



Church Hill Activities & Tutoring, Inc.

Consolidated Financial Statements

August 31, 2019 and 2018

Church Hill Activities & Tutoring, Inc.

Table of Contents

	<i>Page</i>
<i>Independent Auditor's Report</i>	1 - 2
<i>Consolidated Financial Statements</i>	
<i>Consolidated statements of financial position</i>	3
<i>Consolidated statement of activities - August 31, 2019</i>	4
<i>Consolidated statement of activities - August 31, 2018</i>	5
<i>Consolidated statements of cash flows</i>	6 - 7
<i>Consolidated statement of functional expenses - August 31, 2019</i>	8
<i>Consolidated statement of functional expenses - August 31, 2018</i>	9
<i>Notes to consolidated financial statements</i>	10 - 18

Independent Auditor's Report

Board of Directors
Church Hill Activities & Tutoring, Inc.
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements (collectively, the “financial statements”) of Church Hill Activities & Tutoring, Inc. (“CHAT”), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, the related consolidated statements of activities, 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 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 Church Hill Activities & Tutoring, Inc. as of August 31, 2019 and 2018, 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.

Mitchell Wiggins

Petersburg, Virginia
February 6, 2020

Church Hill Activities & Tutoring, Inc.

***Consolidated Statements of Financial Position
August 31, 2019 and 2018***

Assets	2019	2018
Cash	\$ 935,326	\$ 1,327,729
Grants and contributions receivable	1,775	9,275
Prepaid expenses	67,995	91,436
Investments	143,775	141,458
Property and equipment, net	716,283	974,605
Total assets	\$ 1,865,154	\$ 2,544,503
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 13,042	\$ 14,926
Accrued expenses	28,909	50,816
Long-term note payable	-	266,582
Total liabilities	41,951	332,324
Net Assets		
<i>Without restrictions</i>	1,582,954	1,823,218
<i>With restrictions</i>	240,249	388,961
Total net assets	1,823,203	2,212,179
Total liabilities and net assets	\$ 1,865,154	\$ 2,544,503

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Activities Year Ended August 31, 2019

	Without Restrictions	With Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,734,454	\$ 109,315	\$ 1,843,769
Program income	113,674	-	113,674
Café sales	178,024	-	178,024
Less cost of goods sold	(98,873)	-	(98,873)
Net café sales	79,151	-	79,151
Gross special events revenue	48,315	-	48,315
Less cost of direct benefits to donors	(36,195)	-	(36,195)
Net special events revenue	12,120	-	12,120
Net investment return	3,598	-	3,598
Gain on sale of property and equipment	77,526	-	77,526
Other revenue	11,576	-	11,576
Total revenue and support	2,032,099	109,315	2,141,414
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	258,027	(258,027)	-
Total revenues, other support and reclassifications	2,290,126	(148,712)	2,141,414
Expenses			
Program expenses	1,956,644	-	1,956,644
Management and general	335,298	-	335,298
Fundraising	238,448	-	238,448
Total expenses	2,530,390	-	2,530,390
Changes in net assets	(240,264)	(148,712)	(388,976)
Net assets, beginning	1,823,218	388,961	2,212,179
Net assets, ending	\$ 1,582,954	\$ 240,249	\$ 1,823,203

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Activities Year Ended August 31, 2018

	Without Restrictions	With Restrictions	Total
Revenues and Other Support			
Contributions	\$ 2,278,144	\$ 320,159	\$ 2,598,303
Program income	95,956	-	95,956
Café sales	149,032	-	149,032
Less cost of goods sold	(80,220)	-	(80,220)
Net café sales	68,812	-	68,812
Gross special events revenue	72,815	-	72,815
Less cost of direct benefits to donors	(33,186)	-	(33,186)
Net special events revenue	39,629	-	39,629
Net investment return	3,095	-	3,095
Other revenue	6,934	-	6,934
Total revenue and support	2,492,570	320,159	2,812,729
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	340,967	(340,967)	-
Total revenues, other support and reclassifications	2,833,537	(20,808)	2,812,729
Expenses			
Program expenses	1,947,044	-	1,947,044
Management and general	253,129	-	253,129
Fundraising	262,243	-	262,243
Total expenses	2,462,416	-	2,462,416
Changes in net assets	371,121	(20,808)	350,313
Net assets, beginning	1,452,097	409,769	1,861,866
Net assets, ending	\$ 1,823,218	\$ 388,961	\$ 2,212,179

