

Richmond Public Schools Education Foundation, Inc.

Financial Statements

June 30, 2022 and 2021



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RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Richmond Public Schools Education Foundation, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Richmond Public Schools Education Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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



February 23, 2023
Glen Allen, Virginia

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Financial Position
June 30, 2022 and 2021

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash and cash equivalents		\$ 1,280,493	\$ 613,062
Grants receivable		<u>119,161</u>	<u>53,511</u>
Total assets		<u>\$ 1,399,654</u>	<u>\$ 666,573</u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable		<u>\$ 14,112</u>	<u>\$ 2,349</u>
Net assets:			
Without donor restrictions		223,708	264,714
With donor restrictions		<u>1,161,834</u>	<u>399,510</u>
Total net assets		<u>1,385,542</u>	<u>664,224</u>
Total liabilities and net assets		<u>\$ 1,399,654</u>	<u>\$ 666,573</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 144,958	\$ 1,024,305	\$ 1,169,263
Program revenue	-	235	235
In-kind contributions	9,803	-	9,803
Total revenues and support	154,761	1,024,540	1,179,301
Net assets released from restrictions	262,216	(262,216)	-
Expenses:			
Program services	260,372	-	260,372
General and administrative	101,491	-	101,491
Fundraising	96,120	-	96,120
Total expenses	457,983	-	457,983
Change in net assets	(41,006)	762,324	721,318
Net assets, beginning of year	264,714	399,510	664,224
Net assets, end of year	\$ 223,708	\$ 1,161,834	\$ 1,385,542

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Activities, Continued
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 130,271	\$ 445,794	\$ 576,065
Program revenue	-	1,256	1,256
In-kind contributions	184,779	-	184,779
Forgiveness of Paycheck Protection Program loan	104,386	-	104,386
Total revenues and support	419,436	447,050	866,486
Net assets released from restrictions	821,094	(821,094)	-
Expenses:			
Program services	780,555	-	780,555
General and administrative	147,635	-	147,635
Fundraising	107,808	-	107,808
Total expenses	1,035,998	-	1,035,998
Change in net assets	204,532	(374,044)	(169,512)
Net assets, beginning of year	60,182	773,554	833,736
Net assets, end of year	\$ 264,714	\$ 399,510	\$ 664,224

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Functional Expenses
Year Ended June 30, 2022

	Program Services					Supporting Services		
	RVA Future Centers	Scholarships for Graduating Seniors	COVID-19	Direct School Support	Total	General and Administrative	Fundraising	Total
Athletics	\$ -	\$ -	\$ -	\$ 738	\$ 738	\$ -	\$ -	\$ 738
Educational programming, supplies, and equipment	119	-	1,149	220,026	221,294	-	-	221,294
Employee benefits	-	561	-	-	561	1,121	1,121	2,803
Fees	-	112	-	-	112	308	225	645
In-kind expense	-	-	-	1,961	1,961	3,921	3,921	9,803
Insurance	-	-	-	-	-	2,595	-	2,595
Meeting expense	-	-	-	-	-	193	-	193
Office expense	-	-	-	-	-	1,570	-	1,570
Professional development and training	-	-	-	-	-	5,423	-	5,423
Professional services	-	-	-	-	-	37,563	40,000	77,563
Salaries, benefits, and payroll taxes	-	23,754	-	-	23,754	47,508	47,508	118,770
Scholarships and awards	-	11,952	-	-	11,952	-	-	11,952
Technology	-	-	-	-	-	1,289	3,345	4,634
	<u>\$ 119</u>	<u>\$ 36,379</u>	<u>\$ 1,149</u>	<u>\$ 222,725</u>	<u>\$ 260,372</u>	<u>\$ 101,491</u>	<u>\$ 96,120</u>	<u>\$ 457,983</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Functional Expenses, Continued
Year Ended June 30, 2021

