

ELIJAH HOUSE ACADEMY

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

November 14, 2016

ELIJAH HOUSE ACADEMY
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	ASSETS	<u>2016</u>	<u>2015</u>
Current Assets			
Cash and cash equivalents		\$ 838,826	\$ 862,615
Accounts receivable		6,860	6,910
Pledges receivable		18,100	5,150
Reimbursements receivable		12,517	-
Deposits		<u>-</u>	<u>1,860</u>
Total current assets		<u>876,303</u>	<u>876,535</u>
Other Assets			
Investments		<u>2,852</u>	<u>2,665</u>
Total other assets		<u>2,852</u>	<u>2,665</u>
Property and Equipment			
Land		166,400	166,400
Building		319,875	319,875
Computers		53,683	19,400
Furniture and equipment		81,558	76,545
Vehicles		84,165	84,165
Leasehold improvements		<u>39,475</u>	<u>39,475</u>
		745,156	705,860
Accumulated depreciation		<u>(138,871)</u>	<u>(98,840)</u>
Net property and equipment		<u>606,285</u>	<u>607,020</u>
Total Assets		<u>\$ 1,485,440</u>	<u>\$ 1,486,220</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accrued expenses and withholding		\$ 82,644	\$ 92,145
Agency funds held		<u>5,800</u>	<u>7,920</u>
Total current liabilities		<u>88,444</u>	<u>100,065</u>
Net Assets			
Unrestricted		1,153,244	1,314,400
Temporarily restricted		<u>243,752</u>	<u>71,755</u>
Total net assets		<u>1,396,996</u>	<u>1,386,155</u>
Total Liabilities and Net Assets		<u>\$ 1,485,440</u>	<u>\$ 1,486,220</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Direct contributions	\$ 1,045,372	\$ 189,500	\$ 1,234,872
Student fees (net)	181,949	-	181,949
Food services - grants	52,782	-	52,782
Food services - fees	7,302	-	7,302
Investment income	187	-	187
Miscellaneous income	1,343	-	1,343
	1,288,935	189,500	1,478,435
Net assets released from restrictions			
Satisfaction of program restrictions	17,503	(17,503)	-
	1,306,438	171,997	1,478,435
Expenses			
Program	1,207,501	-	1,207,501
Administrative	67,061	-	67,061
Fundraising	193,032	-	193,032
	1,467,594	-	1,467,594
Other Expense			
Loss on disposal of equipment	-	-	-
	-	-	-
Change in net assets	(161,156)	171,997	10,841
Net Assets, beginning of year	1,314,400	71,755	1,386,155
Net Assets, end of year	\$ 1,153,244	\$ 243,752	\$ 1,396,996

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Direct contributions	\$ 1,217,770	\$ 104,718	\$ 1,322,488
Student fees (net)	187,559	-	187,559
Food services - grants	56,810	-	56,810
Food services - fees	7,422	-	7,422
Investment income	1,027	-	1,027
Miscellaneous income	860	-	860
	1,471,448	104,718	1,576,166
Net assets released from restrictions			
Satisfaction of program restrictions	158,551	(158,551)	-
	1,629,999	(53,833)	1,576,166
Expenses			
Program	1,194,106	-	1,194,106
Administrative	65,959	-	65,959
Fundraising	190,059	-	190,059
	1,450,124	-	1,450,124
Other Expense			
Loss on disposal of equipment	8,300	-	8,300
	8,300	-	8,300
Change in net assets	171,575	(53,833)	117,742
Net Assets, beginning of year	1,142,825	125,588	1,268,413
Net Assets, end of year	\$ 1,314,400	\$ 71,755	\$ 1,386,155

