



# Church Hill Activities & Tutoring, Inc.

## Consolidated Financial Statements

August 31, 2020 and 2019

# ***Church Hill Activities & Tutoring, Inc.***

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## ***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, 2020 and 2019, 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, 2020 and 2019, 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  
March 4, 2021

**Church Hill Activities & Tutoring, Inc.**

**Consolidated Statements of Financial Position  
August 31, 2020 and 2019**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 1,102,339	\$ 935,326
Contributions receivable	1,311	1,775
Prepaid expenses	36,641	67,995
Investments	-	143,775
Property and equipment, net	646,831	716,283
<b>Total assets</b>	<b>\$ 1,787,122</b>	<b>\$ 1,865,154</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,948	\$ 13,042
Accrued expenses	30,419	28,909
Refundable advance	11,156	-
<b>Total liabilities</b>	<b>46,523</b>	<b>41,951</b>
<b>Net Assets</b>		
<i>Without restrictions</i>	1,577,868	1,582,954
<i>With restrictions</i>	162,731	240,249
<b>Total net assets</b>	<b>1,740,599</b>	<b>1,823,203</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,787,122</b>	<b>\$ 1,865,154</b>

*See Notes to Consolidated Financial Statements*

**Church Hill Activities & Tutoring, Inc.**

**Consolidated Statement of Activities**  
**Year Ended August 31, 2020**

	Without Restrictions	With Restrictions	Total
<b>Revenues and Other Support</b>			
Contributions	\$ 1,615,013	\$ 166,883	\$ 1,781,896
Payroll Protection Program grant	333,949	-	333,949
Program income	89,539	-	89,539
Café sales	94,498	-	94,498
Less cost of goods sold	(56,281)	-	(56,281)
Net café sales	38,217	-	38,217
Net investment return	1,465	-	1,465
Other revenue	5,600	-	5,600
<b>Total revenue and support</b>	<b>2,083,783</b>	<b>166,883</b>	<b>2,250,666</b>
<b>Net Assets Released from Restrictions</b>			
Satisfaction of purpose restrictions	244,401	(244,401)	-
<b>Total revenues, other support and reclassifications</b>	<b>2,328,184</b>	<b>(77,518)</b>	<b>2,250,666</b>
<b>Expenses</b>			
Program expenses	1,820,965	-	1,820,965
Management and general	272,394	-	272,394
Fundraising	237,989	-	237,989
Loss on disposal of property and equipment	1,922	-	1,922
<b>Total expenses</b>	<b>2,333,270</b>	<b>-</b>	<b>2,333,270</b>
<b>Changes in net assets</b>	<b>(5,086)</b>	<b>(77,518)</b>	<b>(82,604)</b>
Net assets, beginning	1,582,954	240,249	1,823,203
Net assets, ending	\$ 1,577,868	\$ 162,731	\$ 1,740,599

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
<b>Revenues and Other Support</b>			
Contributions	\$ 1,734,454	\$ 109,315	\$ 1,843,769
Program income	113,674	-	113,674
Café sales	161,029	-	161,029
Less cost of goods sold	(81,878)	-	(81,878)
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
<b>Total revenue and support</b>	<b>2,032,099</b>	<b>109,315</b>	<b>2,141,414</b>
<b>Net Assets Released from Restrictions</b>			
Satisfaction of purpose restrictions	258,027	(258,027)	-
<b>Total revenues, other support and reclassifications</b>	<b>2,290,126</b>	<b>(148,712)</b>	<b>2,141,414</b>
<b>Expenses</b>			
Program expenses	1,956,644	-	1,956,644
Management and general	335,298	-	335,298
Fundraising	238,448	-	238,448
<b>Total expenses</b>	<b>2,530,390</b>	<b>-</b>	<b>2,530,390</b>
<b>Changes in net assets</b>	<b>(240,264)</b>	<b>(148,712)</b>	<b>(388,976)</b>
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 Functional Expenses  
Year Ended August 31, 2020**

