

Richmond Public Schools Education Foundation, Inc.

Financial Statements

June 30, 2017



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RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Richmond Public Schools Education Foundation, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Public Schools Education Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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 Richmond Public Schools Education Foundation, Inc. as of June 30, 2017, 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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

June 26, 2018
Glen Allen, Virginia

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statement of Financial Position
June 30, 2017

Assets

Current assets:

Cash and cash equivalents \$ 923,932

Total assets \$ 923,932

Liabilities and Net Assets

Current liabilities:

Accounts payable \$ 41,554

Net assets:

Unrestricted 16,525

Temporarily restricted 865,853

Total net assets 882,378

Total liabilities and net assets \$ 923,932

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Contributions	\$ 65,714	\$ 277,012	\$ -	\$ 342,726
Program revenue	-	283,061	-	283,061
In-kind contributions	<u>109,819</u>	<u>-</u>	<u>-</u>	<u>109,819</u>
Total revenues and support	<u>175,533</u>	<u>560,073</u>	<u>-</u>	<u>735,606</u>
Net assets released from restrictions	<u>946,707</u>	<u>(946,707)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	1,076,099	-	-	1,076,099
General and administrative	184,336	-	-	184,336
Fundraising	<u>3,944</u>	<u>-</u>	<u>-</u>	<u>3,944</u>
Total expenses	<u>1,264,379</u>	<u>-</u>	<u>-</u>	<u>1,264,379</u>
Change in net assets	(142,139)	(386,634)	-	(528,773)
Net assets, beginning of year	<u>158,664</u>	<u>1,252,487</u>	<u>-</u>	<u>1,411,151</u>
Net assets, end of year	<u>\$ 16,525</u>	<u>\$ 865,853</u>	<u>\$ -</u>	<u>\$ 882,378</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services				Supporting Services			
	Tech- Connect	RVA Future Centers	Scholarships for Graduating Seniors	Direct School Support	Total	General and Administrative	Fundraising	Total
Athletics	\$ -	\$ -	\$ -	\$ 1,426	\$ 1,426	\$ -	\$ -	\$ 1,426
College tours	-	12,211	-	-	12,211	-	-	12,211
School beautification projects	-	-	-	10,957	10,957	-	-	10,957
Educational programming, supplies and equipment	41,291	-	-	136,834	178,125	-	-	178,125
Fees	-	-	-	-	-	640	-	640
Fund management transfer	-	-	-	69,998	69,998	-	-	69,998
Insurance	-	-	-	-	-	2,595	-	2,595
In-kind expense	-	90,000	-	-	90,000	19,819	-	109,819
Office expense	-	12,928	-	1,139	14,067	2,719	-	16,786
Other	-	-	-	23,246	23,246	-	-	23,246
Postage	-	-	-	-	-	1,085	-	1,085
Professional development and training	-	-	-	106,371	106,371	961	-	107,332
Professional services	-	10,000	-	103,973	113,973	31,583	-	145,556
Salaries, benefits, and payroll taxes	72,085	339,439	-	-	411,524	117,467	-	528,991
Scholarships and awards	-	-	44,201	-	44,201	-	-	44,201
Special events	-	-	-	-	-	-	3,944	3,944
Technology	-	-	-	-	-	7,467	-	7,467
	<u>\$113,376</u>	<u>\$464,578</u>	<u>\$ 44,201</u>	<u>\$453,944</u>	<u>\$1,076,099</u>	<u>\$ 184,336</u>	<u>\$ 3,944</u>	<u>\$1,264,379</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities:	
Change in net assets	\$ (528,773)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Accounts payable	<u>32,581</u>
Net cash used in operating activities	<u>(496,192)</u>
Net change in cash and cash equivalents	(496,192)
Cash and cash equivalents, beginning of year	<u>1,420,124</u>
Cash and cash equivalents, end of year	<u>\$ 923,932</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Description of Organization: Richmond Public Schools Education Foundation, Inc. (the "Organization") was established in 2001 as a 501(c)(3) tax exempt organization that partners with Richmond Public Schools and the School Board to solicit public and private funding for the purpose of enhancing the quality of life throughout the community. Effective August 12, 2010, the Organization became a 509(a)(1) public charity. The funds are used to support specific programs to include academic enrichment, professional development for teachers, student scholarships, and middle school initiatives. The Organization is focused on ensuring that all students have the opportunity for success.

In addition to granting funds to Richmond Public Schools, the Organization has three major programs; TechConnect, RVA Future Centers, and Scholarships for Graduating Seniors. TechConnect hosts three ten-week after school sessions working with students in several areas of technology to introduce the students to different career opportunities, to stimulate college interest, and prepare students to engage in a digital society. Each participant who completes the program receives a free laptop for home use. RVA Future Centers connect students with staff that assist with planning for after high school including exploring opportunities for colleges and trades. RVA Future Centers provide assistance for students in completing complex forms related to scholarships, financial aid, applications, arranging college tours, resumes and more. Scholarships for Graduating Seniors partners with corporations and individuals to establish scholarships that are awarded to graduating seniors and offers students the opportunity to apply for multiple scholarships through one application.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates: The presentation 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 support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets: The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted reflected based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Classification of Net Assets, Continued:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include the revenues and expenses of the primary operations of the Organization. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within unrestricted net assets. There were no Board-designated assets for 2017.

Temporarily restricted net assets are net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2017, there are no permanently restricted net assets.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk: Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash balances in financial institutions with balances that periodically exceed the federally insured limits.

Support and Revenue Recognition: Contributions are recognized as revenue when the donor makes a promise to give that is in substance unconditional. Donor-restricted contributions are reported as an increase in temporary or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted.

Income Taxes: The Organization is a public charity organization exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code ("IRC").

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Advertising Costs: The Organization expenses advertising costs as they are incurred. There was \$165 in advertising expense for 2017.

Subsequent Events: Management has evaluated subsequent events through June 26, 2018 the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

New Accounting Guidance: In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC

Notes to Financial Statements, Continued

2. Restriction on Net Assets:

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

<u>Purpose</u>	<u>Amount</u>
Fiscal Sponsorship	\$ 135,464
TechConnect	143,938
Partnered programs	227,460
RVA Future	9,431
Scholarships	95,937
Other programs	<u>253,623</u>
	<u>\$ 865,853</u>

During 2017, temporarily restricted net assets were released to expenses to satisfy the following restricted purposes:

<u>Purpose</u>	<u>Amount</u>
Fiscal Sponsorship	\$ 94,503
TechConnect	113,376
Partnered programs	297,229
RVA Future	374,578
Scholarships	28,122
Other programs	<u>38,899</u>
	<u>\$ 946,707</u>

3. Gifts In-Kind:

The Organization receives in-kind services from Richmond Public Schools and various organizations/corporations. Services include office space, telephone service, mail service, graphic art service, books, food service, furniture, supplies, gift cards, information technology, and outreach through communications. For 2017, management has determined that the Organization would have paid \$109,819 for the stated services and products.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC

Notes to Financial Statements, Continued

4. Prior Period Adjustment:

During 2017, the Foundation discovered that certain expenses were recognized during 2017 for services incurred during 2016, and certain beginning fund balances were misstated. The accompanying financial statements reflect a prior period adjustment to decrease beginning unrestricted net assets by \$15,665 to correct timing of expenses and to increase beginning temporarily restricted net assets by \$25,505 to correct opening fund balances.