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bad debts	\$ 1,670	\$ -	\$ -	\$ 1,670
Board and teachers' expense	8,049	-	-	8,049
Branding	-	1,060	9,545	10,605
Contract services	8,610	-	-	8,610
Depreciation	40,031	-	-	40,031
Dues	4,719	-	-	4,719
Employee benefits	16,340	2,640	5,600	24,580
Food service expense	38,435	-	-	38,435
Fundraising	-	-	46,483	46,483
Insurance	10,812	-	-	10,812
Miscellaneous	480	-	-	480
Payroll taxes	61,457	3,396	9,338	74,191
Postage	579	-	-	579
Printing	10,263	-	-	10,263
Professional fees	-	7,500	-	7,500
Rent	72,696	8,077	-	80,773
Repairs and maintenance	9,022	-	-	9,022
Salaries	795,739	44,388	122,066	962,193
Special programs	37,125	-	-	37,125
Supplies	29,160	-	-	29,160
Teacher certification	12,785	-	-	12,785
Telephone	1,280	-	-	1,280
Testing	2,935	-	-	2,935
Textbooks	16,820	-	-	16,820
Utilities	14,068	-	-	14,068
Vehicle expense	14,426	-	-	14,426
	<u>\$ 1,207,501</u>	<u>\$ 67,061</u>	<u>\$ 193,032</u>	<u>\$ 1,467,594</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bad debts	\$ 7,488	\$ -	\$ -	\$ 7,488
Board and teachers' expense	12,535	-	-	12,535
Branding	-	4,200	38,112	42,312
Contract services	7,725	-	-	7,725
Depreciation	31,505	-	-	31,505
Dues	3,545	-	-	3,545
Employee benefits	7,243	2,024	2,072	11,339
Food service expense	38,559	-	-	38,559
Fundraising	-	-	33,995	33,995
Insurance	9,757	-	-	9,757
Miscellaneous	12,055	-	-	12,055
Payroll taxes	56,701	3,200	8,235	68,136
Postage	501	-	-	501
Printing	7,129	-	-	7,129
Professional fees	-	6,900	-	6,900
Rent	70,620	7,800	-	78,420
Repairs and maintenance	26,919	-	-	26,919
Salaries	761,480	41,835	107,645	910,960
Special programs	27,979	-	-	27,979
Supplies	20,867	-	-	20,867
Teacher certification	3,400	-	-	3,400
Telephone	1,530	-	-	1,530
Testing	2,382	-	-	2,382
Textbooks	48,720	-	-	48,720
Utilities	17,800	-	-	17,800
Vehicle expense	17,666	-	-	17,666
	<u>\$ 1,194,106</u>	<u>\$ 65,959</u>	<u>\$ 190,059</u>	<u>\$ 1,450,124</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 10,841	\$ 117,742
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	40,031	31,505
Unrealized gain on investments	(187)	(50)
Loss on disposal of equipment	-	8,300
Donated property	-	(1,200)
 (Increase) decrease in operating assets		
Accounts receivable	50	5,384
Pledges receivable	(12,950)	(204)
Reimbursements receivable	(12,517)	-
Deposits	1,860	117
 Increase (decrease) in operating liabilities		
Accrued expenses and withholding	(9,501)	41,882
Agency funds held	<u>(2,120)</u>	<u>5,559</u>
 Net cash and cash equivalents provided by operating activities	 <u>15,507</u>	 <u>209,035</u>
 Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	300
Purchase of school property and equipment	<u>(39,296)</u>	<u>(93,625)</u>
 Net cash and cash equivalents used by investing activities	 <u>(39,296)</u>	 <u>(93,325)</u>
 Increase (decrease) in cash and cash equivalents	 (23,789)	 115,710
 Cash and Cash Equivalents, beginning of year	 <u>862,615</u>	 <u>746,905</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 838,826</u>	 <u>\$ 862,615</u>

See accompanying notes to financial statements.

ELIJAH HOUSE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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.

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.

Investments: Funds are invested in mutual funds and reported at fair market value.

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.

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 2012 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.

Evaluation of Subsequent Events: Management has evaluated subsequent events through November 14, 2016, which is the date the financial statements were available to be issued.

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

3. 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, 2016 and 2015, were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Branding	\$ 15,616	\$ 20,046
Facilities	171,400	-
School programs	18,100	-
Teacher certification	35,805	48,590
Miscellaneous school programs	<u>2,831</u>	<u>3,119</u>
	<u>\$ 243,752</u>	<u>\$ 71,755</u>

4. Student Fee Reductions

Student fees for the year ended June 30, 2016 and 2015, are reported net of student fee reductions:

	<u>2016</u>	<u>2015</u>
Tuition	\$ 1,044,400	\$ 1,037,069
Application fees	1,775	2,275
Re-enrollment fees	2,460	3,320
Textbook fees	35,359	35,156
Late fees	3,850	3,425
EHA Scholarship Foundation	(3,500)	-
Internal assistance and staff discounts	<u>(902,395)</u>	<u>(893,686)</u>
	<u>\$ 181,949</u>	<u>\$ 187,559</u>

5. Leases

The Academy leases office space under a five-year non-cancelable lease which began July 2013. Monthly rent began at \$4,664 for the first year, increased to \$6,535 for the second year, followed by annual 3% increases for the remaining years. Future minimum lease payments for the years ending June 30 are as follows:

2017	\$	83,196
2018	\$	85,692

ELIJAH HOUSE ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

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, 2016 and 2015, the Academy held the following cash:

	<u>2016</u>	<u>2015</u>
Athletic fundraiser	\$ 3,424	\$ 6,052
Box tops	1,055	1,112
Class of 2016	-	755
Class of 2017	1,134	1
Uniform rebate	<u>187</u>	<u>-</u>
	<u>\$ 5,800</u>	<u>\$ 7,920</u>

7. Concentration of Credit Risk

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

8. Subsequent Event

On July 6, 2016 the Academy entered into a purchase agreement with Crestwood Presbyterian Church, Inc. to acquire property located at 6627 and 6629 Jahnke Road. The property is located on the Academy campus and is currently rented by the Academy from Crestwood. The buildings and land are valued at \$1.2 million. The purchase price for the property is \$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. The purchase price of \$1.1 million was paid for with cash provided primarily with donations pledged and received after June 30, 2016.