

CHURCH HILL ACTIVITIES & TUTORING, INC.

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2021 and 2020



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 statement of financial position as of August 31, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Church Hill Activities & Tutoring, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of August 31, 2020 were audited by Mitchell, Wiggins & Company LLP, who was acquired by Brown, Edwards & Company, L.L.P. as of November 1, 2021, and whose report dated March 4, 2021, expressed an unmodified opinion on those statements.

Brown, Edwards & Company, L.L.P.

Petersburg, Virginia
March 30, 2022

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Financial Position
August 31, 2021 and 2020**

Assets	2021	2020
Cash	\$ 1,947,700	\$ 1,102,339
Contributions receivable	1,861	1,311
Prepaid expenses	27,139	36,641
Property and equipment, net	586,591	646,831
Total assets	\$ 2,563,291	\$ 1,787,122
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 62,562	\$ 4,948
Accrued expenses	34,365	30,419
Refundable advances	345,105	11,156
Total liabilities	442,032	46,523
Net Assets		
<i>Without restrictions</i>	1,845,508	1,577,868
<i>With restrictions</i>	275,751	162,731
Total net assets	2,121,259	1,740,599
Total liabilities and net assets	\$ 2,563,291	\$ 1,787,122

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Activities
Year Ended August 31, 2021

	Without Restrictions	With Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,643,052	\$ 359,977	\$ 2,003,029
Program income	59,602	-	59,602
Café sales	22,180	-	22,180
Less cost of goods sold	(29,612)	-	(29,612)
Net café loss	(7,432)	-	(7,432)
Net investment loss	(487)	-	(487)
Gain on disposal of property and equipment	2,825	-	2,825
Employee Retention Credit grant	247,449	-	247,449
Other income	5,591	-	5,591
Total revenue and support	1,950,600	359,977	2,310,577
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	246,957	(246,957)	-
Total revenues, other support and reclassifications	2,197,557	113,020	2,310,577
Functional Expenses			
Program expenses	1,438,464	-	1,438,464
Management and general	264,892	-	264,892
Fundraising	226,561	-	226,561
Total functional expenses	1,929,917	-	1,929,917
Changes in net assets	267,640	113,020	380,660
Net assets, beginning	1,577,868	162,731	1,740,599
Net assets, ending	\$ 1,845,508	\$ 275,751	\$ 2,121,259

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
Revenues and Other Support			
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 income	38,217	-	38,217
Net investment return	1,465	-	1,465
Other income	5,600	-	5,600
Total revenue and support	2,083,783	166,883	2,250,666
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	244,401	(244,401)	-
Total revenues, other support and reclassifications	2,328,184	(77,518)	2,250,666
Functional Expenses			
Program expenses	1,820,965	-	1,820,965
Management and general	274,316	-	274,316
Fundraising	237,989	-	237,989
Total functional expenses	2,333,270	-	2,333,270
Changes in net assets	(5,086)	(77,518)	(82,604)
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 Functional Expenses
Year Ended August 31, 2021

