

**ELEVATE EARLY EDUCATION, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

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### **Independent Auditor's Report**

To the Board of Directors  
Elevate Early Education, Inc. and Affiliates  
Norfolk, Virginia

We have audited the accompanying consolidated financial statements of Elevate Early Education, Inc. and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 financial position of Elevate Early Education, Inc. and Affiliates at September 30, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 7, 2020

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash	\$ 1,335,140	\$ 1,027,690
Certificates of deposit	517,974	506,582
Prepaid expenses and other	26,133	24,816
Property and equipment, net	3,054,672	3,166,390
Restricted assets:		
Cash	347,500	449,708
Pledges receivable	181,810	256,000
Grants receivable	50,000	150,000
<b>Total assets</b>	<u><u>\$ 5,513,229</u></u>	<u><u>\$ 5,581,186</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 24,536	\$ 68,263
Deferred revenue	5,196	3,036
Accrued expenses and other liabilities	2,284	2,213
<b>Total liabilities</b>	<u><u>32,016</u></u>	<u><u>73,512</u></u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Invested in property and equipment	3,054,672	3,166,390
Board designated	181,838	140,000
Other	1,665,393	1,485,576
<b>Total net assets without donor restrictions</b>	<u><u>4,901,903</u></u>	<u><u>4,791,966</u></u>
Net assets with donor restrictions	<u><u>579,310</u></u>	<u><u>715,708</u></u>
<b>Total net assets</b>	<u><u>5,481,213</u></u>	<u><u>5,507,674</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 5,513,229</u></u>	<u><u>\$ 5,581,186</u></u>

The notes to consolidated financial statements are  
an integral part of these financial statements.

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

	<b>For the years ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Changes in net assets without donor restrictions</b>		
Revenue and support		
Tuition, net	\$ 1,117,027	\$ 999,413
Contributions - HRCF Early Education Fund	286,500	287,170
Contributions - other	257,550	427,362
Interest and other income	11,729	4,250
Net assets released from restrictions	<u>302,096</u>	<u>146,354</u>
Total revenue and support	<u>1,974,902</u>	<u>1,864,549</u>
Expenses		
Program services:		
E3 School	1,411,165	1,185,243
E3 initiatives	<u>191,989</u>	<u>223,160</u>
Total program services	<u>1,603,154</u>	<u>1,408,403</u>
Management and general	256,403	218,440
Fundraising	<u>5,408</u>	<u>4,565</u>
Total supporting services	<u>261,811</u>	<u>223,005</u>
Total expenses	<u>1,864,965</u>	<u>1,631,408</u>
Change in net assets without donor restrictions	<u>109,937</u>	<u>233,141</u>
<b>Changes in net assets with donor restrictions</b>		
Revenue and support		
Contributions	165,698	373,000
Net assets released from restrictions	<u>(302,096)</u>	<u>(146,354)</u>
Change in net assets with donor restrictions	<u>(136,398)</u>	<u>226,646</u>
Change in total net assets	(26,461)	459,787
<b>Net assets, beginning of year</b>	<u>5,507,674</u>	<u>5,047,887</u>
<b>Net assets, end of year</b>	<u><u>\$ 5,481,213</u></u>	<u><u>\$ 5,507,674</u></u>

The notes to consolidated financial statements are  
an integral part of these financial statements.

