



Church Hill Activities & Tutoring, Inc.

Consolidated Financial Statements

August 31, 2017 and 2016

Church Hill Activities & Tutoring, Inc.

Table of Contents

	<i>Page</i>
<i>Independent Auditor's Report</i>	1 - 2
<i>Consolidated Financial Statements</i>	
<i>Consolidated statements of financial position</i>	3
<i>Consolidated statement of activities - August 31, 2017</i>	4
<i>Consolidated statement of activities - August 31, 2016</i>	5
<i>Consolidated statements of cash flows</i>	6 - 7
<i>Consolidated statement of functional expenses - August 31, 2017</i>	8
<i>Consolidated statement of functional expenses - August 31, 2016</i>	9
<i>Notes to consolidated financial statements</i>	10 - 18

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements (collectively, the “financial statements”) of Church Hill Activities & Tutoring, Inc. (“CHAT”), which comprise the consolidated statement of financial position as of August 31, 2017 and 2016, 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 these 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mitchell Wiggins

Petersburg, Virginia
February 27, 2018

Church Hill Activities & Tutoring, Inc.

***Consolidated Statements of Financial Position
August 31, 2017 and 2016***

Assets	2017	2016
Cash	\$ 809,466	\$ 552,634
Grants and contributions receivable	171,250	320,600
Prepaid expenses	107,275	12,038
Investments	139,992	-
Property and equipment, net	1,010,184	873,806
Total assets	\$ 2,238,167	\$ 1,759,078
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 52,073	\$ 7,849
Accrued expenses	48,842	36,381
Revolving line of credit	-	154,338
Long-term notes payable	275,386	137,584
Total liabilities	376,301	336,152
Net Assets		
Unrestricted	1,452,097	1,047,507
Temporarily restricted	409,769	375,419
Total net assets	1,861,866	1,422,926
Total liabilities and net assets	\$ 2,238,167	\$ 1,759,078

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			
Program expenses	1,692,739	-	1,692,739
Management and general	280,102	-	280,102
Fundraising	190,436	-	190,436
Total expenses	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 Statement of Activities Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Contributions	\$ 1,654,969	\$ 220,878	\$ 1,875,847
Program income	68,879	-	68,879
Special events (net of expenses \$25,404)	48,669	-	48,669
Investment return	599	-	599
Other revenue	11,399	-	11,399
Total revenue and support	<u>1,784,515</u>	<u>220,878</u>	<u>2,005,393</u>
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	389,296	(389,296)	-
Total revenues, other support and reclassifications	<u>2,173,811</u>	<u>(168,418)</u>	<u>2,005,393</u>
Expenses and Losses			
Program expenses	1,448,778	-	1,448,778
Management and general	287,658	-	287,658
Fundraising	173,007	-	173,007
Total expenses and losses	<u>1,909,443</u>	<u>-</u>	<u>1,909,443</u>
Changes in net assets	264,368	(168,418)	95,950
Net assets, beginning	<u>783,139</u>	<u>543,837</u>	<u>1,326,976</u>
Net assets, ending	<u>\$ 1,047,507</u>	<u>\$ 375,419</u>	<u>\$ 1,422,926</u>

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows
Years Ended August 31, 2017 and 2016**

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	\$ 438,940	\$ 95,950
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	59,884	51,349
Donated property and equipment	(171,800)	(19,002)
(Gain) on sale of property and equipment	(1,466)	-
Unrealized loss on investment securities	54	-
(Gain) loss on sale of investment securities	180	(430)
Donated investments	(103,696)	(202,321)
Proceeds from sale of donated investments	103,516	202,751
<i>Changes in operating assets</i>		
Grants receivable	149,350	33,994
Other assets	(95,237)	(5,261)
<i>Changes in operating liabilities</i>		
Accounts payable	11,030	(30,182)
Accrued expenses	12,461	1,582
Net cash provided by operating activities	403,216	128,430
Cash Flows from Investing Activities		
Purchase of property and equipment	(174,251)	(125,892)
Proceeds from sale of property and equipment	184,449	-
Purchase of investment securities	(140,046)	-
Net cash (used in) investing activities	(129,848)	(125,892)
Cash Flows from Financing Activities		
Net advances (repayment) on note payable, short-term	(154,338)	154,338
Curtailement of long-term debt	(8,546)	(9,235)
Proceeds from issuance of long-term debt	146,348	-
Net cash provided by (used in) financing activities	(16,536)	145,103
Net change in cash and cash equivalents	256,832	147,641
Cash and cash equivalents, beginning	552,634	404,993
Cash and cash equivalents, ending	809,466	552,634

(continued)

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows (continued)
Years Ended August 31, 2017 and 2016**

	2017	2016
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	10,039	8,405
Supplemental Schedule of Noncash Investing and Financing Activities		
<i>Acquisition of property and equipment</i>		
Purchase price	\$ 207,445	\$ 125,892
Increase in accounts payable	(33,194)	-
Cash paid to acquire property and equipment	\$ 174,251	\$ 125,892
<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, 2017**

	Program Services				Supporting Services			
	After School	Work Leadership Institute	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	Total
Salaries	\$ 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
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.

