



Church Hill Activities & Tutoring, Inc.

Consolidated Financial Statements

August 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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
January 15, 2019

Church Hill Activities & Tutoring, Inc.

***Consolidated Statements of Financial Position
August 31, 2018 and 2017***

Assets	2018	2017
Cash	\$ 1,327,729	\$ 809,466
Grants and contributions receivable	9,275	171,250
Prepaid expenses	91,436	107,275
Investments	141,458	139,992
Property and equipment, net	974,605	1,010,184
Total assets	\$ 2,544,503	\$ 2,238,167
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 14,926	\$ 52,073
Accrued expenses	50,816	48,842
Long-term notes payable	266,582	275,386
Total liabilities	332,324	376,301
Net Assets		
Unrestricted	1,823,218	1,452,097
Temporarily restricted	388,961	409,769
Total net assets	2,212,179	1,861,866
Total liabilities and net assets	\$ 2,544,503	\$ 2,238,167

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

***Consolidated Statement of Activities
Year Ended August 31, 2018***

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Contributions	\$ 2,278,144	\$ 320,159	\$ 2,598,303
Program income	95,956	-	95,956
Café sales (net of expenses \$80,220)	68,812	-	68,812
Special events (net of expenses \$33,186)	39,629	-	39,629
Investment return	3,095	-	3,095
Other revenue	6,934	-	6,934
Total revenue and support	2,492,570	320,159	2,812,729
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	340,967	(340,967)	-
Total revenues, other support and reclassifications	2,833,537	(20,808)	2,812,729
Expenses			
Program expenses	1,947,044	-	1,947,044
Management and general	253,129	-	253,129
Fundraising	262,243	-	262,243
Total expenses	2,462,416	-	2,462,416
Changes in net assets	371,121	(20,808)	350,313
Net assets, beginning	1,452,097	409,769	1,861,866
Net assets, ending	\$ 1,823,218	\$ 388,961	\$ 2,212,179

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Activities Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Contributions	\$ 1,799,332	\$ 651,240	\$ 2,450,572
Program income	67,561	-	67,561
Special events (net of expenses \$23,015)	74,797	-	74,797
Investment loss	(100)	-	(100)
Gain on sale of property and equipment	1,466	-	1,466
Other revenue	7,921	-	7,921
Total revenue and support	1,950,977	651,240	2,602,217
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	616,890	(616,890)	-
Total revenues, other support and reclassifications	2,567,867	34,350	2,602,217
Expenses and Losses			
Program expenses	1,692,739	-	1,692,739
Management and general	280,102	-	280,102
Fundraising	190,436	-	190,436
Total expenses and losses	2,163,277	-	2,163,277
Changes in net assets	404,590	34,350	438,940
Net assets, beginning	1,047,507	375,419	1,422,926
Net assets, ending	\$ 1,452,097	\$ 409,769	\$ 1,861,866

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows
Years Ended August 31, 2018 and 2017**

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	\$ 350,313	\$ 438,940
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	71,731	59,884
Donated property and equipment	(650)	(171,800)
(Gain) on sale of property and equipment	-	(1,466)
Unrealized (gain) loss on investment securities	(49)	54
(Gain) loss on sale of investment securities	(1,212)	180
Donated investments	(503,327)	(103,696)
Proceeds from sale of donated investments	504,539	103,516
<i>Changes in operating assets</i>		
Grants and contributions receivable	161,975	149,350
Prepaid expenses	15,839	(95,237)
<i>Changes in operating liabilities</i>		
Accounts payable	(37,147)	11,030
Accrued expenses	1,974	12,461
Net cash provided by operating activities	563,986	403,216
Cash Flows from Investing Activities		
Purchase of property and equipment	(35,501)	(174,251)
Proceeds from sale of property and equipment	-	184,449
Purchase of investment securities	(141,418)	(140,046)
Proceeds from sale of investment securities	140,000	-
Net cash (used in) investing activities	(36,919)	(129,848)
Cash Flows from Financing Activities		
Net repayment on note payable, short-term	-	(154,338)
Curtailment of long-term debt	(8,804)	(8,546)
Proceeds from issuance of long-term debt	-	146,348
Net cash (used in) financing activities	(8,804)	(16,536)
Net change in cash and cash equivalents	518,263	256,832
Cash and cash equivalents, beginning	809,466	552,634
Cash and cash equivalents, ending	1,327,729	809,466

(continued)

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows (continued)
Years Ended August 31, 2018 and 2017**

	2018	2017
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	12,382	10,039
Supplemental Schedule of Noncash Investing and Financing Activities		
<i>Acquisition of property and equipment</i>		
Purchase price	\$ 35,501	\$ 207,445
Increase in accounts payable	-	(33,194)
Cash paid to acquire property and equipment	\$ 35,501	\$ 174,251
<i>Proceeds from issuance of long-term debt</i>		
Debt incurred	-	\$ 277,500
Debt refinanced	-	(131,152)
Cash proceeds from issuance of long-term debt	\$ -	\$ 146,348