	Program Services					Supporting Services			
	After School	Workforce Development Program	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	Cost of Goods Sold	Total
Salaries	\$ 142,377	\$ 309,805	\$ 534,014	\$ 189,333	\$ 1,175,529	\$ 180,935	\$ 173,498	\$ -	\$ 1,529,962
Employee benefits	11,271	33,311	51,625	12,455	108,662	17,404	10,997	-	137,063
Payroll taxes	9,856	23,494	39,840	15,017	88,207	12,624	12,500	-	113,331
<b>Total salaries and related expenses</b>	<b>163,504</b>	<b>366,610</b>	<b>625,479</b>	<b>216,805</b>	<b>1,372,398</b>	<b>210,963</b>	<b>196,995</b>	-	<b>1,780,356</b>
Café cost of goods sold	-	56,281	-	-	56,281	-	-	-	56,281
Contract services	1,685	9,675	15,187	5,056	31,603	20,398	5,319	-	57,320
Curriculum	4,256	-	4,201	53	8,510	-	-	-	8,510
Dues & subscriptions	199	1,395	9,246	3,731	14,571	16,003	5,678	-	36,252
Insurance	1,009	5,560	6,947	3,026	16,542	1,955	1,433	-	19,930
Materials & supplies	6,316	22,958	15,359	3,851	48,484	1,123	942	-	50,549
Meals & snacks	8,584	19	23,967	1,918	34,488	-	-	-	34,488
Ministry fund	169	346	604	188	1,307	122	89	-	1,518
Miscellaneous	125	1,478	6,071	180	7,854	329	543	-	8,726
Occupancy	14,932	53,312	28,499	19,925	116,668	8,703	8,703	-	134,074
Office expenses	2,299	15,599	5,332	117	23,347	5,296	2,267	-	30,910
Postage & delivery	-	-	-	-	-	-	4,559	-	4,559
Printing & copying	-	1,816	733	-	2,549	-	8,804	-	11,353
Rewards & incentives	-	-	1,191	-	1,191	-	-	-	1,191
Service charges & fees	2,459	7,592	5,338	2,293	17,682	3,978	575	-	22,235
Special events & trips	6,702	244	4,688	1,256	12,890	-	-	-	12,890
Staff development	6,165	4,373	10,426	1,273	22,237	2,194	1,148	-	25,579
Telephone, cable & internet	484	5,002	2,501	878	8,865	484	484	-	9,833
Transportation costs	18,498	-	39,166	9,979	67,643	-	-	-	67,643
Volunteer & staff appreciation	3,969	3,925	2,701	1,541	12,136	846	450	-	13,432
<b>Total expenses by function</b>	<b>241,355</b>	<b>556,185</b>	<b>807,636</b>	<b>272,070</b>	<b>1,877,246</b>	<b>272,394</b>	<b>237,989</b>	-	<b>2,387,629</b>
Less expenses include with revenues on the statement of activities									
Café cost of good sold	-	(56,281)	-	-	(56,281)	-	-	-	(56,281)
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 241,355</b>	<b>\$ 499,904</b>	<b>\$ 807,636</b>	<b>\$ 272,070</b>	<b>\$ 1,820,965</b>	<b>\$ 272,394</b>	<b>\$ 237,989</b>	<b>\$ -</b>	<b>\$ 2,331,348</b>

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				Total
	After School	Workforce Development Program	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	Cost of Goods Sold	
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
<b>Total salaries and related expenses</b>	<b>245,761</b>	<b>376,138</b>	<b>582,591</b>	<b>172,136</b>	<b>1,376,626</b>	<b>213,170</b>	<b>184,545</b>	<b>-</b>	<b>1,774,341</b>
Café cost of goods sold	-	81,878	-	-	81,878	-	-	-	81,878
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
<b>Total expenses by function</b>	<b>368,436</b>	<b>626,326</b>	<b>806,264</b>	<b>237,496</b>	<b>2,038,522</b>	<b>335,298</b>	<b>238,448</b>	<b>36,195</b>	<b>2,648,463</b>
Less expenses include with revenues on the statement of activities									
Café cost of good sold	-	(81,878)	-	-	(81,878)	-	-	-	(81,878)
Cost of direct benefits to donors	-	-	-	-	-	-	-	(36,195)	(36,195)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 368,436</b>	<b>\$ 544,448</b>	<b>\$ 806,264</b>	<b>\$ 237,496</b>	<b>\$ 1,956,644</b>	<b>\$ 335,298</b>	<b>\$ 238,448</b>	<b>\$ -</b>	<b>\$ 2,530,390</b>