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	<b>Year ended September 30, 2019</b>				
	<b>Program</b>	<b>Program</b>	<b>Management</b>	<b>Fund</b>	<b>Total</b>
	<b>Services</b>	<b>Initiatives</b>	<b>&amp; General</b>	<b>Raising</b>	
<b>Expenses</b>					
Salaries and wages	\$ 784,752	\$ 72,353	\$ 95,769	\$ 4,824	\$ 957,698
Payroll taxes and employee benefits	86,928	8,765	10,697	584	106,974
Total compensation expense	871,680	81,118	106,466	5,408	1,064,672
Accounting and auditing	-	-	66,190	-	66,190
Advertising	40,358	56,561	10,768	-	107,687
Bank charges/payroll fees	784	-	7,159	-	7,943
Consultants	-	5,460	5,460	-	10,920
Curriculum coach	16,773	-	1,864	-	18,637
Curriculum development - UVA	34,215	-	-	-	34,215
Depreciation	103,786	-	11,532	-	115,318
Government relations	-	38,406	-	-	38,406
Information technology	6,598	872	1,604	-	9,074
Insurance	19,390	2,000	2,376	-	23,766
Kindergarten Assessments	-	-	-	-	-
Legal	-	-	10,896	-	10,896
Lunches	210,159	-	-	-	210,159
Meeting expense	1,575	373	1,948	-	3,896
Miscellaneous	-	-	14,169	-	14,169
Occupancy	-	1,500	1,500	-	3,000
Office	2,362	690	3,051	-	6,103
Program supplies	19,244	-	-	-	19,244
Repairs and maintenance	54,800	-	6,089	-	60,889
Taxes and licenses	-	-	1,295	-	1,295
Telephone	2,373	-	264	-	2,637
Training	1,923	-	422	-	2,345
Travel	795	5,009	644	-	6,448
Utilities	24,350	-	2,706	-	27,056
<b>Total expenses</b>	<b>\$1,411,165</b>	<b>\$191,989</b>	<b>\$256,403</b>	<b>\$ 5,408</b>	<b>\$1,864,965</b>

The notes to consolidated financial statements are  
an integral part of these financial statements.

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

<b>Expenses</b>	<b>Year ended September 30, 2018</b>				
	<b>Program</b>	<b>Program</b>	<b>Management</b>	<b>Fund</b>	<b>Total</b>
	<b>Services</b>	<b>Initiatives</b>	<b>&amp; General</b>	<b>Raising</b>	
Salaries and wages	\$ 620,745	\$ 60,654	\$ 76,159	\$ 4,044	\$ 761,602
Payroll taxes and employee benefits	52,859	7,813	6,799	521	67,992
Total compensation expense	673,604	68,467	82,958	4,565	829,594
Accounting and auditing	-	-	64,113	-	64,113
Advertising	31,803	30,047	6,872	-	68,722
Bank charges/payroll fees	784	-	4,996	-	5,780
Consultants	-	14,511	14,511	-	29,022
Curriculum coach	13,953	-	1,550	-	15,503
Curriculum development - UVA	28,466	-	-	-	28,466
Depreciation	104,911	-	11,657	-	116,568
Government relations	-	97,346	-	-	97,346
Information technology	6,233	1,063	1,755	-	9,051
Insurance	16,341	2,736	2,120	-	21,197
Kindergarten Assessments	18,337	-	-	-	18,337
Legal	-	-	6,559	-	6,559
Lunches	188,918	-	-	-	188,918
Meeting expense	1,006	357	1,361	-	2,724
Miscellaneous	-	-	4,753	-	4,753
Occupancy	-	1,500	1,500	-	3,000
Office	2,106	614	2,719	-	5,439
Program supplies	15,725	-	-	-	15,725
Repairs and maintenance	53,034	-	5,893	-	58,927
Taxes and licenses	-	-	480	-	480
Telephone	3,721	544	957	-	5,222
Training	2,201	-	344	-	2,545
Travel	1,127	5,975	789	-	7,891
Utilities	22,973	-	2,553	-	25,526
<b>Total expenses</b>	<b>\$1,185,243</b>	<b>\$223,160</b>	<b>\$218,440</b>	<b>\$ 4,565</b>	<b>\$1,631,408</b>

The notes to consolidated financial statements are  
an integral part of these financial statements.

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the years ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (26,461)	\$ 459,787
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,318	116,568
(Increase) decrease in assets:		
Prepaid expenses and other	(1,317)	(19,086)
Pledges receivable	74,190	(172,019)
Grants receivable	100,000	-
Increase (decrease) in liabilities:		
Accounts payable	(43,727)	(614)
Deferred revenue	2,160	(109)
Accrued expenses and other liabilities	71	(7,753)
Net cash provided by operating activities	<u>220,234</u>	<u>376,774</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,600)	-
Purchases of certificates of deposit	(517,974)	(506,482)
Proceeds from maturity of certificates of deposit	<u>506,582</u>	<u>502,664</u>
Net cash used for investing activities	<u>(14,992)</u>	<u>(3,818)</u>
Net change in cash	205,242	372,956
<b>Cash, beginning of year</b>	<u>1,477,398</u>	<u>1,104,442</u>
<b>Cash, end of year</b>	<u><u>\$ 1,682,640</u></u>	<u><u>\$ 1,477,398</u></u>
<b>Cash is classified as follows:</b>		
Cash without donor restrictions	\$ 1,335,140	\$ 1,027,690
Cash with donor restrictions	<u>347,500</u>	<u>449,708</u>
Total cash	<u><u>\$ 1,682,640</u></u>	<u><u>\$ 1,477,398</u></u>

The notes to consolidated financial statements are an integral part of these financial statements.



