

Anna Julia Cooper Episcopal School

Report on Financial Statements

For the year ended June 30, 2017

Anna Julia Cooper Episcopal School

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Independent Auditor's Report

To the Officers and Board of Directors
Anna Julia Cooper Episcopal School
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Anna Julia Cooper Episcopal School (the "School"), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Anna Julia Cooper Episcopal School 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 of America.

Restatement

As discussed in Note 3 to the financial statements, a restatement was made to the School's opening, July 1, 2016, statement of financial position to accrue two months of payroll owed to the teachers for services performed for the prior academic year.

A handwritten signature in black ink, appearing to read "Kimbee". The signature is written in a cursive style with a prominent dot above the letter 'i'.

Richmond, Virginia
October 23, 2017

Anna Julia Cooper Episcopal School**Statement of Financial Position****As of June 30, 2017**

Assets**Current assets**

Cash and cash equivalents	\$ 2,119,400
Prepaid expenses	26,775
Total current assets	<u>2,146,175</u>

Property and equipment

Computers	39,830
Furniture and equipment	50,467
Leasehold improvements	755,250
Vehicles	153,038
	<u>998,585</u>
Less: accumulated depreciation	(111,199)
Total property and equipment, net	<u>887,386</u>

Other assets

Total assets	<u>10,370</u>
	<u>\$ 3,043,931</u>

Liabilities and Net Assets**Current liabilities**

Accounts payable	\$ 16,289
Accrued salaries and related payroll taxes	107,503
Total current liabilities	<u>123,792</u>

Net assets

Unrestricted assets	2,194,774
Temporarily restricted net assets	725,365
Total net assets	<u>2,920,139</u>
Total liabilities and net assets	<u>\$ 3,043,931</u>

See Notes to Financial Statements

Anna Julia Cooper Episcopal School**Statement of Activities****For the year ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Contributions/fund-raisers:			
Individuals	\$ 887,789	\$ 660,872	\$ 1,548,661
Foundation and grants	850,379	257,550	1,107,929
Corporations	24,559	25,000	49,559
Indirect public support	32,693	7,000	39,693
Gifts in kind	2,725	-	2,725
Fundraisers	1,992	-	1,992
Registration and application fees	5,580	-	5,580
Dividend and interest income	6,721	-	6,721
Loss on disposal of property and equipment	(2,456)	-	(2,456)
Other income	4,208	-	4,208
	<u>1,814,190</u>	<u>950,422</u>	<u>2,764,612</u>
Net assets released from restrictions	<u>668,256</u>	<u>(668,256)</u>	<u>-</u>
Total revenue and support	<u>2,482,446</u>	<u>282,166</u>	<u>2,764,612</u>
Expenses			
Program services:			
Education	1,013,007	-	1,013,007
Facilities	104,515	-	104,515
Food service	79,979	-	79,979
Graduate placement	213,793	-	213,793
Support services:			
Management & general	104,094	-	104,094
Fundraising	159,814	-	159,814
Total expenses	<u>1,675,202</u>	<u>-</u>	<u>1,675,202</u>
Change in net assets	807,244	282,166	1,089,410
Net assets, beginning of year (restated, see Note 3)	<u>1,387,530</u>	<u>443,199</u>	<u>1,830,729</u>
Net assets, end of year	<u>\$ 2,194,774</u>	<u>\$ 725,365</u>	<u>\$ 2,920,139</u>

See Notes to Financial Statements

Anna Julia Cooper Episcopal School
Statement of Functional Expenses
For the year ended June 30, 2017

