,494</u>	<u>\$ 165,316</u>