

# Anna Julia Cooper School

## Consolidated Financial Statements

June 30, 2025 and 2024



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# ANNA JULIA COOPER SCHOOL

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of Anna Julia Cooper School and its subsidiaries, Anna Julia Cooper Scholarship Foundation, Anna Julia Cooper RE Holding Company, Inc., and AJC Hope Grows, Inc. (collectively, the "School"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anna Julia Cooper School and its subsidiaries as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



October 17, 2025  
Glen Allen, Virginia

**ANNA JULIA COOPER SCHOOL**

Consolidated Statements of Financial Position  
June 30, 2025 and 2024

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 7,947,794	\$ 5,905,994
Restricted cash, current	15,356,875	226,093
Pledge receivables, current	3,183,468	5,262,865
Prepaid expenses and other current assets	62,128	13,304
Total current assets	26,550,265	11,408,256
Property and equipment, net	11,883,134	10,938,359
Other assets:		
Investments	2,306,135	1,818,985
Restricted cash, net of current portion	767,311	100,486
Pledge receivables, net of current portion and discount	9,585,088	11,490,370
Notes receivable	19,729,350	6,402,600
Deposits	10,000	10,000
Total other assets	32,397,884	19,822,441
Total assets	\$ 70,831,283	\$ 42,169,056

See accompanying notes to consolidated financial statements.

**ANNA JULIA COOPER SCHOOL**

Consolidated Statements of Financial Position, Continued  
June 30, 2025 and 2024

<u>Liabilities and Net Assets</u>	<u>2025</u>	<u>2024</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 274,760	\$ 128,557
Accrued salaries and related payroll taxes	<u>262,108</u>	<u>191,619</u>
Total current liabilities	536,868	320,176
Non-current liabilities:		
Long-term debt, net of deferred financing costs	<u>26,416,839</u>	<u>8,720,000</u>
Total liabilities	<u>26,953,707</u>	<u>9,040,176</u>
Net assets:		
Without donor restrictions	8,662,712	9,821,294
With donor restrictions	<u>35,214,864</u>	<u>23,307,586</u>
Total net assets	<u>43,877,576</u>	<u>33,128,880</u>
Total liabilities and net assets	<u>\$ 70,831,283</u>	<u>\$ 42,169,056</u>

See accompanying notes to consolidated financial statements.

## ANNA JULIA COOPER SCHOOL

### Consolidated Statements of Activities Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, support and revenue:			
Grants and contributions:			
Capital campaign for school expansion	\$ -	\$ 11,187,686	\$ 11,187,686
Individuals	1,509,989	702,910	2,212,899
Foundations	430,094	799,174	1,229,268
Contributions for endowment	-	244,962	244,962
Corporations	29,410	75,600	105,010
Churches and civic support	73,242	70,500	143,742
Grants and other contributions	193,290	-	193,290
Fundraisers	4,057	-	4,057
Registration and application fees	18,258	-	18,258
Interest income	333,077	45,220	378,297
Investment income (loss), net	(36,877)	180,339	143,462
Miscellaneous revenue	26,518	-	26,518
Total contributions, support and revenue	2,581,058	13,306,391	15,887,449
 Net assets released from restrictions	 1,399,113	 (1,399,113)	 -
 Expenses:			
Program services:			
Education	3,066,085	-	3,066,085
Facilities	448,023	-	448,023
Food service	340,281	-	340,281
Graduate placement	270,754	-	270,754
Management and general	614,144	-	614,144
Fundraising	399,466	-	399,466
Total expenses	5,138,753	-	5,138,753
 Total change in net assets	 (1,158,582)	 11,907,278	 10,748,696
 Net assets, beginning of year	 9,821,294	 23,307,586	 33,128,880
 Net assets, end of year	 \$ 8,662,712	 \$ 35,214,864	 \$ 43,877,576

See accompanying notes to consolidated financial statements.