	Program Services					Supporting Services		
	After School	Workforce Development Program	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	Total
Salaries	\$ 149,764	\$ 272,319	\$ 450,282	\$ -	\$ 872,365	\$ 148,691	\$ 146,179	\$ 1,167,235
Employee benefits	18,792	25,142	49,855	-	93,789	23,023	11,565	128,377
Payroll taxes	11,051	12,952	31,674	151	55,828	11,073	11,027	77,928
Total salaries and related expenses	179,607	310,413	531,811	151	1,021,982	182,787	168,771	1,373,540
Café cost of goods sold	-	29,612	-	-	29,612	-	-	29,612
Contract services	2,183	5,490	9,384	-	17,057	24,894	16,107	58,058
Curriculum	1,440	-	6,240	-	7,680	-	-	7,680
Dues & subscriptions	517	5,693	14,003	497	20,710	24,964	7,879	53,553
Insurance	1,649	3,897	5,546	-	11,092	2,248	1,649	14,989
Materials & supplies	9,548	42,421	29,103	-	81,072	2,005	1,430	84,507
Meals & snacks	651	77	2,999	-	3,727	-	-	3,727
Miscellaneous	973	6,597	771	-	8,341	702	671	9,714
Occupancy	4,375	44,321	49,154	6,000	103,850	11,545	11,545	126,940
Office expenses	4,162	7,127	8,010	-	19,299	4,492	4,279	28,070
Postage & delivery	-	40	-	-	40	1	3,364	3,405
Printing & copying	60	293	31	-	384	1,483	6,668	8,535
Rewards & incentives	-	-	267	-	267	-	-	267
Scholarships	-	-	5,000	-	5,000	-	-	5,000
Service charges & fees	3,085	6,407	4,338	45	13,875	5,351	1,007	20,233
Special events & trips	3,245	1,366	6,886	3,933	15,430	-	-	15,430
Staff development	2,060	3,987	8,113	-	14,160	3,051	2,150	19,361
Telephone, cable & internet	-	6,309	2,871	-	9,180	471	471	10,122
Transportation costs	24,747	5,479	47,515	-	77,741	94	-	77,835
Volunteer & staff appreciation	3,377	1,960	2,240	-	7,577	804	570	8,951
Total expenses by function	241,679	481,489	734,282	10,626	1,468,076	264,892	226,561	1,959,529
Less expenses include with revenues on the statement of activities								
Café cost of good sold	-	(29,612)	-	-	(29,612)	-	-	(29,612)
Total expenses included in the expense section on the statement of activities	\$ 241,679	\$ 451,877	\$ 734,282	\$ 10,626	\$ 1,438,464	\$ 264,892	\$ 226,561	\$ 1,929,917

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	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
Total salaries and related expenses	163,504	366,610	625,479	216,805	1,372,398	210,963	196,995	1,780,356
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
Loss on disposal of property and equipment	-	-	-	-	-	1,922	-	1,922
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
Total expenses by function	241,355	556,185	807,636	272,070	1,877,246	274,316	237,989	2,389,551
Less expenses include with revenues on the statement of activities								
Café cost of good sold	-	(56,281)	-	-	(56,281)	-	-	(56,281)
Total expenses included in the expense section on the statement of activities	\$ 241,355	\$ 499,904	\$ 807,636	\$ 272,070	\$ 1,820,965	\$ 274,316	\$ 237,989	\$ 2,333,270

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statements of Cash Flows Years Ended August 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 380,660	\$ (82,604)
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	60,240	67,530
(Gain) loss on sale of property and equipment	(2,825)	1,922
Unrealized loss on investment securities	-	434
Realized loss on sale of investment securities	1,664	1,805
Donated investments	(343,881)	(231,651)
Proceeds from sale of donated investments	342,217	229,700
<i>Changes in operating assets</i>		
Contributions receivable	(550)	464
Prepaid expenses	9,502	31,354
<i>Changes in operating liabilities</i>		
Accounts payable	57,614	(8,094)
Accrued expenses	3,946	1,510
Refundable advances	333,949	11,156
Net cash provided by operating activities	842,536	23,526
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	2,825	-
Purchase of investments	-	(3,200)
Sale of investments	-	146,687
Net cash provided by investing activities	2,825	143,487
Net change in cash and cash equivalents	845,361	167,013
Cash and cash equivalents, beginning	1,102,339	935,326
Cash and cash equivalents, ending	\$ 1,947,700	\$ 1,102,339

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

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, 2021 and 2020.

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

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

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

applicable to the years in which the promises to give are received to discount the amounts. 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.

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.

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.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

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, 2021 and 2020. 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 2018 to 2020 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, 2021 and 2020. 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, 2021 and 2020.

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

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

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

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 year ended August 31, 2020, CHAT received in-kind contributions from other than individual volunteers in the amount of \$275 primarily for instructor support, \$7,585 for meals for students, \$525 for fundraising support, and \$640 for repairs, office materials and supplies 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.

Note 2. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of August 31, 2021 and 2020 on the statements of financial position, include the following major classifications:

	2021	2020
Buildings	\$ 146,406	\$ 146,406
Building improvements	474,928	474,928
Furniture and equipment	137,886	137,886
Land	56,833	56,833
Vehicles	154,487	164,889
	970,540	980,942
Less accumulated depreciation	(383,949)	(334,111)
	\$ 586,591	\$ 646,831

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2021 and 2020

Note 2. Property and Equipment (Continued)

Total depreciation expense for the years ended August 31, 2021 and 2020 is \$60,240 and \$67,530, respectively.