	Program Services					Support Services		
	Education	Facilities	Food Service	Graduate Placement	Total Program Services	Management & General	Fundraising	Total
Personnel costs	\$ 760,934	\$ 31,089	\$ 39,002	\$ 83,170	\$ 914,195	\$ 76,487	\$ 142,652	\$ 1,133,334
Graduate support	-	-	-	130,623	130,623	-	-	130,623
School supplies and computers	88,806	-	-	-	88,806	-	-	88,806
Occupancy expense	-	66,069	-	-	66,069	-	-	66,069
USDA expenses	-	-	40,977	-	40,977	-	-	40,977
Depreciation expense	37,421	3,544	-	-	40,965	-	-	40,965
Insurance expense	33,363	-	-	-	33,363	1,841	-	35,204
Scholarships paid to other schools	35,000	-	-	-	35,000	-	-	35,000
Family assistance	21,061	-	-	-	21,061	-	-	21,061
Miscellaneous expense	947	3,813	-	-	4,760	14,166	325	19,251
Fundraising expenses	-	-	-	-	-	-	15,317	15,317
Professional development	10,253	-	-	-	10,253	1,380	1,108	12,741
Professional fees	1,365	-	-	-	1,365	8,255	-	9,620
Transportation	9,234	-	-	-	9,234	8	-	9,242
Printing and copying	6,794	-	-	-	6,794	-	-	6,794
Membership dues	4,508	-	-	-	4,508	-	-	4,508
Community support fund	3,321	-	-	-	3,321	-	-	3,321
Office supplies	-	-	-	-	-	1,339	412	1,751
Postage and delivery	-	-	-	-	-	618	-	618
	<u>\$ 1,013,007</u>	<u>\$ 104,515</u>	<u>\$ 79,979</u>	<u>\$ 213,793</u>	<u>\$ 1,411,294</u>	<u>\$ 104,094</u>	<u>\$ 159,814</u>	<u>\$ 1,675,202</u>

See Notes to Financial Statements

Anna Julia Cooper Episcopal School**Statement of Cash Flows****For the year ended June 30, 2017**

Cash flows from operating activities

Change in net assets	\$ 1,089,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	40,965
Loss on the disposal of property and equipment	2,456
Change in assets and liabilities:	
Accounts receivable	9,199
Prepaid expenses	(15,302)
Other assets	376
Accounts payable	(602)
Accrued salaries and related payroll taxes	15,272
Net cash provided by operating activities	<u>1,141,774</u>

Cash flows from investing activities

Proceeds from the sale of property and equipment	1,500
Purchase of property and equipment	(793,108)
Net cash used in investing activities	<u>(791,608)</u>

Change in cash and cash equivalents

350,166

Cash and cash equivalents, beginning of year

1,769,234

Cash and cash equivalents, end of year

\$ 2,119,400

See Notes to Financial Statements

Anna Julia Cooper Episcopal School

Notes to Financial Statements

June 30, 2017

Note 1. Organization

The Anna Julia Cooper Episcopal School (the "School") is a nonprofit Virginia corporation formed in 2009 to serve students in Richmond's east end. Anna Julia Cooper Episcopal School is an independent, faith based school serving students in grades 4 to 8. Through a program focused on academic, social and spiritual development, the School helps students set their sights on high school, college and a life of responsible citizenship.

As specified in the School's article of incorporation and bylaws, an additional purpose of the School is to provide financial aid for higher education of students of low-income families residing in the Commonwealth of Virginia. The Anna Julia Cooper Scholarship Foundation (the "Foundation") was created to fulfill this purpose and to take advantage of the Virginia Education Improvement Scholarship Tax Credit Program. Donors to the Foundation receive a Virginia tax credit. Activities of the Foundation, an operating function controlled and overseen by the School, are included in the School's financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

The financial statements of the School have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America; revenues and support are recognized when earned, and expenses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of presentation:

In accordance with generally accepted accounting principles for nonprofit entities, the School 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. The financial statements report amounts separately by class of net assets, as follows:

Unrestricted amounts are all resources which are not subject to donor-imposed restriction which includes those currently available at the discretion of the School's Board of Directors for use in the School's operations.

Temporarily restricted amounts are those which are stipulated by donors to have a specific purpose or time restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. The School did not have permanently restricted net assets during the year ended June 30, 2017.

Anna Julia Cooper Episcopal School

Notes to Financial Statements

June 30, 2017

Note 2. Summary of Significant Accounting Policies, Continued

Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and cash equivalents:

For purposes of the statements of cash flows, the School considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and equipment:

The School's property and equipment consists of building renovations, computer equipment, and classroom and office furniture and equipment. Property and equipment is recorded at cost and depreciated over estimated useful lives (3-8 years) using the straight line method. Acquisitions with a value in excess of \$1,000 and a life of greater than one year are capitalized. Repairs and maintenance, which do not increase the life of the asset, are expensed. Donated assets are capitalized at their fair value at the date of the gift.

During 2017, the School built a cafeteria connected to the building it leases from Richmond Redevelopment and Housing Authority (RRHA), see Note 5. The cafeteria, placed in service during June 2017, is depreciated over the estimated remaining lease term using the straight line method.