See Notes to Consolidated Financial Statements

**Church Hill Activities & Tutoring, Inc.**

**Consolidated Statements of Cash Flows**  
**Years Ended August 31, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (82,604)	\$ (388,976)
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities</b>		
Depreciation	67,530	73,663
(Gain) loss on sale of property and equipment	1,922	(77,526)
Unrealized (gain) loss on investment securities	434	(439)
Realized loss on sale of investment securities	1,805	728
Donated investments	(231,651)	(208,096)
Proceeds from sale of donated investments	229,700	207,368
<b>Changes in operating assets</b>		
Contributions receivable	464	7,500
Prepaid expenses	31,354	23,441
<b>Changes in operating liabilities</b>		
Accounts payable	(8,094)	(1,884)
Accrued expenses	1,510	(21,907)
Refundable advance	11,156	-
<b>Net cash provided by (used in) operating activities</b>	<u>23,526</u>	<u>(386,128)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(64,134)
Proceeds from sale of property and equipment	-	326,319
Purchase of investments	(3,200)	(71,878)
Sale of investments	146,687	-
Proceeds from sale of investment securities	-	70,000
<b>Net cash provided by investing activities</b>	<u>143,487</u>	<u>260,307</u>
<b>Cash Flows from Financing Activities</b>		
Curtailment of long-term debt	-	(266,582)
<b>Net cash (used in) financing activities</b>	<u>-</u>	<u>(266,582)</u>
<b>Net change in cash and cash equivalents</b>	167,013	(392,403)
Cash and cash equivalents, beginning	<u>935,326</u>	<u>1,327,729</u>
Cash and cash equivalents, ending	<u>\$ 1,102,339</u>	<u>\$ 935,326</u>

(continued)

***Church Hill Activities & Tutoring, Inc.***

**Consolidated Statements of Cash Flows (continued)  
Years Ended August 31, 2020 and 2019**

	2020	2019
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ -	\$ 5,858

*See Notes to Consolidated Financial Statements*

## ***Church Hill Activities & Tutoring, Inc.***

### ***Notes to Consolidated Financial Statements***

***August 31, 2020 and 2019***

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#### ***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, 2020 and 2019.

##### ***Contributions receivable***

Contributions receivable are recorded as received. 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. 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.

***Church Hill Activities & Tutoring, Inc.***  
***Notes to Consolidated Financial Statements***  
***August 31, 2020 and 2019***

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

An allowance for uncollectible contributions receivable is provided based on management's evaluation of potential uncollectible contributions 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 \$5,000 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.

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.

Program fees include income from tuition, school nutrition program reimbursements and miscellaneous program income. Café revenue is recognized when the sale occurs and is net of any sales taxes charged to customers. Revenue is recognized either when the associated performance obligation is satisfied or at a single point in time when ownership, risk and rewards transfer, as in sales of merchandise.

***Church Hill Activities & Tutoring, Inc.***  
***Notes to Consolidated Financial Statements***  
***August 31, 2020 and 2019***

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

***Net assets without donor restrictions***

CHAT reports assets whose use is not restricted by donors as net assets without donor 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.

***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, 2020 and 2019. 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 2017 to 2019 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, 2020 and 2019. 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, 2020 and 2019.

## ***Church Hill Activities & Tutoring, Inc.***

### ***Notes to Consolidated Financial Statements***

***August 31, 2020 and 2019***

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

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:

- 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, 2020 and 2019, CHAT received in-kind contributions from other than individual volunteers in the amount of \$275 and \$1,313, respectively, primarily for instructor support, \$7,585 and \$0, respectively, for meals for students, \$525 and 0, respectively, for fundraising support, \$640 and \$350, respectively, for repairs, office materials and supplies, and \$0 and \$2,073, respectively, for professional fees which have been recognized as revenue and expense in the statement of activities.

#### ***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***

CHAT has adopted Accounting Standards Update No. 2014-09-*Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of CHAT's financial reporting. Analysis of provisions of this standard resulted in no significant changes in the way CHAT recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

## ***Church Hill Activities & Tutoring, Inc.***

### ***Notes to Consolidated Financial Statements***

***August 31, 2020 and 2019***

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

CHAT has adopted Accounting Standards Update No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the CHAT's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way CHAT recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a prospective basis.

#### ***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.

#### ***Note 2. Property and Equipment***

Property and equipment at cost, less accumulated depreciation, as of August 31, 2020 and 2019 on the statements of financial position, include the following major classifications:

	<b>2020</b>	2019
Buildings	<b>\$ 146,406</b>	\$ 146,406
Building improvements	<b>474,928</b>	474,928
Furniture and equipment	<b>137,886</b>	142,156
Land	<b>56,833</b>	56,833
Vehicles	<b>164,889</b>	164,889
	<b>980,942</b>	985,212
Less accumulated depreciation	<b>(334,111)</b>	(268,929)
	<b>\$ 646,831</b>	\$ 716,283

Total depreciation expense for the years ended August 31, 2020 and 2019 is \$67,530 and \$73,663, respectively.