**ANNA JULIA COOPER SCHOOL**

Consolidated Statements of Activities, Continued  
Year Ended June 30, 2024

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	Restrictions	Restrictions	
Contributions, support and revenue:			
Grants and contributions:			
Capital campaign for school expansion	\$ -	\$ 14,968,535	\$ 14,968,535
Individuals	1,819,377	241,202	2,060,579
Foundations	781,947	207,949	989,896
Contributions for endowment	-	186,245	186,245
Corporations	92,522	22,175	114,697
Churches and civic support	116,858	25,750	142,608
Fundraisers	2,690	-	2,690
Registration and application fees	10,890	-	10,890
Interest income	107,911	66,288	174,199
Investment income, net	-	199,275	199,275
Miscellaneous revenue	<u>31,237</u>	<u>-</u>	<u>31,237</u>
Total contributions, support and revenue	<u>2,963,432</u>	<u>15,917,419</u>	<u>18,880,851</u>
Net assets released from restrictions	<u>925,281</u>	<u>(925,281)</u>	<u>-</u>
Expenses:			
Program services:			
Education	2,457,532	-	2,457,532
Facilities	433,530	-	433,530
Food service	332,953	-	332,953
Graduate placement	266,062	-	266,062
Management and general	507,530	-	507,530
Fundraising	<u>321,239</u>	<u>-</u>	<u>321,239</u>
Total expenses	4,318,846	-	4,318,846
Loss on uncollectible pledges	<u>-</u>	<u>13,104</u>	<u>13,104</u>
Total expenses and losses	<u>4,318,846</u>	<u>13,104</u>	<u>4,331,950</u>
Total change in net assets	(430,133)	14,979,034	14,548,901
Net assets, beginning of year	<u>10,251,427</u>	<u>8,328,552</u>	<u>18,579,979</u>
Net assets, end of year	<u>\$ 9,821,294</u>	<u>\$ 23,307,586</u>	<u>\$ 33,128,880</u>

See accompanying notes to consolidated financial statements.

## ANNA JULIA COOPER SCHOOL

### Consolidated Statements of Functional Expenses Year Ended June 30, 2025

	Program Services				Total Program Services	Support Services		
	Education	Facilities	Food Service	Graduate Placement		Management and General	Fundraising	Total
Personnel costs	\$ 2,490,941	\$ 133,838	\$ 189,402	\$ 121,766	\$ 2,935,947	\$ 250,233	\$ 356,145	\$ 3,542,325
Community support fund	42,533	-	-	-	42,533	-	-	42,533
Depreciation and amortization	197,249	97,153	-	-	294,402	26,463	9,924	330,789
Food service expense	-	-	150,879	-	150,879	-	-	150,879
Graduate support	62,500	-	-	148,988	211,488	-	-	211,488
Insurance expense	-	-	-	-	-	39,168	-	39,168
Interest expense	-	-	-	-	-	91,787	-	91,787
Marketing and promotion	-	-	-	-	-	-	33,397	33,397
Membership dues	-	-	-	-	-	5,060	-	5,060
Miscellaneous expense	-	14,302	-	-	14,302	36,006	-	50,308
Occupancy expense	-	202,730	-	-	202,730	-	-	202,730
Office supplies	-	-	-	-	-	4,411	-	4,411
Postage and delivery	-	-	-	-	-	709	-	709
Printing and copying	-	-	-	-	-	12,406	-	12,406
Professional development	10,273	-	-	-	10,273	2,831	-	13,104
Professional fees	-	-	-	-	-	145,070	-	145,070
Scholarships and assistance	33,547	-	-	-	33,547	-	-	33,547
School supplies and computers	90,199	-	-	-	90,199	-	-	90,199
Summer school and enrichment programs	114,126	-	-	-	114,126	-	-	114,126
Transportation	24,717	-	-	-	24,717	-	-	24,717
	<u>\$ 3,066,085</u>	<u>\$ 448,023</u>	<u>\$ 340,281</u>	<u>\$ 270,754</u>	<u>\$ 4,125,143</u>	<u>\$ 614,144</u>	<u>\$ 399,466</u>	<u>\$ 5,138,753</u>

See accompanying notes to consolidated financial statements.