Accrued payroll:

Accrued payroll represents two months of salaries, taxes and benefits due to the faculty at June 30, 2017 relating to their services for the prior academic year. Most teachers are paid in twenty-six equal installments, from September through August, for the academic year that begins in September and ends in June. See Note 3.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Anna Julia Cooper Episcopal School

Notes to Financial Statements

June 30, 2017

Note 2. Summary of Significant Accounting Policies, Continued

Donated goods and services:

Donated goods are reflected as contributions and correspondingly, a charge to operations, in the accompanying financial statements at their estimated fair values determined at the date of receipt. The value of 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. Donated goods received for the year ended June 30, 2017 was \$2,725.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The School is a non-stock corporation incorporated under the laws of Virginia. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School qualifies as a public charity under Section 170(b)(1)(A)(ii) and has been classified as a school under Section 509 (a)(1).

The School has evaluated its tax positions and determined that its positions are more likely than not to be sustained on examination. The tax returns for the fiscal years ended June 30, 2014 through 2017 are open to examination by federal and state authorities.

Credit risk:

The School places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 of cash held by the School in each separate FDIC insured bank and savings institution. From time to time, the School may have amounts on deposit in excess of the insured limits.

Recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies in all industries. In August 2017, the FASB issued a proposed ASU intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profits. The proposed ASU provides guidance on if a transaction should be accounted for as a contribution or an exchange and helps organizations evaluate whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. Both ASU 2014-09 and the proposed ASU are effective for annual reporting periods beginning after December 15, 2018. The School has not determined the full impact that adopting the new accounting guidance will have on its financial statements.

Anna Julia Cooper Episcopal School

Notes to Financial Statements

June 30, 2017

Note 2. Summary of Significant Accounting Policies, Continued

Recently issued accounting standards:

In August, 2016, the FASB issued an ASU that would require changes to the net asset classification and provide better information about a not-for-profit entity's liquidity, financial performance and cash flows. These changes are intended to enhance the usefulness of a non-for-profit's financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The School does not expect there to be change to net assets as a result of adopting the new guidance.

Note 3. Restatement

During 2017, the School determined that two months of payroll owed to the teachers relating to their services for the prior academic year had not been accrued at June 30, 2016. The School has restated its opening, July 1, 2016, statement of financial position to properly reflect the required accrual. This restatement resulted in a decrease in net assets and an increase in accrued payroll of \$60,661.

Note 4. Restrictions on Net Assets

Net assets were released from donor restrictions by incurring expenditures satisfying the purpose restrictions specified by donors, as follows, for the years ended June 30:

	<u>2017</u>
Graduate placement services	\$ 80,935
New bus	49,588
Education	44,000
Building	50,000
Scholarship (EISTC)	<u>443,733</u>
	<u>\$ 668,256</u>

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2017</u>
Scholarship (non EISTC)	\$ 51,400
Violin project	5,000
Scholarship (EISTC)	<u>668,965</u>
	<u>\$ 725,365</u>

Note 5. Commitments

The School leases its building from Richmond Redevelopment and Housing Authority (RRHA) for \$250 per month, expiring July 31, 2020. The lease can be renewed, at the same monthly amount of rent, for two consecutive periods of three years following the expiration of the lease term. The lease also provides the School with a first right of refusal to acquire the property if RRHA receives a bona fide offer to acquire the School's building.

As part of its operation, the School has also entered into an operating lease for equipment. Total lease payments for the year ended June 30, 2017 was \$4,260.

Anna Julia Cooper Episcopal School

Notes to Financial Statements

June 30, 2017

Note 5. Commitments , Continued

The total future lease commitment at June 30, 2017 is as follows:

2018	\$	4,260
2019		4,260
2020		<u>2,840</u>
	\$	<u>11,360</u>

Note 6. Retirement Plan

Full time employees of the School are covered by a defined contribution plan. For enrolled full time employees the School will contribute 3% of salary plus a match of the employee's contribution up to 1% of salary. Retirement plan contributions for the year ended June 30, 2017 were \$29,325.

Note 7. Related Parties

Members of the School's Board of Directors and staff made contributions to the School totaling approximately \$238,817 during 2017.

Note 8. Indemnification

The School has certain obligations to indemnify the current and former officers and trustees for certain events or occurrences while the officer or trustee is, or was, serving at the Schools request in such capacities. The maximum liability under these obligations is limited under the Code of Virginia and the School's insurance policies serve to further limit its exposure. The School believes that the estimated fair value of these indemnification obligations is minimal.

Note 9. Subsequent Events

In September 2017, the School purchased property adjacent to the School to construct a gymnasium. The property was purchased for \$10,000.

Except as disclosed above, in preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 23, 2017, the date the financial statements were available to be issued.