Note 3. 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. CHAT vacated the cafe premises in September 2020 and on December 11, 2020, CHAT entered into a forbearance agreement whereby the landlord agreed to forbear from exercising its default rights and remedies under the lease with the intention that CHAT would return to the premises on June 1, 2021 to operate the cafe facilities. There was no rent due from September 2020 through May 2021. On June 1, 2021 CHAT entered into a second amendment and lease agreement to lease the facilities through April 30, 2022 with the option to renew the lease for an additional 18 month term and subsequent 24 month term.

Total rental expense for the cafe facility lease for the years ended August 31, 2021 and 2020 totaled \$5,767 and \$25,340, respectively, and is included in occupancy expenses. Total outstanding commitment related to the office lease for the subsequent fiscal year is as follows:

2022	\$ 17,602
Total	<u>\$ 17,602</u>

As of August 31, 2021 and 2020, respectively, CHAT had prepaid \$10,591 and \$16,784 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 expired on July 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2021 and 2020 totaled \$24,000 and is included in occupancy expenses. CHAT is currently renting these facilities on a month to-month basis for \$2,000 per month.

CHAT also entered into a long-term lease with a commencement date of September 1, 2016 that expired December 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2021 and 2020 totaled \$6,000 and \$18,000, respectively, and is included in occupancy expenses.

CHAT also leases facilities from various individuals and entities which are currently on a month-to-month basis. Rent expense was \$15,045 and \$8,205 for the fiscal years ended August 31, 2021 and 2020, respectively.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2021 and 2020

Note 4. Note Payable, Line of Credit

CHAT has a line of credit in the amount of \$500,000, which is secured by substantially all assets of CHAT. The interest rate at August 31, 2021 was 3.25%. This line of credit is due April 27, 2022. There were no outstanding balances on the line of credit as of August 31, 2021 and 2020.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
EISTC program	\$ 273,930	\$ 156,014
Retail Establishment program	1,821	6,717
	<u>\$ 275,751</u>	<u>\$ 162,731</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Purpose restriction accomplished:		
EISTC program	\$ 244,957	\$ 167,677
Retail Establishment program	2,000	76,724
	<u>\$ 246,957</u>	<u>\$ 244,401</u>

Note 6. 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.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2021 and 2020

Note 7. 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, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,947,700	\$ 1,102,339
Grants and contributions receivable	1,861	1,311
Total financial assets	<u>1,949,561</u>	<u>1,103,650</u>
Less financial assets held to meet donor-imposed restrictions for purpose-restricted net assets	<u>(275,751)</u>	<u>(162,731)</u>
Amounts available for general expenditures within one year	<u>\$ 1,673,810</u>	<u>\$ 940,919</u>

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 \$500,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 4 for further description of this line.

Note 8. 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 first draw of the PPP and was given a loan in the amount of \$345,105. Interest in the amount of 1% is

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Note 8. Other Matter (Continued)

due and payable at the time of the SBA's measurement of possible forgiveness. As of August 31, 2021, CHAT had determined that they had substantially met the conditions for loan forgiveness by incurring qualifying expenses of \$333,949 and as such recognized grant income of \$333,949. The first draw was forgiven by the SBA on February 9, 2021 in the amount of \$333,949 and CHAT repaid the \$11,156 that was recorded as a refundable advance as of August 31, 2020.

CHAT applied for a second draw of the PPP and received a loan in amount of \$345,105. 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. 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 the date of funding of February 17, 2021. As of August 31, 2021, CHAT has classified the \$345,105 as a refundable advance.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted. This legislation among other things, revised the employee retention credit (ERC), which is a refundable credit against certain employment taxes of up to \$7,000 per employee per calendar quarter from January 1, 2021 through December 31, 2021. Also, the legislation allowed those that received a PPP loan to be eligible to retroactively claim a refundable credit against certain employment taxes of up to \$5,000 per employee from March 13, 2020 to December 31, 2020. CHAT qualified for and received \$247,449 of ERC grant income for the year ended August 31, 2021.

Note 9. Subsequent Events

Management has evaluated subsequent events through March 30, 2022, the date the financial statements were available for issue.