## ANNA JULIA COOPER SCHOOL

### Consolidated Statements of Functional Expenses, Continued Year Ended June 30, 2024

	Program Services				Support Services			
	Education	Facilities	Food Service	Graduate Placement	Total Program Services	Management and General	Fundraising	Total
Personnel costs	\$ 1,970,811	\$ 131,329	\$ 218,677	\$ 116,161	\$ 2,436,978	\$ 227,346	\$ 278,230	\$ 2,942,554
Community support fund	37,553	-	-	-	37,553	-	-	37,553
Depreciation and amortization	192,326	94,728	-	-	287,054	25,802	9,676	322,532
Food service expense	-	-	114,276	-	114,276	-	-	114,276
Graduate support	73,000	-	-	149,901	222,901	-	-	222,901
Insurance expense	-	-	-	-	-	37,292	-	37,292
Interest expense	-	-	-	-	-	87,859	-	87,859
Marketing and promotion	-	-	-	-	-	-	29,970	29,970
Membership dues	-	-	-	-	-	7,176	-	7,176
Miscellaneous expense	-	8,956	-	-	8,956	16,428	-	25,384
Occupancy expense	-	198,517	-	-	198,517	-	-	198,517
Office supplies	-	-	-	-	-	6,075	-	6,075
Postage and delivery	-	-	-	-	-	767	3,363	4,130
Printing and copying	-	-	-	-	-	11,027	-	11,027
Professional development	6,808	-	-	-	6,808	5,048	-	11,856
Professional fees	-	-	-	-	-	82,710	-	82,710
Scholarships and assistance	24,607	-	-	-	24,607	-	-	24,607
School supplies and computers	81,483	-	-	-	81,483	-	-	81,483
Summer school and enrichment programs	47,860	-	-	-	47,860	-	-	47,860
Transportation	23,084	-	-	-	23,084	-	-	23,084
	<u>\$ 2,457,532</u>	<u>\$ 433,530</u>	<u>\$ 332,953</u>	<u>\$ 266,062</u>	<u>\$ 3,490,077</u>	<u>\$ 507,530</u>	<u>\$ 321,239</u>	<u>\$ 4,318,846</u>

See accompanying notes to consolidated financial statements.

**ANNA JULIA COOPER SCHOOL**

Consolidated Statements of Cash Flows  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,748,696	\$ 14,548,901
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	330,789	322,532
Amortization of deferred financing costs	4,587	-
Cash contributions restricted for capital projects	(14,380,424)	(2,385,592)
Cash contributions restricted for endowment	(225,811)	(102,394)
Dividend income reinvested	(44,379)	(33,283)
Net unrealized and realized gain on investments	(180,706)	(165,177)
Loss on disposal of equipment	26,668	-
Change in operating assets and liabilities:		
Pledges receivable, net	3,984,679	(12,530,512)
Prepaid expenses and other current assets	(48,824)	5,570
Deposits	-	20,417
Accounts payable and accrued expenses	146,203	78,470
Accrued salaries and related payroll taxes	<u>70,489</u>	<u>41,369</u>
Net cash provided by (used in) operating activities	<u>431,967</u>	<u>(199,699)</u>
Cash flows from investing activities:		
Purchase of investments	(329,841)	(157,690)
Proceeds from sale of investments	67,776	-
Purchases of property and equipment	(1,302,232)	(1,051,689)
Issuance of note receivable	<u>(13,326,750)</u>	<u>-</u>
Net cash used in investing activities	<u>(14,891,047)</u>	<u>(1,209,379)</u>
Cash flows from financing activities:		
Contributions restricted for capital projects	14,380,424	2,385,592
Contributions restricted for endowment	225,811	102,394
Proceeds from issuance of long-term debt	18,330,000	-
Loan acquisition costs	<u>(637,748)</u>	<u>-</u>
Net cash provided by financing activities	<u>32,298,487</u>	<u>2,487,986</u>

See accompanying notes to consolidated financial statements.