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018**

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ (388,976)	\$ 350,313
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	73,663	71,731
Donated property and equipment	-	(650)
Gain on sale of property and equipment	(77,526)	-
Unrealized gain on investment securities	(439)	(49)
Realized (gain) loss on sale of investment securities	728	(1,212)
Donated investments	(208,096)	(503,327)
Proceeds from sale of donated investments	207,368	504,539
<i>Changes in operating assets</i>		
Grants and contributions receivable	7,500	161,975
Prepaid expenses	23,441	15,839
<i>Changes in operating liabilities</i>		
Accounts payable	(1,884)	(37,147)
Accrued expenses	(21,907)	1,974
Net cash provided by (used in) operating activities	(386,128)	563,986
Cash Flows from Investing Activities		
Purchase of property and equipment	(64,134)	(35,501)
Proceeds from sale of property and equipment	326,319	-
Purchase of investment securities	(71,878)	(141,418)
Proceeds from sale of investment securities	70,000	140,000
Net cash provided by (used in) investing activities	260,307	(36,919)
Cash Flows from Financing Activities		
Curtailment of long-term debt	(266,582)	(8,804)
Net cash (used in) financing activities	(266,582)	(8,804)
Net change in cash and cash equivalents	(392,403)	518,263
Cash and cash equivalents, beginning	1,327,729	809,466
Cash and cash equivalents, ending	935,326	1,327,729

(continued)

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows (continued)
Years Ended August 31, 2019 and 2018**

	2019	2018
<hr/>		
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 5,858	\$ 12,382

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services				Supporting Services			Cost of Goods Sold	Total
	After School	Workforce Development Program	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising		
Salaries	\$ 212,718	\$ 324,604	\$ 496,563	\$ 149,491	\$ 1,183,376	\$ 176,941	\$ 163,681	\$ -	\$ 1,523,998
Employee benefits	16,487	26,304	47,654	10,992	101,437	22,727	7,984	-	132,148
Payroll taxes	16,556	25,230	38,374	11,653	91,813	13,502	12,880	-	118,195
Total salaries and related expenses	245,761	376,138	582,591	172,136	1,376,626	213,170	184,545	-	1,774,341
Café cost of goods sold	-	98,873	-	-	98,873	-	-	-	98,873
Contract services	7,163	401	18,248	42	25,854	37,513	13,831	-	77,198
Cost of direct benefits to donors	-	-	-	-	-	-	-	36,195	36,195
Curriculum	2,160	54	3,504	592	6,310	-	-	-	6,310
Dues & subscriptions	4,209	888	6,207	859	12,163	16,659	11,768	-	40,590
Insurance	3,796	5,333	6,745	2,572	18,446	1,978	1,437	-	21,861
Materials & supplies	9,231	23,731	15,642	2,557	51,161	-	-	-	51,161
Meals & snacks	3,133	28,975	14,150	32	46,290	-	10	-	46,300
Ministry fund	1,657	1,892	2,644	913	7,106	600	510	-	8,216
Miscellaneous	85	340	255	170	850	284	-	-	1,134
Occupancy	25,610	62,357	73,845	37,913	199,725	12,951	8,119	-	220,795
Office expenses	1,705	394	13,293	308	15,700	16,935	937	-	33,572
Postage & delivery	-	-	114	-	114	1,228	2,478	-	3,820
Printing & copying	924	149	1,878	-	2,951	598	4,568	-	8,117
Program stipends	-	16	-	-	16	-	-	-	16
Rewards & incentives	666	251	1,862	52	2,831	-	-	-	2,831
Scholarships	-	-	10,535	-	10,535	-	-	-	10,535
Service charges & fees	1,426	6,574	1,767	728	10,495	14,267	23	-	24,785
Special events & trips	14,196	1,855	7,650	2,039	25,740	-	-	-	25,740
Staff development	19,142	4,434	9,579	2,354	35,509	4,704	2,185	-	42,398
Telephone, cable & internet	1,236	4,966	3,067	1,390	10,659	707	707	-	12,073
Transportation costs	15,406	21,397	27,063	10,321	74,187	6,793	5,767	-	86,747
Volunteer & staff appreciation	10,930	4,303	5,625	2,518	23,376	6,911	1,563	-	31,850
Total expenses by function	368,436	643,321	806,264	237,496	2,055,517	335,298	238,448	36,195	2,665,458
Less expenses include with revenues on the statement of activities									
Café cost of good sold	-	(98,873)	-	-	(98,873)	-	-	-	(98,873)
Cost of direct benefits to donors	-	-	-	-	-	-	-	(36,195)	(36,195)
Total expenses included in the expense section on the statement of activities	\$ 368,436	\$ 544,448	\$ 806,264	\$ 237,496	\$ 1,956,644	\$ 335,298	\$ 238,448	\$ -	\$ 2,530,390