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2016**

	Program Services				Supporting Services			Total
	After School	Work Leadership Institute	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	
Salaries & wages	\$ 285,331	\$ 67,477	\$ 380,948	\$ 128,323	\$ 862,079	\$ 173,362	\$ 117,172	\$ 1,152,613
Employee benefits	19,725	-	39,450	-	59,175	29,911	9,552	98,638
Payroll taxes	20,557	4,861	27,446	9,245	62,109	12,584	8,348	83,041
Total salaries and related expenses	325,613	72,338	447,844	137,568	983,363	215,857	135,072	1,334,292
Contract services	700	22,591	6,760	-	30,051	8,500	-	38,551
Contributions	-	-	2,250	-	2,250	-	-	2,250
Curriculum	2,240	-	2,912	898	6,050	-	-	6,050
Dues & subscriptions	6,149	10	2,615	674	9,448	569	5,025	15,042
Insurance	1,208	1,208	1,208	1,208	4,832	9,643	-	14,475
Materials & supplies	10,670	12,444	10,157	2,748	36,019	4,810	2,032	42,861
Meals & snacks	15,385	887	19,535	855	36,662	1,595	184	38,441
Ministry fund	889	-	-	-	889	-	55	944
Miscellaneous	-	-	-	175	175	1,405	-	1,580
Occupancy	60,392	11,986	24,000	21,243	117,621	6,909	100	124,630
Office expenses	6,047	440	857	-	7,344	15,560	-	22,904
Postage & delivery	583	500	645	568	2,296	1,109	512	3,917
Printing & copying	2,245	723	651	423	4,042	2,104	11,844	17,990
Program stipends	12,411	17,155	-	-	29,566	-	-	29,566
Rewards & incentives	2,025	74	1,632	457	4,188	255	-	4,443
Scholarships	27,781	-	-	-	27,781	-	-	27,781
Service charges & fees	5,030	1,334	1,556	1,342	9,262	14,430	-	23,692
Special events & trips	21,245	1,279	6,764	2,919	32,207	3,041	-	35,248
Staff development	14,050	3,007	8,411	2,729	28,197	-	18,183	46,380
Telephone, cable & internet	750	-	2,062	1,999	4,811	1,871	-	6,682
Transportation costs	33,781	9,361	18,409	3,030	64,581	-	-	64,581
Volunteer & staff appreciation	4,844	150	1,119	1,030	7,143	-	-	7,143
Total expenses	\$ 554,038	\$ 155,487	\$ 559,387	\$ 179,866	\$ 1,448,778	\$ 287,658	\$ 173,007	\$ 1,909,443

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016. 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 2014 to 2016 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, 2017 and 2016. 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, 2017 and 2016.

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, 2017 and 2016

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, 2017 and 2016, CHAT received in-kind contributions from other than individual volunteers in the amount of \$6,510 and \$0, respectively, primarily for instructor support, and \$9,518 and \$14,335, respectively, for repairs, office materials and supplies, which have been recognized as revenue and expense in the statement of activities. Also, CHAT received in 2017 and 2016 various property and equipment valued at \$800 and \$19,002, respectively, which have been capitalized as property and equipment, and a house valued at \$171,000 which was sold during the fiscal year.

Note 2. Grants Receivable

Unconditional promises to give are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 171,250	\$ 221,030
Receivable in one to five years	-	100,000
Total unconditional promises to give	<u>171,250</u>	<u>321,030</u>
Less discounts to net present value	-	(430)
Net unconditional promises to give at August 31st	<u>\$ 171,250</u>	<u>\$ 320,600</u>

The discount rate used on long-term pledges was .27 % as of August 31, 2016.

Note 3. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of August 31, 2017 and 2016 on the statements of financial position include the following major classifications:

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 3. Property and Equipment (Continued)

	<u>2017</u>	<u>2016</u>
Building	\$ 369,015	\$ 369,015
Building improvements	378,849	378,849
Furniture and equipment	52,972	50,101
Furniture and equipment not in service	23,724	23,724
Land	97,983	97,983
Leasehold improvements not in service	193,391	-
Vehicles	140,030	140,030
	<u>1,255,964</u>	<u>1,059,702</u>
Less accumulated depreciation	<u>(245,780)</u>	<u>(185,896)</u>
	<u>\$ 1,010,184</u>	<u>\$ 873,806</u>

Total depreciation expense for the years ended August 31, 2017 and 2016 is \$59,884 and \$51,349, respectively.

