

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

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# CAVANAUGH NELSON PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## Independent Auditor's Report

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

### Opinion

We have audited the accompanying consolidated financial statements of Elevate Early Education, Inc. and affiliates (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021 and 2020, 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.

### Basis for Opinion

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

### Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued and, if such conditions or events are identified, disclose the details of the same and management's plans to mitigate their effects.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

A handwritten signature in cursive script that reads "Carmichael Nelson PLC".

May 23, 2022

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

|  | <b>September 30,</b> |                     |
|--|----------------------|---------------------|
|  | <b>2021</b>          | <b>2020</b>         |
| <b>Assets</b>                                      |                      |                     |
| Cash   | \$ 1,719,066         | \$ 1,578,408        |
| Certificates of deposit (E3)                       | 529,376              | 527,264             |
| Prepaid expenses and other                         | 20,305               | 27,631              |
| Property and equipment, net                        | 2,831,583            | 2,940,694           |
| Restricted assets:                                 |                      |                     |
| Cash   | 197,961              | 303,747             |
| Certificate of deposit (scholarship fund)          | 500,212              | -                   |
| Pledges receivable                                 | 390,000              | 85,999              |
| Grants receivable                                  | 150,000              | 200,000             |
| <b>Total assets</b>                                | <b>\$ 6,338,503</b>  | <b>\$ 5,663,743</b> |
| <b>Liabilities and net assets</b>                  |                      |                     |
| <b>Liabilities</b>                                 |                      |                     |
| Accounts payable                                   | \$ 30,332            | \$ 37,017           |
| Deferred revenue                                   | 35,410               | 34,041              |
| Accrued expenses and other liabilities             | 2,543                | 11,481              |
| <b>Total liabilities</b>                           | <b>68,285</b>        | <b>82,539</b>       |
| <b>Net assets</b>                                  |                      |                     |
| Net assets without donor restrictions:             |                      |                     |
| Invested in property and equipment                 | 2,831,583            | 2,940,694           |
| Board designated                                   | 273,540              | 157,154             |
| Other  | 1,926,922            | 1,893,610           |
| <b>Total net assets without donor restrictions</b> | <b>5,032,045</b>     | <b>4,991,458</b>    |
| Net assets with donor restrictions                 | 1,238,173            | 589,746             |
| <b>Total net assets</b>                            | <b>6,270,218</b>     | <b>5,581,204</b>    |
| <b>Total liabilities and net assets</b>            | <b>\$ 6,338,503</b>  | <b>\$ 5,663,743</b> |

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>2021</b>                | <b>2020</b>  |
| <b>Changes in net assets without donor restrictions</b> |                            |              |
| Revenue and support                                     |                            |              |
| Tuition, net  | \$ 1,308,926               | \$ 1,103,473 |
| Contributions - HRCF Early Education Fund               | 289,100                    | 289,010      |
| Contributions - other                                   | 438,692                    | 238,951      |
| Paycheck Protection Program grant                       | -                          | 173,500      |
| Interest and other income                               | 2,566                      | 10,174       |
| Net assets released from restrictions                   | 219,355                    | 326,923      |
| Total revenue and support                               | 2,258,639                  | 2,142,031    |
| Expenses  |                            |              |
| Program services:                                       |                            |              |
| E3 School   | 1,597,330                  | 1,481,288    |
| E3 initiatives  | 270,553                    | 284,360      |
| Total program services                                  | 1,867,883                  | 1,765,648    |
| Management and general                                  | 324,467                    | 281,250      |
| Fundraising   | 25,702                     | 5,578        |
| Total supporting services                               | 350,169                    | 286,828      |
| Total expenses  | 2,218,052                  | 2,052,476    |
| Change in net assets without donor restrictions         | 40,587                     | 89,555       |
| <b>Changes in net assets with donor restrictions</b>    |                            |              |
| Revenue and support                                     |                            |              |
| Contributions   | 867,782                    | 337,359      |
| Net assets released from restrictions                   | (219,355)                  | (326,923)    |
| Change in net assets with donor restrictions            | 648,427                    | 10,436       |
| Change in total net assets                              | 689,014                    | 99,991       |
| <b>Net assets, beginning of year</b>                    | 5,581,204                  | 5,481,213    |
| <b>Net assets, end of year</b>                          | \$ 6,270,218               | \$ 5,581,204 |