**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and purpose**

In 2012, Elevate Early Education, Inc. (E3), a bipartisan statewide issue-advocacy organization, was incorporated as a nonstock nonprofit entity in the Commonwealth of Virginia by business, civic and philanthropic leaders to raise awareness and advocate for strategic investments in early education. E3 is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

E3 School, LLC (E3 School) is a single member limited liability company formed in the Commonwealth of Virginia with E3 its sole member. E3, in partnership with the University of Virginia Center for Advanced Study of Teaching and Learning and local supporters, created E3 School to serve as a model school focused on those elements of high quality early education that significantly improve child outcomes and to prove that high quality early education results in kindergarten readiness for children across the income spectrum. The school opened in February 2015 and is a showroom of quality early education that serves as the catalyst to drive policy, systems change and greater investment by demonstrating a direct link between high quality early education and child outcomes. E3 School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Elevate Early Education Action Fund, Inc. (Action Fund) is a nonstock, nonprofit entity incorporated in the Commonwealth of Virginia. The Action Fund was created by business and civic leaders to advocate for changes in the way our state prioritizes early education, drive policy change and secure greater investment. The Action Fund is exempt from income tax under Section 501(c)(4) of the Internal Revenue Code.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the nonprofit accounting standards established by the Financial Accounting Standards Board. The Organization reports information regarding its financial position and activities according to two classes of net assets, as follows:

*Net assets without donor restrictions* are amounts that are available, at the discretion of the Board of Directors, for general operations.

*Net assets with donor restrictions* are amounts stipulated by donors to be used for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

**Principles of consolidation**

The consolidated financial statements include the accounts of E3, E3 School, and the Action Fund (collectively referred to as the "Organization"). All material intercompany balances and transactions have been eliminated in consolidation.

## **Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2016-14 – Presentation of Financial Statements for Nonprofit Entities (ASU 2016-14), which is intended to improve how a nonprofit entity classifies its net assets, as well as certain information it presents in its financial statements about its expenses, liquidity and available resources. ASU 2016-14 is effective for the Organization’s 2019 annual financial statements. However, early application of ASU 2016-14 was permitted and the Organization elected to adopt ASU 2016-14 for presentation in its consolidated financial statements during the year ended September 30, 2018. The adoption of the new standard did not affect previously recorded net assets, or the changes therein.

## **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

## **Pledges and Grants Receivable**

Pledges and grants receivable represent unconditional pledges and are recorded at net realizable value. Conditional pledges are not included as support until the conditions are substantially met. An allowance for uncollectible pledges is provided based upon management’s judgment. No allowances for uncollectible pledges or grants receivable have been provided because management has evaluated the pledges and grants receivable and believes they are fully collectible.

## **Property and Equipment**

Acquisitions of property and equipment are stated at cost and donated property and equipment are stated at fair value at the date of the gift. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment are as follows:

Furniture, fixtures and equipment	5 - 7 years
Building and land improvements	15 - 39 years

## **Contributions**

Contributions are presented as increases to net assets with or without donor restrictions depending on the existence, if any, and/or nature of donor-imposed restrictions. As permitted by GAAP, contributions received with donor-imposed restrictions whose restrictions are met within the same accounting period are presented as increases to net assets without donor restrictions in the consolidated statement of activities.

When a 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.

### **Donated Assets and Services**

The Organization recognizes donated assets as revenue in the period in which they are received. Donated assets and professional services are recorded at fair value on the date of gift and are reported as increases to net assets without donor restrictions in the consolidated statement of activities unless the donor has restricted the asset to a specific purpose. Donated professional services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

### **Advertising Costs**

The Organization expenses the cost of advertising when incurred.

### **Functional Allocation of Expenses**

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. In presenting the Organization's natural classification of expenses on a functional basis, direct expenses are aggregated by function and indirect expenses are allocated among the functional programs and services benefited. Expenses that are common to several functions are allocated using statistical bases determined by management.