	Program Services						Supporting Services			
	Tech-Connect	RVA Future Centers	Scholarships for Graduating Seniors	COVID-19	Programs-Other	Direct School Support	Total	General and Administrative	Fundraising	Total
College tours	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
Educational programming, supplies and equipment	30,991	177,321	-	176,800	-	131,417	516,529	-	-	516,529
Employee benefits	231	4,519	231	231	231	-	5,443	2,314	2,314	10,071
Fees	16	16	16	16	16	-	80	238	158	476
In-kind expense	462	8,691	462	462	462	165,000	175,539	4,620	4,620	184,779
Insurance	-	-	-	-	-	-	-	2,595	-	2,595
Mileage	-	16	-	-	-	-	16	-	-	16
Office expense	-	2,114	-	-	-	-	2,114	67	-	2,181
Professional development and training	60	60	60	60	60	-	300	2,075	2,075	4,450
Professional services	12	252	12	12	12	-	300	70,920	33,616	104,836
Salaries, benefits, and payroll taxes	6,010	28,594	6,010	6,010	6,010	-	52,634	60,100	60,100	172,834
Scholarships and awards	-	-	25,100	-	-	-	25,100	-	-	25,100
Technology	-	-	-	-	-	-	-	4,706	4,925	9,631
	<u>\$ 37,782</u>	<u>\$ 224,083</u>	<u>\$ 31,891</u>	<u>\$ 183,591</u>	<u>\$ 6,791</u>	<u>\$ 296,417</u>	<u>\$ 780,555</u>	<u>\$ 147,635</u>	<u>\$ 107,808</u>	<u>\$ 1,035,998</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 721,318	\$ (169,512)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(104,386)
Changes in assets and liabilities:		
Grant receivable	(65,650)	120,607
Accounts payable	<u>11,763</u>	<u>(55,152)</u>
Net cash provided by (used in) operating activities	<u>667,431</u>	<u>(208,443)</u>
Net change in cash and cash equivalents	667,431	(208,443)
Cash and cash equivalents, beginning of year	<u>613,062</u>	<u>821,505</u>
Cash and cash equivalents, end of year	<u>\$ 1,280,493</u>	<u>\$ 613,062</u>

See accompanying notes to financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Description of Organization: Richmond Public Schools Education Foundation, Inc. (the "Foundation") was established in 2001 as a 501(c)(3) tax exempt organization that partners with Richmond Public Schools and the School Board to solicit public and private funding for the purpose of enhancing the educational experience for all Richmond Public Schools ("RPS") students. Effective August 12, 2010, the Foundation became a 509(a)(1) public charity. The funds are used to support specific programs to include academic enrichment, professional development for teachers, student scholarships, and college and career achievement for high school students. The Foundation is focused on ensuring that all students have the opportunity for success in school and life.

In addition to granting funds to Richmond Public Schools, the Foundation had three major programs; TechConnect, RVA Future Centers, and Scholarships for Graduating Seniors. TechConnect hosts three ten-week after school sessions working with students in several areas of technology to prepare students to engage in a digital society. Each participant who completes the program receives a free laptop for home use. RVA Future Centers connected students with staff that assist with planning for after high school including exploring opportunities for college and careers. RVA Future Centers provided assistance for students in completing complex forms related to scholarships, financial aid, applications, resumes and more. Future Center staff also coordinate visits from college recruiters to the high schools, take students to visit college campuses, and create pipelines for students to directly enter the workforce after high school. Scholarships for Graduating Seniors partners with corporations and individuals to establish scholarships that are awarded to graduating seniors and offers students the opportunity to apply for multiple scholarships through one application.

As part of its ongoing strategic effort to ensure that the Foundation's activities are best aligned with the RPS Strategic Plan, the Foundation decided during fiscal year 2021 to no longer operate programs of its own. During fiscal year 2021, the Foundation worked with RPS to transfer all of the RVA Future operations and staff to RPS, along with transferring remaining cash balances restricted to the program (see Note 2). This process was officially completed on August 21st, 2020 with all five of the RVA Future staff becoming RPS employees to continue the program as part of the Richmond Public School District.

The Foundation also decided to terminate the TechConnect program in January 2021. As of June 30, 2021, the only program in operation by the Foundation was the Scholarship for Graduating Seniors program.

Basis of Accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets: The financial statements are presented in accordance with the Financial Accounting Standards Board (“FASB”) guidance, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Foundation. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within net assets without donor restriction. There were no Board-designated assets for 2022 or 2021.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions may be perpetual in nature, whereby the donor stipulates that they may be maintained permanently by the Foundation to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. The Foundation has no net assets with perpetual donor restrictions.

Cash and Cash Equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable: Unconditional promises to give that are expected to be collected in future years are recorded at the present value of future cash flows. Amortization of the discount is included in contribution revenue. The Foundation determines an allowance based on prior years’ experience and management’s analysis of specific grants. There was no allowance for doubtful grants as of June 30, 2022 and 2021. All grants are expected to be collected within one year of the financial statement date.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and grants receivable. The Foundation maintains its cash balances in financial institutions with balances that periodically exceed the federally insured limits. For the year ended June 30, 2022, two donors accounted for 84% of grants receivable and two donors amounted to 31% of total revenues and support. For the year ended June 30, 2021, three donors accounted for 87% of grants receivable and three donors amounted to 46% of total revenues and support.