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>For the year ended September 30, 2021</b> |                                |                                     |                         |                     |
|---|--|--------------------------------|-------------------------------------|-------------------------|---------------------|
|   | <b>Program<br/>Services</b>                  | <b>Program<br/>Initiatives</b> | <b>Management<br/>&amp; General</b> | <b>Fund<br/>Raising</b> | <b>Total</b>        |
| <b>Expenses</b>                           |  |                                |                                     |                         |                     |
| Salaries and wages                        | \$ 919,570                                   | \$ 55,095                      | \$ 111,079                          | \$ 25,043               | \$ 1,110,787        |
| Payroll taxes and employee benefits       | 93,748                                       | 9,879                          | 11,587                              | 659                     | 115,873             |
| Total compensation expense                | 1,013,318                                    | 64,974                         | 122,666                             | 25,702                  | 1,226,660           |
| Accounting and auditing                   | -  | -                              | 71,577                              | -                       | 71,577              |
| Advertising and advocacy                  | 57,902                                       | 121,534                        | 19,938                              | -                       | 199,374             |
| Bank charges, payroll and processing fees | -  | -                              | 39,904                              | -                       | 39,904              |
| Consultants                               | -  | 7,508                          | 7,507                               | -                       | 15,015              |
| Curriculum coach                          | 16,452                                       | -                              | 1,828                               | -                       | 18,280              |
| Curriculum development - UVA              | 16,092                                       | -                              | -                                   | -                       | 16,092              |
| Depreciation                              | 101,343                                      | -                              | 11,260                              | -                       | 112,603             |
| Government relations                      | -  | 70,426                         | -                                   | -                       | 70,426              |
| Housekeeping, repairs and maintenance     | 50,403                                       | -                              | 5,600                               | -                       | 56,003              |
| Information technology                    | 12,850                                       | 1,246                          | 3,184                               | -                       | 17,280              |
| Insurance                                 | 21,107                                       | 2,555                          | 2,629                               | -                       | 26,291              |
| Legal                                     | -  | -                              | 9,154                               | -                       | 9,154               |
| Lunches                                   | 245,310                                      | -                              | -                                   | -                       | 245,310             |
| Meeting expense                           | 2,220  | 205                            | 2,425                               | -                       | 4,850               |
| Miscellaneous                             | -  | -                              | 14,336                              | -                       | 14,336              |
| Office                                    | 4,548  | 1,565                          | 6,111                               | -                       | 12,224              |
| Program supplies                          | 9,409  | -                              | -                                   | -                       | 9,409               |
| Taxes and licenses                        | -  | -                              | 1,136                               | -                       | 1,136               |
| Telephone                                 | 3,936  | -                              | 437                                 | -                       | 4,373               |
| Training                                  | 10,202                                       | -                              | 1,133                               | -                       | 11,335              |
| Travel                                    | 2,030  | 540                            | 286                                 | -                       | 2,856               |
| Utilities                                 | 30,208                                       | -                              | 3,356                               | -                       | 33,564              |
| <b>Total expenses</b>                     | <b>\$ 1,597,330</b>                          | <b>\$ 270,553</b>              | <b>\$ 324,467</b>                   | <b>\$ 25,702</b>        | <b>\$ 2,218,052</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>For the year ended September 30, 2020</b> |                                |                                     |                         |                     |
|---|--|--------------------------------|-------------------------------------|-------------------------|---------------------|
|   | <b>Program<br/>Services</b>                  | <b>Program<br/>Initiatives</b> | <b>Management<br/>&amp; General</b> | <b>Fund<br/>Raising</b> | <b>Total</b>        |
| <b>Expenses</b>                           |  |                                |                                     |                         |                     |
| Salaries and wages                        | \$ 861,927                                   | \$ 74,193                      | \$ 104,562                          | \$ 4,946                | \$ 1,045,628        |
| Payroll taxes and employee benefits       | 92,696                                       | 9,484                          | 11,423                              | 632                     | 114,235             |
| Total compensation expense                | 954,623                                      | 83,677                         | 115,985                             | 5,578                   | 1,159,863           |