### **Income Taxes**

E3 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. As a single member entity of E3, the E3 School is considered a disregarded entity for tax purposes and its activity is included with the activity of E3. Currently, E3 has no obligation for any tax on unrelated business income.

The Action Fund is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code, except on net income derived from unrelated business activities. Currently, the Action Fund has no obligation for any tax on unrelated business income.

E3 and the Action Fund believe they have appropriate support for tax positions taken, and as such, do not believe they have any uncertain tax positions that are material to the consolidated financial statements. The E3 and Action Fund tax returns are subject to examination by authorities for a period of three years from the date they are filed and, accordingly, the returns filed for tax years ended September 30, 2018, 2017 and 2016 remain subject to examination by the IRS.

### **NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, certificates of deposit and pledges. To mitigate credit risk the Organization's cash and cash equivalents are placed with highly regarded financial institutions. At various times during the years presented, the Organization may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

Pledges are unsecured and primarily from donors in the Hampton Roads area. The concentration of credit risk is partially mitigated by the large number of donors.

### NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are summarized in the consolidated statement of financial position as follows as of September 30:

	<b>2019</b>	<b>2018</b>
Pledges receivable	\$181,810	\$256,000
Grants receivable	<u>50,000</u>	<u>150,000</u>
Total pledges and grants receivable	<u>\$231,810</u>	<u>\$406,000</u>

Pledges and grants receivable are receivable as follows as of September 30:

	<b>2019</b>	<b>2018</b>
Receivable in less than one year	\$176,810	\$221,000
Receivable in one to five years	<u>55,000</u>	<u>185,000</u>
Total pledges and grants receivable	<u>\$231,810</u>	<u>\$406,000</u>

Management has not recognized a present value discount on the above receivables due to its immateriality to the consolidated financial statements taken as a whole.

### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<b>2019</b>	<b>2018</b>
Building and land improvements	\$3,411,421	\$3,411,421
Furniture, fixtures and equipment	<u>180,186</u>	<u>176,586</u>
Total property and equipment	3,591,607	3,588,007
Less – accumulated depreciation	<u>536,935</u>	<u>421,617</u>
Total property and equipment, net	<u>\$3,054,672</u>	<u>\$3,166,390</u>

### NOTE 5 – GROUND LEASE

Effective December 2013, the E3 School entered into a ground lease with the YMCA of South Hampton Roads (YMCA) for property rights to the land on which E3 School chose to construct its model facility. E3 School is responsible for a one-time nominal amount of rent (ten dollars) for the initial thirty year term, which commenced on the facility's opening date of February 2015. Upon expiration of the initial term, the lease will automatically renew for up to four successive renewal terms of five years unless prohibited events listed in the lease occur. E3 School is responsible for all operating costs such as real estate taxes, utilities, liability insurance, etc. The ground lease is intended to create the relationship of landlord and tenant between the YMCA and E3 School, and is not intended to create a partnership or joint venture or to make either party responsible for the actions of the other. In the event that the initial term or any renewal is not renewed upon the expiration of the term, the ground lease shall terminate and rights to the facility and its improvements shall automatically be vested with the YMCA.

## NOTE 6 – NET ASSETS

### Net assets without donor restrictions - board designated

Net assets without donor restrictions – board designated, by entity, are designated for the following purposes and consist of the following as of September 30:

	<b>2019</b>	<b>2018</b>
E3 School – Operating/Capital Reserve Fund	\$ 90,000	\$ 90,000
E3 School – Park Place Scholarship Fund	<u>91,838</u>	<u>50,000</u>
Total net assets without donor restrictions – board designated	<u>\$181,838</u>	<u>\$140,000</u>

### Net assets without donor restrictions - other

Net assets without donor restrictions – other, by entity, consist of the following as of September 30:

	<b>2019</b>	<b>2018</b>
E3	\$1,303,947	\$1,161,246
E3 School	327,467	290,360
The Action Fund	<u>33,979</u>	<u>33,970</u>
Total net assets without donor restrictions – other	<u>\$1,665,393</u>	<u>\$1,485,576</u>

### Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of September 30:

	<b>2019</b>	<b>2018</b>
E3 Scholarship Fund:		
Cash	\$347,500	\$309,708
Pledges and grants receivable	<u>78,505</u>	<u>98,000</u>
Total Scholarship Fund	426,005	407,708
E3 operations – pledges and grants receivable	<u>153,305</u>	<u>308,000</u>
Total net assets with donor restrictions	<u>\$579,310</u>	<u>\$715,708</u>

As of September 30, 2019, the Organization has approximately \$511,000 in conditional scholarship commitments to students attending E3 School to be paid over the four year period ending September 30, 2023.