**ANNA JULIA COOPER SCHOOL**

Consolidated Statements of Cash Flows, Continued  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net change in cash and cash equivalents and restricted cash	\$ 17,839,407	\$ 1,078,908
Cash and cash equivalents and restricted cash:		
Beginning of year	<u>6,232,573</u>	<u>5,153,665</u>
End of year	<u>\$ 24,071,980</u>	<u>\$ 6,232,573</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest - expensed	<u>\$ 87,200</u>	<u>\$ 87,859</u>
Cash paid during the year for interest - capitalized	<u>\$ 47,352</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 7,947,794	\$ 5,905,994
Restricted cash, current	15,356,875	226,093
Restricted cash, net of current portion	<u>767,311</u>	<u>100,486</u>
	<u>\$ 24,071,980</u>	<u>\$ 6,232,573</u>

See accompanying notes to consolidated financial statements.

# ANNA JULIA COOPER SCHOOL

## Notes to Consolidated Financial Statements

### 1. Organization and Business:

The Anna Julia Cooper School (“AJCS”), previously known as Anna Julia Cooper Episcopal School, is a nonprofit Virginia corporation formed in 2009 to serve students of limited financial resources in Richmond’s east end. AJCS is an independent, faith-based school providing full-tuition scholarships and education to students in kindergarten through grade 8. AJCS also supports students and graduates as they transition to high school and pursue their own paths into adulthood.

As specified in AJCS’s articles of incorporation and bylaws, an additional purpose of AJCS is to provide financial aid for 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.

During July 2020, AJCS incorporated Anna Julia Cooper RE Holding Company, Inc. (the “Holding Company”). The Holding Company is a 501(c)2 entity which was created to acquire, finance and maintain real estate in support of AJCS, the Holding Company’s sole member.

During January 2025, AJCS incorporated AJC Hope Grows, Inc. (“Hope Grows”). Hope Grows is a 509(a)(3) entity which was created to acquire, finance and maintain real estate in support of AJCS, Hope Grows’ sole member.

Hereinafter, AJCS, the Foundation, the Holding Company, and Hope Grows are collectively referred to as the “School”.

In 2024, the School embarked on a capital campaign (the “Hope Grows” campaign) with a goal to raise \$37 million, the results to date of which are included in the accompanying consolidated financial statements. In addition to constructing a new lower school campus and outdoor athletic field, the campaign includes \$15 million for future operational funding and \$4 million to continue to grow the existing endowment to ensure the future viability of the School. The School began construction on the lower school during 2025, which was ongoing as of June 30, 2025. The School’s previous campaign (the “Building Hope Campaign”), which began in 2018 and ran through 2021, served to finance the construction of a new middle school academic campus and an athletic/multi-purpose center. The middle school campus was completed and in service as of November 1, 2021.

# ANNA JULIA COOPER SCHOOL

## Notes to Consolidated Financial Statements, Continued

### 1. Organization and Business, Continued:

The School is utilizing the New Markets Tax Credit Program (the "NMTC Program") to help finance its expansion which requires the School to remain a qualified active low-income community business ("QALICB") and its loans under the Program to qualify as a qualified low-income community investment ("QLICI"). On December 18, 2020, the School closed the first New Market Tax Credit Transaction ("NMTCT 1") which resulted in a note receivable and several QLICI notes being recorded by the School and the transfer of all construction in progress on the middle school to the Holding Company. On March 28, 2025, the School closed a second NMTC Transaction ("NMTCT 2") which resulted in a note receivable and several QLICI notes being recorded by the School and the transfer of all construction in progress and land related to the new lower school to Hope Grows (see Notes 6 and 7).

The School's ability to obtain and maintain its status as a QALICB and the ability of the promissory notes described in Note 7 to qualify as QLICIs is contingent on the ability to maintain compliance with applicable sections of Section 45D of the Internal Revenue Code (the "IRC" or "the Code"). Failure to maintain compliance with gross income or use of property requirements could result in recapture of previously taken tax credits, and/or acceleration of maturity of the promissory notes.

### 2. Summary of Significant Accounting Policies:

**Basis of Consolidation:** The consolidated financial statements include the resources and financial activities of Anna Julia Cooper School and its subsidiaries as described in Note 1. All significant inter-company transactions and balances have been eliminated in consolidation.