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

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

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

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2017**

	Program Services				Program Services Total	Supporting Services		
	After School	Work Leadership Institute	Academy	Tiny Tikes		Management & General	Fundraising	Total
Salaries & wages	\$ 264,326	\$ 112,059	\$ 455,064	\$ 127,478	\$ 958,927	\$ 154,880	\$ 132,822	\$ 1,246,629
Employee benefits	22,897	9,707	39,419	11,042	83,065	13,416	11,504	107,985
Payroll taxes	18,688	7,923	32,175	9,013	67,799	10,951	9,391	88,141
Total salaries and related expenses	305,911	129,689	526,658	147,533	1,109,791	179,247	153,717	1,442,755
Contract services	166	2,372	10,000	-	12,538	9,610	-	22,148
Contributions	-	-	-	-	-	-	-	-
Curriculum	3,100	-	5,269	246	8,615	-	-	8,615
Dues & subscriptions	2,273	749	3,330	1,509	7,861	9,520	8,996	26,377
Insurance	3,682	2,248	5,062	1,421	12,413	2,065	-	14,478
Materials & supplies	30,012	20,500	6,748	3,446	60,706	6,224	3,693	70,623
Meals & snacks	15,847	1,053	23,908	153	40,961	229	-	41,190
Ministry fund	169	41	190	-	400	494	1,001	1,895
Miscellaneous	59	-	150	-	209	1,507	-	1,716
Occupancy	42,196	27,983	25,008	18,791	113,978	37,982	7,358	159,318
Office expenses	6,268	2,607	2,909	988	12,772	7,072	24	19,868
Postage & delivery	-	-	47	-	47	3,159	47	3,253
Printing & copying	-	300	143	16	459	1,341	7,916	9,716
Program stipends	12,235	15,356	-	-	27,591	130	-	27,721
Rewards & incentives	2,499	89	3,898	-	6,486	110	-	6,596
Scholarships	-	-	38,358	-	38,358	-	-	38,358
Service charges & fees	5,436	684	141	994	7,255	9,912	-	17,167
Special events & trips	11,715	1,324	2,152	1,118	16,309	629	207	17,145
Staff development	5,163	2,037	7,093	2,211	16,504	9,033	7,477	33,014
Support for Sarah Garland Jones Center	-	100,000	-	-	100,000	-	-	100,000
Telephone, cable & internet	1,724	1,229	1,963	869	5,785	1,838	-	7,623
Transportation costs	35,606	5,038	20,207	10,079	70,930	-	-	70,930
Volunteer & staff appreciation	15,455	500	3,439	3,377	22,771	-	-	22,771
Total expenses	\$ 499,516	\$ 313,799	\$ 686,673	\$ 192,751	\$ 1,692,739	\$ 280,102	\$ 190,436	\$ 2,163,277

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2018 and 2017

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, 2018 and 2017.

Grants receivable

Grants receivable are recorded as received. Grants receivable due in the next year are reflected as current contributions and grants receivable and are recorded at their net realizable value. Grants receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received to discount the amounts. An allowance for uncollectible grants receivable is provided based on management's evaluation of potential uncollectible grants receivable at year end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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

Property and equipment

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

Investments

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

Revenue recognition

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

CHAT reports grants and contributions in the temporarily restricted net asset 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, temporarily restricted net assets are released and reclassified to unrestricted net assets 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 unrestricted net assets. Interest is recorded when earned.

Unrestricted net assets

CHAT reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of CHAT may be used at the discretion of CHAT's management and Board of Directors to support CHAT's purpose and operations.

Temporarily restricted net assets

CHAT reports gifts of cash and other assets as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. CHAT had no permanently restricted net assets as of August 31, 2018 and 2017.

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, 2018 and 2017. 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 2015 to 2017 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, 2018 and 2017. 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, 2018 and 2017.

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

In-kind contributions/expenses

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

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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

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

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

For the years ended August 31, 2018 and 2017, CHAT received in-kind contributions from other than individual volunteers in the amount of \$1,313 and \$6,510, respectively, primarily for instructor support, \$13,439 and \$9,518, respectively, for repairs, office materials and supplies, and \$12,420 and \$0, respectively, for professional fees which have been recognized as revenue and expense in the statement of activities. Also, CHAT received in 2018 and 2017 various property and equipment valued at \$650 and \$171,800, respectively, which have been capitalized as property and equipment.