Net assets released from restrictions due to the satisfaction of donor imposed stipulations with respect to timing or purpose were as follows for the years ended September 30:

	<b>2019</b>	<b>2018</b>
Scholarships paid	\$147,401	\$ 80,373
Receipt of pledges receivable	<u>154,695</u>	<u>65,981</u>
Total net assets released from restrictions	<u>\$302,096</u>	<u>\$146,354</u>

## NOTE 7 – CONTRIBUTIONS

During the year ended September 30, 2014, a private donor contributed \$6,500,000 to the Hampton Roads Community Foundation (HRCF) to establish the Early Education Fund (the “Fund”), a perpetual fund for the benefit of the Organization. HRCF makes annual contributions to the Organization from the Fund to support the early childhood education center known as the E3 School, LLC. HRCF has variance power over the assets of the Fund, and accordingly, the Organization’s beneficial interest in the assets is not recorded in the accompanying consolidated statement of financial position. Contributions received from the Fund are recorded in the consolidated statements of activities when received. Such contributions for the years ended September 30, 2019 and 2018 were \$286,500 and \$287,170, respectively.

## NOTE 8 – RETIREMENT PLAN

E3 sponsors a 403(b) retirement plan for its employees with one year and 1,000 hours of service. Under the plan, eligible employees may elect to defer part of their salary subject to the Internal Revenue Code limits. E3 contributes 6% of eligible employee compensation to the plan on an annual basis. In addition, E3 may make a discretionary matching contribution to the plan. Total contributions to the plan for the years ended September 30, 2019 and 2018 were \$11,576 and \$9,705, respectively.

## NOTE 9 – LIQUIDITY

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Management and board members routinely compare actual results to budget in order to ensure cash on hand is sufficient to meet upcoming budgeted operating expenses. The Organization does not commit to expenditures if sufficient financial resources are not available to pay the expenditures.

The Organization’s unencumbered financial assets available to meet anticipated cash needs for general expenditures within one year of the balance sheet date consisted of the following as of September 30:

	2019	2018
Financial assets:		
Cash	\$1,682,640	\$1,477,398
Certificates of deposit	517,974	506,582
Pledges receivable expected to be collected in one year	126,810	157,000
Grants receivable expected to be collected in one year	<u>50,000</u>	<u>100,000</u>
	2,377,424	2,240,980
Less:		
Cash restricted for scholarship support	(529,395)	(309,708)
Pledges receivable restricted for scholarship support	<u>(23,505)</u>	<u>(98,000)</u>
Total	<u>\$1,824,524</u>	<u>\$1,833,272</u>

## NOTE 10 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 7, 2020, the date these consolidated financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused disruption for businesses throughout the Hampton Roads area through the mandated and voluntary closing of non-essential businesses. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the

closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**SUPPLEMENTARY CONSOLIDATING INFORMATION**



**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY CONSOLIDATING INFORMATION**

To the Board of Directors  
Elevate Early Education, Inc. and Affiliates  
Norfolk, Virginia

We have audited the consolidated financial statements of Elevate Early Education, Inc. (a nonprofit organization) and Affiliates, as of and for the year ended September 30, 2019, and have issued our report thereon dated May 7, 2020, which expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information in Schedules I and II are presented for purposes of additional analysis of the consolidated financial statements and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



May 7, 2020

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**SCHEDULE I**

**September 30, 2019**

	Elevate Early Education, Inc.	E3 School, LLC	E3 Action Fund, Inc.	Total	Eliminations	Consolidated Balance
<b>Assets</b>						
Cash	\$ 1,274,655	\$ 26,456	\$ 34,029	\$ 1,335,140	\$ -	\$ 1,335,140
Certificates of deposit	517,974	-	-	517,974	-	517,974
Prepaid expenses and other	1,065	25,068	-	26,133	-	26,133
Property and equipment, net	-	3,054,672	-	3,054,672	-	3,054,672
Due from affiliate	50	474,744	-	474,794	(474,794)	-
Restricted assets:						
Cash	347,500	-	-	347,500	-	347,500
Pledges receivable	181,810	-	-	181,810	-	181,810
Grants receivable	50,000	-	-	50,000	-	50,000
<b>Total assets</b>	<u>\$2,373,054</u>	<u>\$3,580,940</u>	<u>\$34,029</u>	<u>\$5,988,023</u>	<u>\$(474,794)</u>	<u>\$5,513,229</u>