**Basis of Accounting:** The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**Use of Estimates:** The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:** Certain prior year balances have been reclassified to conform with the current year presentation.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Net Assets:** The School classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions include funds that have no donor-imposed restrictions on the School as to their use, purpose, or timing. The funds are currently available, at the discretion of the Board of Directors, for use in the School's operations.

Net assets with donor restrictions include funds that are limited by donor or grant-imposed time and/or purpose restrictions or are restricted to investment in perpetuity. When a restriction expires, the assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents:** The School considers all money market and other highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

**Restricted Cash:** As part of the long-term debt agreements entered into by the School during 2021 and 2025 (as described in Notes 1 and 7), cash balances totaling \$16,124,186 as of June 30, 2025 and \$326,579 as of June 30, 2024 were restricted for interest and other payments due to lenders, specific project costs for school expansion, and required operating reserves. Disbursements from these accounts are permitted only for specific purposes and require advance approval.

**Pledge Receivables:** Pledge receivables represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at June 30, 2025 and 2024. The discount rate used in the present value technique to determine fair value of pledge receivables is revised at each measurement date to reflect current market conditions and the credit worthiness of donors (see Note 3). In addition, management evaluates payment history and market conditions to estimate an allowance for doubtful pledges. As of June 30, 2025 and 2024, management believes that all pledge receivables will be received in accordance with the terms of the respective agreement and that no allowance for uncollectible pledge receivables was necessary.

**Property and Equipment:** The School's property and equipment consists of improvements made to the original School facility, equipment, land acquired for future School expansion, and capitalized construction planning and construction related costs incurred in connection with expansion to the School facilities. Interest expense incurred on long-term debt and other financing used for construction of property is capitalized as incurred.

Property and equipment are stated at cost or estimated fair market value if donated. Acquisitions with a value in excess of \$1,000 and a life of greater than one year are capitalized. Donated assets are capitalized at their fair value at the date of the gift. Repairs and maintenance, which do not increase the life of the asset, are expensed as incurred.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Property and Equipment, Continued:** Property and equipment is depreciated over estimated useful lives, which range from three to thirty-nine years, using the straight line method. Depreciation is not recorded on construction in process until such time as the relevant assets are completed and put into service.

**Investments:** Investments in marketable securities are carried at fair value as determined by the investment managers. Unrealized gains and losses are included in the consolidated statements of activities. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the investment markets in the near term could materially affect amounts reported on the consolidated financial statements.

**Accrued Salaries:** Accrued salaries and related payroll taxes represent salaries, taxes and benefits due to the faculty at June 30, 2025 and 2024 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.

**Deferred Financing Costs:** Loan fees and other costs related to debt financing agreements are stated at cost, net of accumulated amortization. The costs are amortized to interest expense by a method that approximates the effective interest method over the life of the corresponding debt arrangement.

During 2025, the School incurred deferred financing costs totaling \$637,748 (see Note 7). Accumulated amortization as of June 30, 2025 was \$4,587. Total amortization, which is included in interest expense, was \$4,587 for 2025. The net balance is expected to be amortized in the future as follows: 2026 through 2059 - \$18,348 and 2060 - \$9,329.

FASB Accounting Standards Update (“ASU”) 2015-03 requires the School to present deferred financing costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. As a result, unamortized deferred financing costs of \$633,161 as of June 30, 2025 have been included as a deduction to the long-term debt in the consolidated 2025 statement of financial position.

**Grants and Contributions:** The School recognizes grants and contributions when cash, securities or other assets; an unconditional promise to give; or a notice of a grant award is received. All grants and contributions are considered to be available for general use unless specifically restricted by the grantor or donor.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Contributed Goods and Services:** The value of in-kind contributions that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, is recorded as a contribution at fair value in the period received. Contributed property and equipment and inventory is recorded at fair value. During 2025 and 2024, the value of contributed goods and services meeting this recognition criteria was insignificant to the consolidated financial statements and; therefore, not reflected in the accompanying consolidated financial statements. In addition, a number of unpaid volunteers have made significant contributions of their time in the furtherance of the School's programs. The value of this contributed time is not reflected in these consolidated statements because the criteria for recognition under guidance provided by FASB related to accounting for contributions received and contributions made, had not been satisfied.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis by natural classification in the accompanying consolidated statements of functional expenses. Costs that benefit multiple functional areas, primarily salaries, have been allocated across programs and other supporting services based on time and effort incurred.