Note 2. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of August 31, 2018 and 2017 on the statements of financial position, include the following major classifications:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 369,015	\$ 369,015
Building improvements	538,777	378,849
Furniture and equipment	143,187	52,972
Furniture and equipment not in service	-	23,724
Land	97,983	97,983
Leasehold improvements not in service	-	193,391
Vehicles	143,170	140,030
	<u>1,292,132</u>	<u>1,255,964</u>
Less accumulated depreciation	<u>(317,527)</u>	<u>(245,780)</u>
	<u>\$ 974,605</u>	<u>\$ 1,010,184</u>

Total depreciation expense for the years ended August 31, 2018 and 2017 is \$71,731 and \$59,884, respectively.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

Note 3. Investments

Investments at August 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Investments at fair value:		
Brokered certificates of deposit	\$ 141,458	\$ 139,992

The following schedule summarizes the investment return (loss) and its classification in the statements of activities for the years ended:

	<u>August 31, 2018</u>		
	Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest income	\$ 1,834	\$ -	\$ 1,834
Realized gains	1,212	-	1,212
Net unrealized gains	49	-	49
Total investment return	\$ 3,095	\$ -	\$ 3,095

	<u>August 31, 2017</u>		
	Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Investment income	\$ 134	\$ -	\$ 134
Realized losses	(180)	-	(180)
Net unrealized losses	(54)	-	(54)
Total investment loss	\$ (100)	\$ -	\$ (100)

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.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2018 and 2017

Note 4. Fair Value Measurements (Continued)

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, 2018 and 2017 is as follows:

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

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>August 31</u>			
	<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Brokered Certificates of Deposit	<u>\$ 139,992</u>	<u>\$ -</u>	<u>\$ 139,992</u>	<u>\$ -</u>

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, 2018 and 2017 totaled \$24,119 and \$9,035, respectively, and is included in occupancy expenses. Total outstanding commitments related to the office lease for the subsequent fiscal years are as follows:

2019	\$ 24,722
2020	25,340
2021	25,974
2022	17,602
Total	<u>\$ 93,638</u>

As of August 31, 2018 and 2017, respectively, CHAT had prepaid \$66,846 and \$90,965 of the above total lease commitment, which is included in prepaid expenses on the consolidated statements of financial position.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2018 and 2017

Note 5. Operating Leases (Continued)

CHAT entered into a long-term lease with a commencement date of August 1, 2018 that is set to expire July 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2018 and 2017 totaled \$21,250 and \$21,000, respectively, and is included in occupancy expenses. Total outstanding commitments related to the leased facilities for the subsequent fiscal years are as follows:

2019	\$ 24,000
2020	<u>22,000</u>
Total	<u>\$ 46,000</u>

CHAT also entered into a long-term lease with a commencement date of September 1, 2016 that is set to expire December 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the years ended August 31, 2018 and 2017 totaled \$18,000 and \$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:

2019	\$ 18,000
2020	18,000
2021	<u>6,000</u>
Total	<u>\$ 42,000</u>

CHAT also leases facilities from individuals which are currently on a month-to-month basis. Rent expense was \$30,644 and \$12,528 for the fiscal years ended August 31, 2018 and 2017, respectively. Rent expense included amounts paid to the Founder & former CEO who is a related party. Rent paid to the related party was \$0 and \$12,190 for the fiscal years ended August 31, 2018 and 2017, respectively.

Note 6. Long-Term Notes Payable

Long-term notes payable consist of the following:

	<u>2018</u>	<u>2017</u>
First Tennessee Bank National Association:		
4.50%, due in monthly installments		
of \$1,766 including interest, due		
May 2027, secured by real estate	<u>266,582</u>	<u>275,386</u>
	<u>\$ 266,582</u>	<u>\$ 275,386</u>

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Note 6. Long-Term Notes Payable (Continued)

As of August 31, 2018, the aggregate maturities of long-term debt by year are as follows:

2019	\$	9,391
2020		9,822
2021		10,273
2022		10,746
2023		11,239
Later years		215,111
	\$	<u>266,582</u>

Interest expense for the years ending August 31, 2018 and 2017 was \$12,382 and \$9,276, respectively.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Church Hill Academy Accreditation	\$ -	3,891
EISTC program	328,703	111,175
Equipment Capital Outlay program	-	4,426
Work Leadership Institute program	-	20,086
Retail Establishment program	59,562	195,229
Scholarships	696	74,962
	\$ 388,961	\$ 409,769

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Purpose restriction accomplished:		
Building campaign	\$ -	\$ 2,819
Church Hill Academy Accreditation	3,891	6,109
EISTC program	155,951	164,210
Equipment Capital Outlay program	4,426	93,344
Work Leadership Institute program	20,086	53,910
Retail Establishment program	138,597	273,836
Scholarships	18,016	22,662
	\$ 340,967	\$ 616,890

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Note 8. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 9. Economic Dependency

For the years ended August 31, 2018 and 2017, 97% and 100% of grants and contributions receivable, or \$9,000 and \$171,250, respectively, represent amounts due from one funding source and two funding sources, respectively.

Note 10. Retirement Plan

CHAT has a defined contribution plan under Internal Revenue Code (IRC) Section 403(b) covering certain employees. The plan allows for elective employee deferrals. There have been no employer contributions for the years ended August 31, 2018 and 2017, respectively.

Note 11. Subsequent Events

Management has evaluated subsequent events through January 15, 2019, the date the financial statements were available for issue.