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2018**

	Program Services				Supporting Services				Total
	After School	Workforce Development Program	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	Cost of Goods Sold	
Salaries & wages	\$ 250,724	\$ 259,032	\$ 534,551	\$ 128,569	\$ 1,172,876	\$ 144,496	\$ 171,771	\$ -	\$ 1,489,143
Employee benefits	19,596	20,247	41,792	10,048	91,683	11,299	13,432	-	116,414
Payroll taxes	16,398	17,112	36,070	8,358	77,938	9,904	11,795	-	99,637
Total salaries and related expenses	286,718	296,391	612,413	146,975	1,342,497	165,699	196,998	-	1,705,194
Café cost of goods sold	-	80,220	-	-	80,220	-	-	-	80,220
Contract services	6,431	7,779	13,590	3,365	31,165	35,652	21,288	-	88,105
Cost of direct benefits to donors	-	-	-	-	-	-	-	33,186	33,186
Curriculum	1,188	249	5,288	2,362	9,087	50	57	-	9,194
Dues & subscriptions	761	684	3,084	1,326	5,855	10,487	13,415	-	29,757
Insurance	3,623	3,318	4,964	1,985	13,890	956	1,086	-	15,932
Materials & supplies	10,256	47,457	23,936	3,704	85,353	46	53	-	85,452
Meals & snacks	7,634	28,439	12,874	181	49,128	22	23	-	49,173
Ministry fund	1,558	144	386	91	2,179	317	1,979	-	4,475
Miscellaneous	66	36	90	60	252	19	20	-	291
Occupancy	31,740	56,555	65,877	34,430	188,602	6,539	7,424	-	202,565
Office expenses	5,280	824	7,018	515	13,637	17,196	1,703	-	32,536
Postage & delivery	23	-	116	-	139	491	1,359	-	1,989
Printing & copying	730	763	1,071	988	3,552	4,250	3,087	-	10,889
Program stipends	50	14,301	-	-	14,351	-	-	-	14,351
Rewards & incentives	2,467	129	3,173	11	5,780	6	6	-	5,792
Scholarships	-	-	13,666	-	13,666	-	-	-	13,666
Service charges & fees	1,832	6,441	3,107	1,640	13,020	2,962	5,646	-	21,628
Special events & trips	14,665	1,896	7,651	2,122	26,334	-	-	-	26,334
Staff development	9,222	4,500	15,212	4,182	33,116	2,601	1,825	-	37,542
Telephone, cable & internet	1,137	1,565	3,588	4,724	11,014	299	341	-	11,654
Transportation costs	16,365	14,986	22,422	8,966	62,739	4,322	4,906	-	71,967
Volunteer & staff appreciation	10,615	4,110	4,577	2,386	21,688	1,215	1,027	-	23,930
Total expenses by function	412,361	570,787	824,103	220,013	2,027,264	253,129	262,243	33,186	2,575,822
Less expenses included with revenues on the statement of activities									
Café cost of goods sold	-	(80,220)	-	-	(80,220)	-	-	-	(80,220)
Cost of direct benefits to donors	-	-	-	-	-	-	-	(33,186)	(33,186)
Total expenses included in the expense section on the statement of activities	\$ 412,361	\$ 490,567	\$ 824,103	\$ 220,013	\$ 1,947,044	\$ 253,129	\$ 262,243	\$ -	\$ 2,462,416