| Accounting and auditing                   | -  | -                              | 75,221                              | -                       | 75,221              |
| Advertising and advocacy                  | 35,665                                       | 68,596                         | 11,585                              | -                       | 115,846             |
| Bank charges, payroll and processing fees | -  | -                              | 7,519                               | -                       | 7,519               |
| Consultants                               | -  | -                              | -                                   | -                       | -                   |
| Curriculum coach                          | 9,781  | -                              | 1,087                               | -                       | 10,868              |
| Curriculum development - UVA              | 25,913                                       | -                              | -                                   | -                       | 25,913              |
| Depreciation                              | 102,580                                      | -                              | 11,398                              | -                       | 113,978             |
| Government relations                      | -  | 120,222                        | -                                   | -                       | 120,222             |
| Housekeeping, repairs and maintenance     | 58,856                                       | -                              | 6,540                               | -                       | 65,396              |
| Information technology                    | 14,559                                       | 2,965                          | 4,582                               | -                       | 22,106              |
| Insurance                                 | 20,451                                       | 3,011                          | 2,607                               | -                       | 26,069              |
| Legal                                     | -  | -                              | 14,361                              | -                       | 14,361              |
| Lunches                                   | 200,576                                      | -                              | -                                   | -                       | 200,576             |
| Meeting expense                           | 862  | 310                            | 1,171                               | -                       | 2,343               |
| Miscellaneous                             | -  | -                              | 17,766                              | -                       | 17,766              |
| Office                                    | 4,498  | 2,156                          | 6,653                               | -                       | 13,307              |
| Program supplies                          | 17,770                                       | -                              | -                                   | -                       | 17,770              |
| Taxes and licenses                        | -  | -                              | 370                                 | -                       | 370                 |
| Telephone                                 | 4,188  | -                              | 465                                 | -                       | 4,653               |
| Training                                  | 4,215  | -                              | 588                                 | -                       | 4,803               |
| Travel                                    | 1,387  | 3,423                          | 534                                 | -                       | 5,344               |
| Utilities                                 | 25,364                                       | -                              | 2,818                               | -                       | 28,182              |
| <b>Total expenses</b>                     | <b>\$ 1,481,288</b>                          | <b>\$ 284,360</b>              | <b>\$ 281,250</b>                   | <b>\$ 5,578</b>         | <b>\$ 2,052,476</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>2021</b>                | <b>2020</b>               |
| <b>Cash flows from operating activities:</b>  |                            |                           |
| Change in net assets  | \$ 689,014                 | \$ 99,991                 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                           |
| Depreciation  | 112,603                    | 113,978                   |
| (Increase) decrease in assets:  |                            |                           |
| Prepaid expenses and other  | 7,326                      | (1,498)                   |
| Pledges receivable  | (304,001)                  | 95,811                    |
| Grants receivable   | 50,000                     | (150,000)                 |
| Increase (decrease) in liabilities:   |                            |                           |
| Accounts payable  | (6,685)                    | 12,481                    |
| Deferred revenue  | 1,369                      | 28,845                    |
| Accrued expenses and other liabilities  | (8,938)                    | 9,197                     |
| Net cash provided by operating activities   | <u>540,688</u>             | <u>208,805</u>            |
| <b>Cash flows from investing activities:</b>  |                            |                           |
| Purchases of property and equipment   | (3,492)                    | -                         |
| Purchases of certificates of deposit  | (1,029,588)                | (527,264)                 |
| Proceeds from maturity of certificates of deposit   | <u>527,264</u>             | <u>517,974</u>            |
| Net cash used for investing activities  | <u>(505,816)</u>           | <u>(9,290)</u>            |
| Net change in cash  | 34,872                     | 199,515                   |
| <b>Cash, beginning of year</b>  | <u>1,882,155</u>           | <u>1,682,640</u>          |
| <b>Cash, end of year</b>  | <u><u>\$1,917,027</u></u>  | <u><u>\$1,882,155</u></u> |
| <b>Cash is classified as follows:</b>   |                            |                           |
| Cash without donor restrictions   | \$1,719,066                | \$1,578,408               |
| Cash with donor restrictions  | <u>197,961</u>             | <u>303,747</u>            |
| Total cash  | <u><u>\$1,917,027</u></u>  | <u><u>\$1,882,155</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 other local supporters, created the 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.