**Income Taxes:** The Internal Revenue Service (the "IRS") has determined that the Anna Julia Cooper School and Foundation are exempt from Federal income tax under Section 501(c)(3) of the IRC, qualify as a public charity under Section 170(b)(1)(A)(ii), and have been classified as a school under Section 509(a)(1). The IRS has determined that the Holding Company and Hope Grows are exempt from Federal income tax under Section 501(c)(2) and Section 509(a)(3) of the IRC, respectively.

**Income Tax Uncertainties:** The School follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the School'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 School's tax position and concluded that the School had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The School is not currently under audit by any tax jurisdiction.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Concentrations of Credit Risk:** At June 30, 2025 and 2024, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The School maintains cash balances at several financial institutions and at times, the balances exceed the insured amounts.

Pledge receivables are from individuals, corporations, and foundations. The School believes its credit risk related to these receivables is limited due to the nature of its donors. As of June 30, 2025, three donors accounted for 58% of pledge receivable. As of June 30, 2024, one donor accounted for 72% of pledges receivable. For the year ended June 30, 2025, two donors accounted for 33% of grants and contributions. For the year ended June 30, 2024, one donor accounted for 77% of grants and contributions.

**Subsequent Events:** Management has evaluated subsequent events for potential recognition and/or other disclosure through October 17, 2025, the date the consolidated financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying consolidated financial statements.

#### 3. Pledge Receivables:

Pledge receivables were as follows at June 30:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 3,183,468	\$ 5,262,865
Due in one to five years	<u>10,419,902</u>	<u>12,705,191</u>
Gross unconditional promises to give	13,603,370	17,968,056
Less discount to present value, discount rate of 3.75% for 2025 and 4.52% for 2024	<u>(834,814)</u>	<u>(1,214,821)</u>
	<u>\$ 12,768,556</u>	<u>\$ 16,753,235</u>

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 4. Property and Equipment:

The School's property and equipment primarily consists of improvements made to the original School facility, equipment (computers, furniture, vehicles and other equipment), land held for future School expansion, and the newly constructed middle school building. Property and equipment consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 1,735,020	\$ 1,676,371
Building	8,321,282	8,321,282
Leasehold improvements	1,017,034	1,027,485
Furniture and equipment	541,800	551,944
Vehicles	363,170	299,942
Computers	124,119	108,296
Construction in progress	<u>1,305,660</u>	<u>207,252</u>
	13,408,085	12,192,572
Less: accumulated depreciation	<u>1,524,951</u>	<u>1,254,213</u>
Property and equipment, net	<u>\$ 11,883,134</u>	<u>\$ 10,938,359</u>

Construction in progress as of June 30, 2025 and 2024 consisted of development costs associated with planned school expansion. Under FASB guidance, contributions with donor restrictions related to construction in progress are held in net assets with restrictions until placed in service.

Depreciation and amortization expense totaled \$330,789 for 2025 and \$322,532 for 2024.

#### 5. Investments and Fair Value Measurements:

The School has adopted FASB guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 5. Investments and Fair Value Measurements, Continued:

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs.
- Level 3 – Valuations unobservable in the marketplace at the measurement date.

The School invests in marketable securities held by Vanguard, which are valued at the closing price of identical assets in active markets (mutual funds) or valued at the realizable cash value equivalent to the specific sum of money held in cash or money market funds (cash and equivalents). Pledge receivables are valued at the net realizable value using a quoted discount rate and are classified as a Level 2 asset.