Note 4. Investments

Investments at August 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Investments at fair value:		
Brokered certificates of deposit	\$ 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, 2017</u>		
	Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest income	\$ 134	\$ -	\$ 134
Realized losses	(180)	-	(180)
Net unrealized losses	(54)	-	(54)
Total investment loss	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ (100)</u>

	<u>August 31, 2016</u>		
	Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Investment income	\$ 169	\$ -	\$ 169
Realized gains	430	-	430
Total investment return	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ 599</u>

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

Note 5. 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, 2017 is as follows:

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

Note 6. Operating Leases

CHAT entered into a long-term lease with a commencement date of April 19, 2017 for a Cafe facility that is scheduled to open in fiscal year 2018 in the Bon Secours Sarah Garland Jones Center located in Richmond, Virginia. Total rental expense for all operating leases for the year ended August 31, 2017 totaled \$9,035 and is included in occupancy expenses. Total outstanding commitments related to the office lease for the subsequent fiscal years are as follows:

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 6. Operating Leases (Continued)

2018	\$ 24,119
2019	24,722
2020	25,340
2021	25,974
2022	17,602
Total	<u>\$117,757</u>

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

CHAT also leases facilities from a church and individuals which are currently on a month-to-month basis. Rent expense was \$60,563 and \$56,900 for the fiscal years ended August 31, 2017 and 2016, respectively. Rent expense includes amounts paid to the Founder & CEO who is a related party. Rent paid to the related party was \$12,190 and \$14,400 for the fiscal years ended August 31, 2017 and 2016, respectively.

Note 7. Revolving Line of Credit

The revolving line of credit consists of the following:

	<u>2017</u>	<u>2016</u>
First Tennessee Bank National Association: 5.30%, \$250,000 line of credit, interest due monthly and principal due April 2017, unsecured	<u>\$ -</u>	<u>\$ 154,338</u>

CHAT has a line of credit in the amount of \$400,000, which is unsecured. Borrowings under the line of credit bear interest at the Bank's base commercial rate. This line of credit is due on March 31, 2019. There were no outstanding balances on the line of credit as of August 31, 2017.

Interest expense for the years ending August 31, 2017 and 2016 was \$763 and \$1,372, respectively.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 8. Long-Term Notes Payable

Long-term notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
SunTrust Bank, N.A.:		
4.85%, due in monthly installments of \$1,356 including interest, due July 2017, secured by real estate	\$ -	\$ 137,584
First Tennessee Bank National Association:		
4.50%, due in monthly installments of \$1,766 including interest, due May 2027, secured by real estate	<u>275,386</u>	-
	<u>\$ 275,386</u>	<u>\$ 137,584</u>

As of August 31, 2017, the aggregate maturities of long-term debt by year are as follows:

2018	\$ 8,978
2019	9,391
2020	9,822
2021	10,273
2022	10,746
Later years	<u>226,176</u>
	<u>\$ 275,386</u>

Interest expense for the years ending August 31, 2017 and 2016 was \$9,276 and \$7,033, respectively.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building campaign	\$ -	\$ 2,819
Church Hill Academy Accreditation	3,891	-
EISTC program	111,175	21,460
Equipment Capital Outlay program	4,426	97,770
Work Leadership Institute program	20,086	73,996
Retail Establishment program	195,229	165,000
Scholarships	74,962	14,374
	<u>\$ 409,769</u>	<u>\$ 375,419</u>

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 9. Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Purpose restriction accomplished:		
Building campaign	\$ 2,819	\$ 109,156
Church Hill Academy Accreditation	6,109	-
EISTC program	164,210	167,768
Equipment Capital Outlay program	93,344	24,017
Work Leadership Institute program	53,910	60,574
Retail Establishment program	273,836	-
Scholarships	22,662	27,781
	<u>\$ 616,890</u>	<u>\$ 389,296</u>

Note 10. 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 11. Economic Dependency

For the years ended August 31, 2017 and 2016, 100% and 93% of grants receivable, or \$171,250 and \$299,570, respectively, represent amounts due from two funding sources and one funding source, respectively.

Note 12. 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, 2017 and 2016, respectively.

Note 13. Subsequent Events

Management has evaluated subsequent events through February 27, 2018, the date the financial statements were available for issue.