

ELIJAH HOUSE ACADEMY

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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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, 2018 and 2017, 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 -

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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, 2018 and 2017, 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.

A handwritten signature in black ink that reads "Wells Coleman". The signature is written in a cursive style with a small dot above the letter 'l' in "Coleman".

November 7, 2018

ELIJAH HOUSE ACADEMY
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,030,911	\$ 1,168,627
Certificates of deposit	400,000	-
Accounts receivable	4,730	-
Pledges receivable - current	14,850	35,784
Deposits	<u>2,400</u>	<u>2,470</u>
Total current assets	<u>1,452,891</u>	<u>1,206,881</u>
Other Assets		
Investments	109,765	100,090
Pledges receivable - noncurrent	<u>2,000</u>	<u>25,600</u>
Total other assets	<u>111,765</u>	<u>125,690</u>
Property and Equipment		
Land	491,717	491,717
Building	1,450,496	1,293,532
Computers	57,274	57,274
Furniture and equipment	76,542	76,542
Vehicles	175,765	84,165
Leasehold improvements	<u>39,475</u>	<u>39,475</u>
	2,291,269	2,042,705
Accumulated depreciation	<u>(276,196)</u>	<u>(197,874)</u>
Net property and equipment	<u>2,015,073</u>	<u>1,844,831</u>
Total Assets	<u>\$ 3,579,729</u>	<u>\$ 3,177,402</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accrued expenses and withholding	\$ 72,070	\$ 95,801
Deferred rent - current	25,000	25,000
Agency funds held	<u>1,102</u>	<u>1,311</u>
Total current liabilities	<u>98,172</u>	<u>122,112</u>
Other Liabilities		
Deferred rent - long-term	<u>31,250</u>	<u>56,250</u>
Total other liabilities	<u>31,250</u>	<u>56,250</u>
Net Assets		
Unrestricted	3,091,803	2,584,720
Temporarily restricted	<u>358,504</u>	<u>414,320</u>
Total net assets	<u>3,450,307</u>	<u>2,999,040</u>
Total Liabilities and Net Assets	<u>\$ 3,579,729</u>	<u>\$ 3,177,402</u>

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Direct contributions	\$ 1,527,764	\$ 302,331	\$ 1,830,095
Student fees (net)	165,316	-	165,316
Food services - grants	43,836	-	43,836
Food services - fees	4,098	-	4,098
Investment income	2,095	-	2,095
Rental income	25,000	-	25,000
Miscellaneous income	2,350	-	2,350
	1,770,459	302,331	2,072,790
Net assets released from restrictions			
Satisfaction of program restrictions	358,147	(358,147)	-
	2,128,606	(55,816)	2,072,790
Expenses			
Program	1,406,544	-	1,406,544
Administrative	32,931	-	32,931
Fundraising	190,278	-	190,278
	1,629,753	-	1,629,753
Other Income (Expense)			
Gain on sale of assets	650	-	650
Unrealized gain on investments	7,580	-	7,580
	8,230	-	8,230
Change in net assets	507,083	(55,816)	451,267
Net Assets, beginning of year	2,584,720	414,320	2,999,040
Net Assets, end of year	\$ 3,091,803	\$ 358,504	\$ 3,450,307

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Direct contributions	\$ 1,515,253	\$ 1,420,643	\$ 2,935,896
Student fees (net)	189,189	-	189,189
Food services - grants	52,285	-	52,285
Food services - fees	7,202	-	7,202
Investment income	557	-	557
Rental income	18,750	-	18,750
Miscellaneous income	2,480	-	2,480
	1,785,716	1,420,643	3,206,359
Net assets released from restrictions			
Satisfaction of program restrictions	1,250,075	(1,250,075)	-
Total public support and revenue	3,035,791	170,568	3,206,359
Expenses			
Program	1,375,954	-	1,375,954
Administrative	40,587	-	40,587
Fundraising	186,978	-	186,978
Total expenses	1,603,519	-	1,603,519
Other Income (Expense)			
Gain on sale of assets	-	-	-
Unrealized loss on investments	(796)	-	(796)
Net other income (expense)	(796)	-	(796)
Change in net assets	1,431,476	170,568	1,602,044
Net Assets, beginning of year	1,153,244	243,752	1,396,996
Net Assets, end of year	\$ 2,584,720	\$ 414,320	\$ 2,999,040