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.

**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.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) including 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* – net assets that are available, at the discretion of the Board of Directors, for general operations.

*Net assets with donor restrictions* – net assets 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.

## **Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP 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 the outstanding balance of unconditional donor pledges and grants and are recorded at net realizable value. An allowance for uncollectible pledges and grants receivable is provided based upon management's judgment. Management considers all pledges and grants receivable to be collectible and, accordingly, has not provided an allowance for uncollectible pledges and grants receivable. Conditional pledges are not included as support until the conditions are substantially met.

## **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 donor-imposed 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 the asset is 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 if they 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 limited liability company, with E3 its sole member, 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, 2020, 2019 and 2018 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 and grants receivable. 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 amount currently insured by the Federal Deposit Insurance Corporation (FDIC).

Pledges and grants receivable 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:

|                                     | 2021             | 2020             |
|-------------------------------------|------------------|------------------|
| Pledges receivable                  | \$390,000        | \$ 85,999        |
| Grants receivable                   | <u>150,000</u>   | <u>200,000</u>   |
| Total pledges and grants receivable | <u>\$540,000</u> | <u>\$285,999</u> |

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

|                                     | 2021             | 2020             |
|-------------------------------------|------------------|------------------|
| Receivable in less than one year    | \$245,500        | \$ 80,499        |
| Receivable in one to five years     | <u>294,500</u>   | <u>205,500</u>   |
| Total pledges and grants receivable | <u>\$540,000</u> | <u>\$285,999</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. In addition, 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.

#### **NOTE 4 – PROPERTY AND EQUIPMENT**

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

|                                   | <b>2021</b>        | <b>2020</b>        |
|-----------------------------------|--------------------|--------------------|
| Building and land improvements    | \$3,411,421        | \$3,411,421        |
| Furniture, fixtures and equipment | <u>183,678</u>     | <u>180,186</u>     |
| Total property and equipment      | 3,595,099          | 3,591,607          |
| Less – accumulated depreciation   | <u>763,516</u>     | <u>650,913</u>     |
| Total property and equipment, net | <u>\$2,831,583</u> | <u>\$2,940,694</u> |

#### **NOTE 5 – FEDERAL PAYCHECK PROTECTION PROGRAM**

During the year ended September 30, 2020, in connection with the COVID-19 pandemic, the Organization entered into a promissory note (loan) with a financial institution. The loan was through the Small Business Administration Federal Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act. The PPP loan was in the amount of \$173,500 with an interest rate of 1%. The Organization elected to account for the PPP loan as a government grant in the year ended September 30, 2020 based on the Organization’s determination that it met both the eligibility and loan forgiveness criteria for the PPP loan. During the year ended September 30, 2021, the Organization received notice the PPP loan and associated interest were forgiven.

#### **NOTE 6 – 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 each 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 lease is not renewed upon the expiration of any term, the ground lease shall terminate and rights to the facility and its improvements shall automatically be vested with the YMCA.

#### **NOTE 7 – NET ASSETS**

##### **Board designated net assets**

Board designated net assets are a component of net assets without donor restrictions and are designated for the following purposes, by entity, as of September 30:

|  | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
| E3 School – Operating/Capital Reserve Fund | \$180,000        | \$ 90,000        |
| E3 School – Park Place Scholarship Fund    | <u>93,540</u>    | <u>67,154</u>    |
| Total board designated net assets          | <u>\$273,540</u> | <u>\$157,154</u> |

### Net assets without donor restrictions - other

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

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| E3  | \$1,395,879        | \$1,353,366        |
| E3 School   | 497,759            | 506,405            |
| The Action Fund                                     | <u>33,284</u>      | <u>33,839</u>      |
| Total net assets without donor restrictions – other | <u>\$1,926,922</u> | <u>\$1,893,610</u> |

Net assets without donor restrictions invested in property and equipment as of September 30, 2021 and 2020 were \$2,831,583 and \$2,940,694, respectively.

### Net assets with donor restrictions

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

|   | 2021               | 2020             |
|---|--------------------|------------------|
| E3 Scholarship Fund:                            |                    |                  |
| Cash  | \$ 186,901         | \$293,787        |
| Certificate of deposit                          | 500,212            | -                |
| Pledges and grants receivable                   | <u>198,000</u>     | <u>284,999</u>   |
| Total E3 Scholarship Fund                       | <u>885,113</u>     | <u>578,786</u>   |
| E3 School - operations:                         |                    |                  |
| Cash  | 11,060             | 9,960            |
| Pledge receivable                               | <u>-</u>           | <u>1,000</u>     |
| Total E3 School - operations                    | <u>11,060</u>      | <u>10,960</u>    |
| E3 - operations – pledges and grants receivable | <u>342,000</u>     | <u>-</u>         |
| Total net assets with donor restrictions        | <u>\$1,238,173</u> | <u>\$589,746</u> |

As of September 30, 2021 the Organization had approximately \$679,000 in conditional scholarship commitments to students attending E3 School through September 30, 2026.

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:

|   | 2021             | 2020             |
|---|------------------|------------------|
| Scholarships paid                           | \$219,355        | \$173,618        |
| Receipt of pledges receivable               | <u>-</u>         | <u>153,305</u>   |
| Total net assets released from restrictions | <u>\$219,355</u> | <u>\$326,923</u> |

### NOTE 8 – 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, 2021 and 2020 were \$289,100 and \$289,010, respectively.