#### ***Note 3. Investments***

Investments at August 31, 2020 and 2019 consist of the following:

	<b>2020</b>	2019
Investments at fair value:		
Brokered certificates of deposit	<b>\$ -</b>	\$ 143,775



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**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.

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 is as follows:

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

**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, 2020 and 2019 totaled \$25,340 and \$24,722, respectively, and is included in occupancy expenses. Total outstanding commitments related to the office lease for the subsequent fiscal years are as follows:

2021	\$ 25,974
2022	17,602
Total	<u>\$ 43,576</u>

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**Note 5. Operating Leases (Continued)**

As of August 31, 2020 and 2019, respectively, CHAT had prepaid \$16,784 and \$42,124 of the above total lease commitment, which is included in prepaid expenses on the consolidated statements of financial position.

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, 2020 and 2019 totaled \$24,000 and \$24,000, respectively, and is included in occupancy expenses. CHAT is currently renting these facilities on a month to-month basis.

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, 2020 and 2019 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:

2021	<u>\$ 6,000</u>
Total	<u>\$ 6,000</u>

CHAT also leases facilities from various individuals and entities which are currently on a month-to-month basis. Rent expense was \$8,205 and \$56,130 for the fiscal years ended August 31, 2020 and 2019, respectively.

**Note 6. Note Payable, Line of Credit**

CHAT has a line of credit in the amount of \$300,000, which is secured by substantially all assets of CHAT. The interest rate at August 31, 2020 was 3.25%. This line of credit is due December 10, 2020 and reviewed annually for renewal. On December 11, 2020, the line of credit was modified to extend the maturity date to March 10, 2021. There were no outstanding balances on the line of credit as of August 31, 2020 and 2019.

**Note 7. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods as of August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
EISTC program	\$ 156,014	\$ 158,808
Retail Establishment program	6,717	81,441
	<u>\$ 162,731</u>	<u>\$ 240,249</u>

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**Note 7. Net Assets With Donor Restrictions (Continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Purpose restriction accomplished:		
EISTC program	\$ 167,677	\$ 177,710
Equipment Capital Outlay program	-	9,610
Work Leadership Institute program	-	61,626
Retail Establishment program	76,724	8,385
Scholarships	-	696
	<u>\$ 244,401</u>	<u>\$ 258,027</u>

**Note 8. 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 9. Economic Dependency**

For the year ended August 31, 2020, approximately 27% of total revenues and other support came from two funding sources.

**Note 10. 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, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,102,339	\$ 935,326
Grants and contributions receivable	1,311	1,775
Investments	-	143,775
Total financial assets	<u>1,103,650</u>	<u>1,080,876</u>
Less financial assets held to meet donor-imposed restrictions for purpose-restricted net assets	<u>(162,731)</u>	<u>(240,249)</u>
Amounts available for general expenditures within one year	<u>\$ 940,919</u>	<u>\$ 840,627</u>

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***Note 10. Liquidity and Availability of Financial Assets (Continued)***

CHAT 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, CHAT maintains a line-of-credit of \$300,000 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 11. Other Matter***

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. COVID-19 and actions to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which CHAT operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. CHAT is adequately capitalized and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to small businesses during the Coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. CHAT applied for the PPP and was given a loan in the amount of \$345,105. Interest in the amount of 1% is due and payable at the time of the SBA’s measurement of possible forgiveness. The loan is to be repaid within two years from date of funding of April 11, 2020.

CHAT has accounted for the proceeds as a financial liability in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this standard, a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the resource provider. Based on the criteria, CHAT has determined that it has substantially met the conditions for loan forgiveness by incurring qualifying expenses of \$333,949 as of June 30, 2020 and as such has recognized contribution income of \$333,949 with the remaining \$11,156 recognized as a refundable advance on the statements of financial position.

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***Note 12. Subsequent Events***

On February 9, 2021, CHAT was formally forgiven by the SBA of \$333,949 of the PPP loan that was funded on April 11, 2020. CHAT was approved for a second PPP loan in the amount of \$345,105, which was funded on February 17, 2021.

Management has evaluated subsequent events through March 4, 2021, the date the financial statements were available for issue.