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2019 and 2018

Note 1. Nature of Organization and Significant Accounting Policies

Consolidation

The consolidated financial statements (collectively, the “financial statements”) include the accounts of Church Hill Activities & Tutoring, Inc. and its wholly-owned subsidiaries, CHAT Properties, LLC and CHAT Properties N Street, LLC (hereafter referred to as “CHAT”).

Nature of activities

Church Hill Activities & Tutoring, Inc. is a not-for-profit organization that was incorporated under the laws of the Commonwealth of Virginia since 2003. CHAT, located in Richmond, Virginia, encourages and supports personal transformation through spiritual formation, education, life enhancing skills, leadership development, mentoring, and community life to youth Pre-kindergarten through 12th grade. CHAT operates a private high school, Church Hill Academy, a preschool age program, Tiny Tykes, an After-School program, and the Work Leadership Institute, formerly called the Entrepreneurship Program. Donations represent CHAT's primary source of revenue. CHAT Properties, LLC, a wholly-owned subsidiary of CHAT, was formed in 2007 for the primary purpose of purchasing and holding real estate used in the operations of CHAT. In addition, CHAT Properties N Street, LLC, also a wholly-owned subsidiary of CHAT, was formed in 2012 for the primary purpose of purchasing and holding real estate used in the operations of CHAT.

A summary of CHAT's significant accounting policies follows:

Basis of accounting

CHAT's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and cash equivalents

For purposes of the statements of cash flows, CHAT includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months as cash and cash equivalents. CHAT maintains bank accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. CHAT had cash balances in a financial institution that exceeded federal depository insurance limits at August 31, 2019 and 2018.

Grants and contributions receivable

Grants and contributions receivable are recorded as received. Grants and contributions receivable due in the next year are reflected as current contributions and grants and contributions receivable and are recorded at their net realizable value. Grants and contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received to discount the amounts. An allowance for uncollectible grants

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2019 and 2018

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

receivable is provided based on management's evaluation of potential uncollectible grants receivable at year end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Property and equipment

Property and equipment with a cost of \$500 or more and that have an estimated useful life greater than one year are capitalized at cost, or if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Maintenance and repairs are charged to expense when incurred.

Investments

CHAT's investments consist primarily of brokered certificates of deposit that mature within one year. Investments are reported at cost, which approximates fair value. Interest income is accrued at each fiscal year end. Investments acquired by gift are recorded at their fair value at the date of the gift. CHAT's policy is to liquidate all gifts of investments as soon as possible after the gift.

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Revenue recognition

Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of award if they are unconditional.

CHAT reports grants and contributions in the net asset with restrictions class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are released and reclassified to net assets without restrictions in the statement of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in net assets without restrictions. Interest is recorded when earned.

Net assets without donor restrictions

CHAT reports assets whose use is not restricted by donors as net assets without restrictions. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the net assets without donor restrictions of CHAT may be used at the discretion of CHAT's management and Board of Directors to support CHAT's purpose and operations.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Net assets with donor restrictions

CHAT reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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. Actual results could differ from those estimates.