**Liabilities and net assets**

<b>Liabilities</b>						
Accounts payable	\$ 14,419	\$ 10,117	\$ -	\$ 24,536	\$ -	\$ 24,536
Deferred revenue	-	5,196	-	5,196	-	5,196
Accrued expenses and other liabilities	634	1,650	-	2,284	-	2,284
Due to affiliate	474,744	-	50	474,794	(474,794)	-
Total liabilities	489,797	16,963	50	506,810	(474,794)	32,016

**Net assets**

Net assets without donor restrictions:						
Invested in property and equipment	-	3,054,672	-	3,054,672	-	3,054,672
Board designated	-	181,838	-	181,838	-	181,838
Other	1,303,947	327,467	33,979	1,665,393	-	1,665,393
Total net assets without donor restrictions	1,303,947	3,563,977	33,979	4,901,903	-	4,901,903
Net assets with donor restrictions	579,310	-	-	579,310	-	579,310
Total net assets	1,883,257	3,563,977	33,979	5,481,213	-	5,481,213
<b>Total liabilities and net assets</b>	<u>\$2,373,054</u>	<u>\$3,580,940</u>	<u>\$34,029</u>	<u>\$5,988,023</u>	<u>\$(474,794)</u>	<u>\$5,513,229</u>

See independent auditor's report on supplementary consolidating information.

**ELEVATE EARLY EDUCATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF ACTIVITIES**

**SCHEDULE II**

	<b>For the year ended September 30, 2019</b>					
	<b>Elevate Early Education, Inc.</b>	<b>E3 School, LLC</b>	<b>E3 Action Fund, Inc.</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated Balance</b>
<b>Changes in net assets without donor restrictions</b>						
Revenue and support						
Tuition	\$ -	\$ 1,272,590	\$ -	\$ 1,272,590	\$ -	\$ 1,272,590
Scholarships	-	(155,563)	-	(155,563)	-	(155,563)
Total tuition, net	-	1,117,027	-	1,117,027	-	1,117,027
Contributions - HRCF Early Education Fund	286,500	-	-	286,500	-	286,500
Contributions - affiliate	-	433,901	-	433,901	(433,901)	-
Contributions - other	255,050	2,500	-	257,550	-	257,550
Interest and other income	11,544	151	34	11,729	-	11,729
Net assets released from restrictions	302,096	-	-	302,096	-	302,096
Total revenue and support	855,190	1,553,579	34	2,408,803	(433,901)	1,974,902
Expenses						
Program - E3 school	447,406	1,373,801	-	1,821,207	(410,042)	1,411,165
Program - E3 initiatives	191,989	-	-	191,989	-	191,989
Total program services	639,395	1,373,801	-	2,013,196	(410,042)	1,603,154
Management and general	67,711	207,754	25	275,490	(19,087)	256,403
Fundraising	5,408	4,772	-	10,180	(4,772)	5,408
Total supporting services	73,119	212,526	25	285,670	(23,859)	261,811
Total expenses	712,514	1,586,327	25	2,298,866	(433,901)	1,864,965
Change in net assets without donor restrictions	142,676	(32,748)	9	109,937	-	109,937
<b>Changes in net assets with donor restrictions</b>						
Revenue and support						
Contributions	165,698	-	-	165,698	-	165,698
Net assets released from restrictions	(302,096)	-	-	(302,096)	-	(302,096)
Change in net assets with donor restrictions	(136,398)	-	-	(136,398)	-	(136,398)
<b>Change in total net assets</b>	6,278	(32,748)	9	(26,461)	-	(26,461)
<b>Net assets, beginning of year</b>	1,876,955	3,596,749	33,970	5,507,674	-	5,507,674
<b>Net assets, end of year</b>	<u>\$ 1,883,233</u>	<u>\$ 3,564,001</u>	<u>\$ 33,979</u>	<u>\$ 5,481,213</u>	<u>\$ -</u>	<u>\$ 5,481,213</u>

See independent auditor's report on supplementary consolidating information.