Support and Revenue Recognition: The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Expenditures are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Donated Services: In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which aims to increase transparency of contributed nonfinancial assets, commonly known as gifts in kind, through enhancements to presentation and disclosures. The ASU requires contributions of nonfinancial assets, including both goods and services, to be presented as a separate line item on the statement of activities. The disclosure requirements also include a disaggregation of contributed nonfinancial assets by category and, for each category, information regarding the valuation methodology and whether the contributed nonfinancial assets were either monetized or used during the reporting period. The Foundation has adopted this ASU using the retrospective approach as of July 1, 2020. In-kind contributions are separately stated on the statements of activities for the years ended June 30, 2022 and 2021.

The Foundation received in-kind contributions of office space and telephone services during the year ended June 30, 2022. The Foundation received in-kind contributions of educational supplies, office space and telephone services during the year ended June 30, 2021. Such contributions are recorded at the estimated fair market value of the services. In-kind contributions with a value of \$9,803 and \$184,779 were received in the years ended June 30, 2022 and 2021, respectively.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated amongst various functional areas. Costs related to personnel are allocated amongst functions based upon the percent of time each employee spends performing each function as defined by their position. All other non-grant costs have been allocated among program, general administration, and fundraising on the basis of the activity benefited based on management's estimates.

Income Taxes: The Foundation is a public charity organization exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code ("IRC").

Income Tax Uncertainties: The Foundation follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Foundation is not currently under audit by any tax jurisdiction.

Subsequent Events: Management has evaluated subsequent events through February 23, 2023, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

2. Net Assets With Donor Restrictions:

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

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Fiscal Sponsorship	\$ 24,800	\$ 50,418
Partnered programs	798,075	248,307
RVA Future	102	642
Scholarships	294,613	58,555
Other programs	<u>44,244</u>	<u>41,588</u>
	<u>\$ 1,161,834</u>	<u>\$ 399,510</u>

Net assets with donor restrictions were released to expenses to satisfy the following restricted purposes:

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Fiscal Sponsorship	\$ 51,651	\$ 80
TechConnect	-	38,534
Partnered programs	190,966	397,315
RVA Future	119	227,753
Scholarships	17,480	25,100
Other programs	<u>2,000</u>	<u>132,312</u>
	<u>\$ 262,216</u>	<u>\$ 821,094</u>

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

2. Net Assets With Donor Restrictions, Continued:

During 2022 and 2021 the Foundation received donor permission to release the restriction on previously donated funds to allow the Foundation to better serve the Richmond Public Schools students. The following funds are included above within releases from net assets with donor restrictions during 2022 and 2021 were as follows:

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Fiscal Sponsorship	\$ 6,561	\$ 80
TechConnect	-	7,544
Partnered programs	-	75,101
RVA Future	-	18,691
Other programs	<u>1,275</u>	<u>52,498</u>
	<u>\$ 7,836</u>	<u>\$ 153,914</u>

3. Liquidity and Availability on Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,280,493	\$ 613,062
Grants receivable	<u>119,161</u>	<u>53,511</u>
	1,399,654	666,573
Net assets with donor restrictions	<u>1,161,834</u>	<u>399,510</u>
Financial assets available within one year for general expenditure	<u>\$ 237,820</u>	<u>\$ 267,063</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

RICHMOND PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

Notes to Financial Statements, Continued

4. Paycheck Protection Program Loan:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

The Foundation applied for and was approved for a PPP Loan in the amount of \$104,386. The loan was funded on May 6, 2020. The loan accrued interest at 1.0%, but payments were not required to begin for 10 months after the funding of the PPP Loan. The Foundation was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The PPP Loan was uncollateralized and was fully guaranteed by the Federal government. The Foundation received forgiveness of the full loan amount in February 2021 and recognized the loan forgiveness as revenue during 2021 on the accompanying statements of activities.

5. New Accounting Guidance:

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. This change is effective starting with years beginning after December 15, 2021. The Foundation has no leases, therefore, pronouncement will have no effect on its financial statements, unless the Foundation enters into a lease agreement with a term exceeding 12 months.

Credit Losses: The FASB issued new guidance over credit losses, which replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The new standard will become effective for not-for-profit entities for fiscal years beginning after December 15, 2022, with early adoption permitted. The Foundation is currently evaluating the reporting and economic implications of the new standard.