Income taxes

CHAT is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to CHAT's tax-exempt purpose may be subject to taxation as unrelated business income. CHAT had no unrelated business income during the years ended August 31, 2019 and 2018. In addition, CHAT qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

CHAT follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in CHAT's consolidated financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years of 2016 to 2018 remain subject to examination by the taxing authorities.

CHAT has determined that it does not have any material unrecognized tax benefits or obligations as of August 31, 2019 and 2018. CHAT includes penalties and interest assessed by income taxing authorities in operating expenses. CHAT did not have penalties and interest expenses for the years ended August 31, 2019 and 2018.

CHAT Properties, LLC and CHAT Properties N Street, LLC are single member LLC entities and therefore considered disregarded entities for tax purposes.

In-kind contributions/expenses

Donated goods and services are recorded at fair market value at the date of the donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2019 and 2018

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

Although CHAT utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

For the years ended August 31, 2019 and 2018, CHAT received in-kind contributions from other than individual volunteers in the amount of \$1,313, respectively, primarily for instructor support, \$350 and \$13,439, respectively, for repairs, office materials and supplies, and \$2,073 and \$12,420, respectively, for professional fees which have been recognized as revenue and expense in the statement of activities. Also, CHAT received in 2019 and 2018 various property and equipment valued at \$0 and \$650, respectively, which have been capitalized as property and equipment.

Functional allocation of expenses

The Statement of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting category when identifiable and possible. General operating costs across nearly all natural categories are allocated based on estimates of time and effort.

Recently issued accounting standards

In 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*. The Organization adopted the provisions of this new standard during the year ended August 31, 2019. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been consolidated into a single net asset class named net assets with donor restrictions;
- Investment returns are reported net of investment expenses;
- The financial statements include a disclosure about liquidity and availability of resources (Note 12).

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 2. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of August 31, 2019 and 2018 on the statements of financial position, include the following major classifications:

	2019	2018
Buildings	\$ 146,406	\$ 369,015
Building improvements	474,928	538,777
Furniture and equipment	142,156	143,187
Land	56,833	97,983
Vehicles	164,889	143,170
	985,212	1,292,132
Less accumulated depreciation	(268,929)	(317,527)
	\$ 716,283	\$ 974,605

Total depreciation expense for the years ended August 31, 2019 and 2018 is \$73,663 and \$71,731, respectively.

Note 3. Investments

Investments at August 31, 2019 and 2018 consist of the following:

	2019	2018
Investments at fair value:		
Brokered certificates of deposit	\$ 143,775	\$ 141,458

Note 4. Fair Value Measurements

U.S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2019 and 2018

Note 4. Fair Value Measurements (Continued)

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The classification of investments by level within the valuation hierarchy as of August 31, 2019 and 2018 is as follows:

	Fair Value Measurements at Reporting Date Using			
	August 31			
	2019	Level 1	Level 2	Level 3
Assets				
Brokered Certificates of Deposit	\$ 143,775	\$ -	\$ 143,775	\$ -

	Fair Value Measurements at Reporting Date Using			
	August 31			
	2018	Level 1	Level 2	Level 3
Assets				
Brokered Certificates of Deposit	\$ 141,458	\$ -	\$ 141,458	\$ -

Note 5. Operating Leases

CHAT entered into a long-term lease with a commencement date of April 19, 2017 for a cafe facility that opened in fiscal year 2018 in the Bon Secours Sarah Garland Jones Center located in Richmond, Virginia. Total rental expense for the cafe facility lease for the years ended August 31, 2019 and 2018 totaled \$24,722 and \$24,119, respectively, and is included in occupancy expenses. Total outstanding commitments related to the office lease for the subsequent fiscal years are as follows:

2020	\$ 25,340
2021	25,974
2022	17,602
Total	<u>\$ 68,916</u>

As of August 31, 2019 and 2018, respectively, CHAT had prepaid \$42,124 and \$66,846 of the above total lease commitment, which is included in prepaid expenses on the consolidated statements of financial position.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2019 and 2018

Note 5. Operating Leases (Continued)

CHAT entered into a long-term lease with a commencement date of August 1, 2018 that is set to expire July 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2019 and 2018 totaled \$24,000 and \$21,250, respectively, and is included in occupancy expenses. Total outstanding commitments related to the leased facilities for the subsequent fiscal years are as follows:

2020	\$ 22,000
Total	<u>\$ 22,000</u>

CHAT also entered into a long-term lease with a commencement date of September 1, 2016 that is set to expire December 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2019 and 2018 totaled \$18,000, respectively, and is included in occupancy expenses. Total outstanding commitments related to the leased facilities for the subsequent fiscal years are as follows:

2020	\$ 18,000
2021	<u>6,000</u>
Total	<u>\$ 24,000</u>

CHAT also leases facilities from various individuals and entities which are currently on a month-to-month basis. Rent expense was \$56,130 and \$30,644 for the fiscal years ended August 31, 2019 and 2018, respectively.

Note 6. Note Payable, Line of Credit

The Organization has a line of credit in the amount of \$500,000, which is secured by substantially all assets of the Organization. The interest rate at August 31, 2019 was 5.5%. This line of credit is due May 30, 2020 and reviewed annually for renewal. There were no outstanding balances on the line of credit as of August 31, 2019 and 2018.

Note 7. Long-Term Notes Payable

Long-term note payable consists of the following:

	<u>2019</u>	<u>2018</u>
First Tennessee Bank National Association:		
4.50%, due in monthly installments		
of \$1,766 including interest, due		
May 2027, secured by real estate	-	266,582
	<u>\$ -</u>	<u>\$ 266,582</u>

Interest expense for the years ending August 31, 2019 and 2018 was \$5,858 and \$12,382, respectively.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 8. Net Assets With Restrictions

Net assets with restrictions are available for the following purposes or periods as of August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
EISTC program	\$ 158,808	\$ 328,703
Retail Establishment program	81,441	59,562
Scholarships	-	696
	<u>\$ 240,249</u>	<u>\$ 388,961</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Purpose restriction accomplished:		
Church Hill Academy Accreditation	\$ -	\$ 3,891
EISTC program	177,710	155,951
Equipment Capital Outlay program	9,610	4,426
Work Leadership Institute program	61,626	20,086
Retail Establishment program	8,385	138,597
Scholarships	696	18,016
	<u>\$ 258,027</u>	<u>\$ 340,967</u>

Note 9. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocable include salaries and related expenses and insurance.

Note 10. Retirement Plan

CHAT has a defined contribution plan under Internal Revenue Code (IRC) Section 403(b) covering certain employees. The plan allows for elective employee deferrals. There have been no employer contributions for the years ended August 31, 2019 and 2018, respectively.

Note 11. Economic Dependency

For the year ended August 31, 2019, approximately 13% of total revenues and other support came from one funding source.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 12. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of August 31, 2019 are:

Cash	\$ 935,326
Grants and contributions receivable	1,775
Investments	<u>143,775</u>
Total financial assets	1,080,876
Less financial assets held to meet donor-imposed restrictions for purpose-restricted net assets	<u>(240,249)</u>
Amounts available for general expenditures within one year	<u>\$ 840,627</u>

The Organization has a policy to manage its liquidity following two guiding principles: operating within a prudent range of financial stability and maintaining adequate liquidity to fund near-term operations. Also, to manage liquidity the Organization maintains a line-of-credit of \$500,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 6 for further description of this line.

Note 13. Subsequent Events

Management has evaluated subsequent events through February 6, 2020, the date the financial statements were available for issue.