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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
Employee benefits	78,040	2,648	6,314	87,002
Food service expense	29,848	-	-	29,848
Fundraising	-	-	50,777	50,777
Insurance	16,133	-	-	16,133
Miscellaneous	13,062	-	-	13,062
Payroll taxes	61,923	1,332	9,166	72,421
Postage	300	-	-	300
Printing	8,901	-	-	8,901
Professional fees	875	11,075	-	11,950
Rent	-	-	-	-
Repairs and maintenance	76,639	-	-	76,639
Salaries	847,250	17,409	119,820	984,479
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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bad debts	\$ 4,912	\$ -	\$ -	\$ 4,912
Board and teachers' expense	19,822	-	-	19,822
Branding	-	1,094	9,847	10,941
Contract services	13,285	-	-	13,285
Depreciation	59,503	-	-	59,503
Dues	4,418	-	-	4,418
Employee benefits	20,900	962	5,978	27,840
Food service expense	32,465	-	-	32,465
Fundraising	-	-	46,864	46,864
Insurance	14,771	-	-	14,771
Miscellaneous	18,199	-	-	18,199
Payroll taxes	71,478	1,351	8,832	81,661
Postage	544	-	-	544
Printing	8,511	-	-	8,511
Professional fees	-	17,650	-	17,650
Rent	16,847	1,872	-	18,719
Repairs and maintenance	32,512	-	-	32,512
Salaries	914,568	17,658	115,457	1,047,683
Special programs	24,931	-	-	24,931
Supplies	28,102	-	-	28,102
Teacher certification	5,350	-	-	5,350
Telephone	4,632	-	-	4,632
Testing	1,718	-	-	1,718
Textbooks	23,173	-	-	23,173
Utilities	40,863	-	-	40,863
Vehicle expense	14,450	-	-	14,450
	<u>\$ 1,375,954</u>	<u>\$ 40,587</u>	<u>\$ 186,978</u>	<u>\$ 1,603,519</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 451,267	\$ 1,602,044
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	80,822	59,503
Noncash rental income	-	(18,750)
Gain on disposal of assets	(650)	-
Unrealized loss (gain) on investments	(7,580)	917
Reinvested interest and dividends	(2,095)	-
 (Increase) decrease in operating assets		
Accounts receivable	(4,730)	6,860
Pledges receivable	44,534	(43,284)
Reimbursements receivable	-	12,517
Deposits	70	(2,470)
 Increase (decrease) in operating liabilities		
Accrued expenses and withholding	(25,000)	13,157
Payroll liabilities	(23,731)	-
Agency funds held	(209)	(4,489)
 Net cash and cash equivalents provided by operating activities	 <u>512,698</u>	 <u>1,626,005</u>
 Cash Flows from Investing Activities		
Purchase of certificates of deposit	(400,000)	-
Purchase of investments	-	(98,155)
Purchase of land and building	(251,064)	(1,198,974)
Proceeds from sale of assets	650	-
Insurance proceeds from theft of equipment	-	4,516
Purchase of school computers, furniture, and equipment	-	(3,591)
 Net cash and cash equivalents used by investing activities	 <u>(650,414)</u>	 <u>(1,296,204)</u>
 Increase (decrease) in cash and cash equivalents	 (137,716)	 329,801
 Cash and Cash Equivalents, beginning of year	 <u>1,168,627</u>	 <u>838,826</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 1,030,911</u>	 <u>\$ 1,168,627</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

Financial Statement Presentation: The Academy adheres to Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, "*Presentation of Financial Statements.*" Accordingly, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

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. No allowance for doubtful accounts is considered necessary.

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 statement of financial position.

Functional Expenses: Functional expenses are allocated according to 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.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

2. Significant Accounting Policies - Continued

Evaluation of Subsequent Events: Management has evaluated subsequent events through November 7, 2018, which is the date the financial statements were available to be issued.

3. Concentration of Credit Risk

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

4. Pledges Receivable

Pledges receivable as of June 30, 2018 and 2017 are reported as follows:

	<u>2018</u>	<u>2017</u>
Current - less than one year	\$ 14,850	\$ 35,784
Noncurrent - one to four years	<u>2,000</u>	<u>25,600</u>
	<u>\$ 16,850</u>	<u>\$ 61,384</u>

Management estimates that all pledges receivable at June 30, 2018 are fully collectible.

5. 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, 2018 and 2017, the Academy held the following cash:

	<u>2018</u>	<u>2017</u>
Box tops	\$ 862	\$ 978
Uniform rebate	<u>240</u>	<u>333</u>
	<u>\$ 1,102</u>	<u>\$ 1,311</u>

6. Investments

FASB ASC 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, 2018 and 2017, all of the Academy's investments were valued based on Level 1 inputs.

ELIJAH HOUSE ACADEMY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2018 and 2017

7. Investments - Continued

Fair values are summarized as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Mutual Funds	<u>\$ 109,765</u>	<u>\$ 109,765</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 109,765</u></u>	<u><u>\$ 109,765</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>June 30, 2017</u>				
Mutual Funds	<u>\$ 100,090</u>	<u>\$ 100,090</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 100,090</u></u>	<u><u>\$ 100,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2018 was \$25,000.

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

2019	\$ 25,000
2020	25,000
2021	6,250
2022	<u>-</u>
Total	<u><u>\$ 56,250</u></u>

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

9. Contributions and Grants and Restrictions on Net Assets

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

Temporarily restricted net assets at June 30, 2018 and 2017, were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Branding	\$ 7,399	\$ 7,461
Facilities	285,903	311,763
School programs	19,607	64,141
Teacher certification	28,595	30,455
Kell Legacy Fund	<u>17,000</u>	<u>500</u>
	<u>\$ 358,504</u>	<u>\$ 414,320</u>

10. Student Fee Reductions

Student fees for the years ended June 30, 2018 and 2017, are reported net of student fee reductions as follows:

	<u>2018</u>	<u>2017</u>
Tuition	\$ 755,828	\$ 933,070
Application fees	1,925	2,150
Re-enrollment fees	2,120	2,360
Textbook fees	26,923	33,220
Late fees	3,250	4,675
Summer Academy	3,000	-
EHA Scholarship Foundation	(328,510)	(270,041)
Internal assistance and staff discounts	<u>(299,220)</u>	<u>(516,245)</u>
	<u>\$ 165,316</u>	<u>\$ 189,189</u>