Assets measured at fair value on a recurring basis at June 30, 2025 include the following:

	Level 1	Level 2	Total
Investments:			
Cash and equivalents	\$ 8,850	\$ -	\$ 8,850
Equity securities	1,496,921	-	1,496,921
Fixed income securities	743,558	-	743,558
Liquid alternative securities	56,806	-	56,806
Total investments	2,306,135	-	2,306,135
Pledges receivable, net	-	12,768,556	12,768,556
Total assets at fair value	\$ 2,306,135	\$ 12,768,556	\$ 15,074,691

Assets measured at fair value on a recurring basis at June 30, 2024 include the following:

	Level 1	Level 2	Total
Investments:			
Cash and equivalents	\$ 5,823	\$ -	\$ 5,823
Equity securities	1,213,236	-	1,213,236
Fixed income securities	534,044	-	534,044
Liquid alternative securities	65,882	-	65,882
Total investments	1,818,985	-	1,818,985
Pledges receivable, net	-	16,753,235	16,753,235
Total assets at fair value	\$ 1,818,985	\$ 16,753,235	\$ 18,572,220

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 6. Notes Receivable:

To facilitate and structure NMTCT 1 in connection with the expansion of the middle school, in 2021 the School entered into a note receivable with an unrelated entity for a total principal amount of \$6,402,600. The note requires quarterly interest only payments of 1.358% through September 15, 2028, at which time quarterly principal and interest payments are due through loan maturity on June 15, 2048.

To facilitate and structure NMTCT 2 in connection with the expansion of the lower school as described in Note 1, in 2025 the School entered into a note receivable with an unrelated entity for a total principal amount of \$13,326,750. The note requires quarterly interest only payments of 1.007% through September 15, 2032, at which time quarterly principal and interest payments are due through loan maturity on September 30, 2056.

#### 7. Long-Term Debt:

To facilitate and structure NMTCT 1 in connection with the expansion of the middle school, the Holding Company entered into two separate QLICI promissory notes dated December 18, 2020 with a lender, totaling \$2,000,000. The notes require quarterly interest only payments at 1% through September 1, 2028, at which time quarterly principal and interest payments are due until the loan matures on December 31, 2054. Interest of \$20,000 was incurred and paid during each of 2025 and 2024.

Further, in relation to NMTCT 1, the Holding Company also entered into a QLICI promissory note dated December 18, 2020 with a lender totaling \$6,720,000. The notes require quarterly interest only payments at 1% through September 1, 2028, at which time quarterly principal and interest payments are due until the loan matures on December 31, 2054. Interest of \$67,200 was incurred and paid during each of 2025 and 2024.

Per the loan agreements, \$39,750 is due to the lender as part of accounting and other fee reimbursements annually. Aggregate required cash reserves related to these loans totaled \$100,486 at June 30, 2025 and \$140,236 at June 30, 2024 and are included in restricted cash on the consolidated statements of financial position.

To facilitate and structure NMTCT 2 in connection with the expansion of the lower school as described in Note 1, Hope Grows entered into two separate QLICI promissory notes dated March 28, 2025 with a lender, totaling \$10,000,000. The notes require quarterly interest only payments at 1% through August 31, 2032, at which time quarterly principal and interest payments are due until the loan matures on December 31, 2059. Interest of \$25,833 was incurred and paid during 2025.

Further, in relation to NMTCT 2, Hope Grows also entered into two additional separate QLICI promissory notes dated March 28, 2025 with a lender totaling \$8,330,000. The notes require quarterly interest only payments at 1% through August 31, 2032, at which time quarterly principal and interest payments are due until the loan matures on December 31, 2059. Interest of \$21,519 was incurred and paid during 2025.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

**7. Long-Term Debt, Continued:**

Interest related to the QLICI promissory notes for NMTCT 2 have been capitalized as construction in progress and included in property and equipment on the accompanying consolidated financial statements. Further, per the loan agreements, \$119,821 is due to the lender as part of accounting and other fee reimbursements annually. Aggregate required cash reserves related to these loans totaled \$826,396 at June 30, 2025 and are included in restricted cash on the consolidated statements of financial position.