## NOTE 9 – 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, 2021 and 2020 were \$12,021 and \$11,871, respectively.

## NOTE 10 – 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:

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Financial assets:  |                    |                    |
| Cash   | \$1,917,027        | \$1,882,155        |
| Certificates of deposit                                  | 1,029,588          | 527,264            |
| Pledges receivable                                       | 390,000            | 85,999             |
| Grants receivable  | <u>150,000</u>     | <u>200,000</u>     |
|  | 3,486,615          | 2,695,418          |
| Less:  |                    |                    |
| Net assets with donor restrictions                       | (1,238,173)        | (589,746)          |
| Net assets without donor restrictions – board designated | <u>(273,540)</u>   | <u>(157,154)</u>   |
| Total  | <u>\$1,974,902</u> | <u>\$1,948,518</u> |

## NOTE 11 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 23, 2022, the date these consolidated financial statements were available to be issued.

**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, 2021 and 2020, and have issued our report thereon dated May 23, 2022, 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 information in the consolidating statement of financial position and consolidating statement of activities 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 23, 2022

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

**SCHEDULE I**

**September 30, 2021**

|   | Elevate Early<br>Education, Inc. | E3 School,<br>LLC   | E3 Action<br>Fund, Inc. | Total               | Eliminations        | Consolidated<br>Balance |
|---|----------------------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|
| <b>Assets</b>                             |                                  |                     |                         |                     |                     |                         |
| Cash                                      | \$ 1,615,773                     | \$ 69,294           | \$ 33,999               | \$ 1,719,066        | \$ -                | \$ 1,719,066            |
| Certificates of deposit (E3)              | 529,376                          | -                   | -                       | 529,376             | -                   | 529,376                 |
| Prepaid expenses and other                | 616                              | 19,689              | -                       | 20,305              | -                   | 20,305                  |
| Property and equipment, net               | -                                | 2,831,583           | -                       | 2,831,583           | -                   | 2,831,583               |
| Due from affiliate                        | 715                              | 744,366             | -                       | 745,081             | (745,081)           | -                       |
| Restricted assets:                        |                                  |                     |                         |                     |                     |                         |
| Cash                                      | 197,961                          | -                   | -                       | 197,961             | -                   | 197,961                 |
| Certificate of deposit (scholarship fund) | 500,212                          | -                   | -                       | 500,212             | -                   | 500,212                 |
| Pledges receivable                        | 390,000                          | -                   | -                       | 390,000             | -                   | 390,000                 |
| Grants receivable                         | 150,000                          | -                   | -                       | 150,000             | -                   | 150,000                 |
| <b>Total assets</b>                       | <b>\$ 3,384,653</b>              | <b>\$ 3,664,932</b> | <b>\$ 33,999</b>        | <b>\$ 7,083,584</b> | <b>\$ (745,081)</b> | <b>\$ 6,338,503</b>     |

|  |          |           |      |           |           |           |
|--|----------|-----------|------|-----------|-----------|-----------|
| <b>Liabilities and net assets</b>      |          |           |      |           |           |           |
| <b>Liabilities</b>                     |          |           |      |           |           |           |
| Accounts payable                       | \$ 3,459 | \$ 26,873 | \$ - | \$ 30,332 | \$ -      | \$ 30,332 |
| Deferred revenue                       | -        | 35,410    | -    | 35,410    | -         | 35,410    |
| Accrued expenses and other liabilities | 2,776    | (233)     | -    | 2,543     | -         | 2,543     |
| Due to affiliate                       | 744,366  | -         | 715  | 745,081   | (745,081) | -         |
| Total liabilities                      | 750,601  | 62,050    | 715  | 813,366   | (745,081) | 68,285    |

|   |                     |                     |                  |                     |                     |                     |
|---|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| <b>Net assets</b>                           |                     |                     |                  |                     |                     |                     |
| Net assets without donor restrictions:      |                     |                     |                  |                     |                     |                     |
| Invested in property and equipment          | -                   | 2,831,583           | -                | 2,831,583           | -                   | 2,831,583           |
| Board designated                            | -                   | 273,540             | -                | 273,540             | -                   | 273,540             |
| Other                                       | 1,395,879           | 497,759             | 33,284           | 1,926,922           | -                   | 1,926,922           |
| Total net assets without donor restrictions | 1,395,879           | 3,602,882           | 33,284           | 5,032,045           | -                   | 5,032,045           |
| Net assets with donor restrictions          | 1,238,173           | -                   | -                | 1,238,173           | -                   | 1,238,173           |
| Total net assets                            | 2,634,052           | 3,602,882           | 33,284           | 6,270,218           | -                   | 6,270,218           |
| <b>Total liabilities and net assets</b>     | <b>\$ 3,384,653</b> | <b>\$ 3,664,932</b> | <b>\$ 33,999</b> | <b>\$ 7,083,584</b> | <b>\$ (745,081)</b> | <b>\$ 6,338,503</b> |