**8. Net Assets with Donor Restrictions:**

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

	2025	2024
Scholarship (EISTC)	\$ 538,816	\$ 280,368
School expansion	31,777,750	20,622,303
Gordon W. Wallace, Jr. Memorial Endowment Fund	2,535,453	2,064,932
Specific operational programs	362,845	254,983
Time restricted	-	85,000
	\$ 35,214,864	\$ 23,307,586

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:

	2025	2024
Scholarship (EISTC)	\$ 1,015,000	\$ 255,000
School expansion	31,813	244,785
Specific operational programs	352,300	425,496
	\$ 1,399,113	\$ 925,281

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

#### 9. Endowment Fund:

The School maintains the Gordon W. Wallace, Jr. Memorial Endowment Fund. During 2025, the School began collecting contributions for an additional named endowment fund. As required by GAAP, the contributions for endowment are classified as net assets with donor restrictions to be maintained into perpetuity. The School has an established Endowment Committee and engages a professional investment manager. The endowment balance is held within investments and cash and cash equivalents on the consolidated statements of financial position.

**Interpretation of Relevant Law:** The Board of Directors of the School has interpreted Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity are only reclassified as net assets without donor restriction until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Endowment Investing and Spending Policies:** The School adopted an investment and spending policy and after a period of time, intends to draw a small percentage from the fund on an annual basis to be used in operations.

**Funds with Deficits:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the School to retain as a fund of perpetual duration. There were no such deficits at June 30, 2025 or 2024.

**ANNA JULIA COOPER SCHOOL**

Notes to Consolidated Financial Statements, Continued

**9. Endowment Fund, Continued:**

Endowment composition was as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Donor-restricted endowment:		
Original donor-restricted gift amount	\$ 2,005,233	\$ 1,760,271
Accumulated investment income	<u>530,220</u>	<u>304,661</u>
	<u>\$ 2,535,453</u>	<u>\$ 2,064,932</u>

Changes in the donor-restricted endowment were as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Donor-restricted endowment, beginning of year	<u>\$ 2,064,932</u>	<u>\$ 1,681,026</u>
Investment return:		
Interest and dividends	45,220	34,132
Unrealized and realized income on investments, net	<u>180,339</u>	<u>163,529</u>
Total investment return	<u>225,559</u>	<u>197,661</u>
New gifts	<u>244,962</u>	<u>186,245</u>
Donor-restricted endowment, end of year	<u>\$ 2,535,453</u>	<u>\$ 2,064,932</u>

**10. Commitments and Contingencies:**

As part of the lower school expansion and the related NMTCT 2 referenced in Note 1, the School entered into a contract for construction, design, and other renovation services in 2025, for work to be completed in phases during 2025 and 2026. As of June 30, 2025, there were no outstanding fees payable to the contractor for work performed during the year. Estimated costs under the contract are not to exceed \$12.1 million.

## ANNA JULIA COOPER SCHOOL

### Notes to Consolidated Financial Statements, Continued

**11. Retirement Plan:**

The School sponsors a 403(b) plan for all full-time salaried employees whereby the School contributes 3% of salary plus a match of the employee's contribution up to 1% of salary. The School's total contributions were \$118,105 for 2025 and \$91,420 for 2024.

**12. 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.

**13. Liquidity and Availability of Resources:**

As of June 30, the following table reflects the School's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for a time or purpose.

Financial assets:	2025	2024
Cash and cash equivalents without restriction	\$ 7,947,794	\$ 5,905,994
Pledges receivable, current	3,183,468	5,262,865
Total financial assets available within one year	11,131,262	11,168,859
Less those unavailable for general expenditure within one year due to:		
Cash held for school expansion or payments on note payable, not yet used or paid	(2,295,079)	(3,931,139)
Cash held for endowment	(1,409,284)	-
Cash held for other operations	(108,750)	-
Pledges receivable that are restricted for:		
School expansion	(2,845,216)	(4,994,144)
Endowment	(84,002)	(79,971)
Other operations	(91,750)	(103,750)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,297,181	\$ 2,059,855

The School has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due.