See independent auditor's report on supplementary consolidating information.

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

**SCHEDULE II**

**For the year ended September 30, 2021**

|   | Elevate Early<br>Education, Inc. | E3 School,<br>LLC   | E3 Action<br>Fund, Inc. | Total               | Eliminations | Consolidated<br>Balance |
|---|----------------------------------|---------------------|-------------------------|---------------------|--------------|-------------------------|
| <b>Changes in net assets without donor restrictions</b> |                                  |                     |                         |                     |              |                         |
| Revenue and support                                     |                                  |                     |                         |                     |              |                         |
| Tuition   | -                                | \$ 1,551,586        | -                       | \$ 1,551,586        | -            | \$ 1,551,586            |
| Scholarships  | -                                | (242,660)           | -                       | (242,660)           | -            | (242,660)               |
| Total tuition, net                                      | -                                | 1,308,926           | -                       | 1,308,926           | -            | 1,308,926               |
| Contributions - HRCF Early Education Fund               | 289,100                          | -                   | -                       | 289,100             | -            | 289,100                 |
| Contributions - affiliate                               | -                                | 508,146             | -                       | 508,146             | (508,146)    | -                       |
| Contributions - other                                   | 438,592                          | 100                 | -                       | 438,692             | -            | 438,692                 |
| Interest and other income                               | 2,533                            | 23                  | 10                      | 2,566               | -            | 2,566                   |
| Net assets released from restrictions                   | 219,355                          | -                   | -                       | 219,355             | -            | 219,355                 |
| Total revenue and support                               | 949,580                          | 1,817,195           | 10                      | 2,766,785           | (508,146)    | 2,258,639               |
| Expenses  |                                  |                     |                         |                     |              |                         |
| Program - E3 school                                     | 523,273                          | 1,582,203           | -                       | 2,105,476           | (508,146)    | 1,597,330               |
| Program - E3 initiatives                                | 270,553                          | -                   | -                       | 270,553             | -            | 270,553                 |
| Total program services                                  | 793,826                          | 1,582,203           | -                       | 2,376,029           | (508,146)    | 1,867,883               |
| Management and general                                  | 87,540                           | 236,362             | 565                     | 324,467             | -            | 324,467                 |
| Fundraising   | 25,702                           | -                   | -                       | 25,702              | -            | 25,702                  |
| Total supporting services                               | 113,242                          | 236,362             | 565                     | 350,169             | -            | 350,169                 |
| Total expenses  | 907,068                          | 1,818,565           | 565                     | 2,726,198           | (508,146)    | 2,218,052               |
| Change in net assets without donor restrictions         | 42,512                           | (1,370)             | (555)                   | 40,587              | -            | 40,587                  |
| <b>Changes in net assets with donor restrictions</b>    |                                  |                     |                         |                     |              |                         |
| Revenue and support                                     |                                  |                     |                         |                     |              |                         |
| Contributions   | 867,782                          | -                   | -                       | 867,782             | -            | 867,782                 |
| Net assets released from restrictions                   | (219,355)                        | -                   | -                       | (219,355)           | -            | (219,355)               |
| Change in net assets with donor restrictions            | 648,427                          | -                   | -                       | 648,427             | -            | 648,427                 |
| Change in total net assets                              | 690,939                          | (1,370)             | (555)                   | 689,014             | -            | 689,014                 |
| <b>Net assets, beginning of year</b>                    | 1,943,113                        | 3,604,252           | 33,839                  | 5,581,204           | -            | 5,581,204               |
| <b>Net assets, end of year</b>                          | <u>\$ 2,634,052</u>              | <u>\$ 3,602,882</u> | <u>\$ 33,284</u>        | <u>\$ 6,270,218</u> | <u>\$ -</u>  | <u>\$ 6,270,218</u>     |

See independent auditor's report on supplementary consolidating information.