

**ELK HILL FARM, INC. AND
ELK HILL FARM FOUNDATION**

Goochland, Virginia

COMBINED FINANCIAL STATEMENTS

June 30, 2024

C O N T E N T S

| | Page |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 and 2 |
| FINANCIAL STATEMENTS | |
| Combined statements of financial position | 3 |
| Combined statements of activities | 4 and 5 |
| Combined statements of cash flows | 6 |
| Combined statements of functional expenses | 7 and 8 |
| Notes to combined financial statements | 9-23 |
| INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION | 24 |
| SUPPLEMENTARY INFORMATION | |
| Statements of financial position information: | |
| Elk Hill Farm, Inc. | 25 |
| Elk Hill Farm Foundation | 26 |
| Statements of activities information: | |
| Elk Hill Farm, Inc. | 27 and 28 |
| Elk Hill Farm Foundation | 29 and 30 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Elk Hill Farm, Inc. and Elk Hill Farm Foundation
Goochland, Virginia

Opinion

We have audited the combined financial statements of Elk Hill Farm, Inc. and Elk Hill Farm Foundation (the "Organization") which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Elk Hill Farm, Inc. and Elk Hill Farm Foundation as of June 30, 2024 and 2023, and the changes in its net assets, cash flows and functional expenses 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 combined 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.

Yount, Hyde & Barbour, P.C.

Richmond, Virginia
December 11, 2024

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statements of Financial Position

June 30, 2024 and 2023

| Assets | 2024 | 2023 |
|---|----------------------|----------------------|
| Current Assets | | |
| Cash | \$ 669,189 | \$ 1,560,667 |
| Accounts receivable, net | 3,715,608 | 1,744,204 |
| Pledges receivable, net | 23,967 | 11,750 |
| Employee and other receivables | 5,428 | 8,212 |
| Prepaid expenses | <u>105,563</u> | <u>149,707</u> |
| Total current assets | <u>\$ 4,519,755</u> | <u>\$ 3,474,540</u> |
| Property and Equipment, | | |
| less accumulated depreciation | <u>\$ 3,512,169</u> | <u>\$ 3,380,291</u> |
| Long-Term Assets | | |
| Pledges receivable, net, less current portion | \$ 81,533 | \$ 100,000 |
| Investments | 7,777,340 | 8,169,885 |
| Lease right-of-use assets - operating | <u>774,822</u> | <u>1,115,227</u> |
| Total long-term assets | <u>\$ 8,633,695</u> | <u>\$ 9,385,112</u> |
| Other Assets | | |
| Security deposits | \$ 15,265 | \$ 15,265 |
| Cash surrender value of life insurance policies | <u>416,831</u> | <u>374,386</u> |
| Total other assets | <u>\$ 432,096</u> | <u>\$ 389,651</u> |
| Total assets | <u>\$ 17,097,715</u> | <u>\$ 16,629,594</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 23,392 | \$ 60,283 |
| Accrued expenses | 679,775 | 606,918 |
| Deferred compensation, current portion | 37,870 | 37,870 |
| Lease liabilities - operating, current portion | <u>361,515</u> | <u>367,862</u> |
| Total current liabilities | <u>\$ 1,102,552</u> | <u>\$ 1,072,933</u> |
| Long-Term Liabilities | | |
| Lease liabilities - operating, net of current portion | \$ 441,595 | \$ 774,711 |
| Deferred compensation, long-term portion | <u>238,935</u> | <u>226,806</u> |
| Total long-term liabilities | <u>\$ 680,530</u> | <u>\$ 1,001,517</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | \$ 8,846,538 | \$ 6,663,707 |
| Designated by board | 2,219,350 | 3,321,441 |
| With donor restrictions | <u>4,248,745</u> | <u>4,569,996</u> |
| Total net assets | <u>\$ 15,314,633</u> | <u>\$ 14,555,144</u> |
| Total liabilities and net assets | <u>\$ 17,097,715</u> | <u>\$ 16,629,594</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statement of Activities

Year Ended June 30, 2024

| | 2024 | | |
|--|--|---|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support and revenue: | | | |
| Contributions | \$ 890,422 | \$ 604,904 | \$ 1,495,326 |
| Contributions of nonfinancial assets | 26,150 | -- | 26,150 |
| Tuition assistance and fees | 9,715,581 | -- | 9,715,581 |
| Investment income | 945,339 | 80,058 | 1,025,397 |
| Medicaid and insurance income | 2,504,936 | -- | 2,504,936 |
| Other revenue | <u>105,630</u> | <u>--</u> | <u>105,630</u> |
| | \$ 14,188,058 | \$ 684,962 | \$ 14,873,020 |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions for property and equipment | 13,423 | (13,423) | -- |
| Satisfaction of program restrictions | <u>992,790</u> | <u>(992,790)</u> | <u>--</u> |
| Total support and revenue | <u>\$ 15,194,271</u> | <u>\$ (321,251)</u> | <u>\$ 14,873,020</u> |
| Expenses: | | | |
| Program services: | | | |
| Community services | \$ 3,012,466 | \$ -- | \$ 3,012,466 |
| Schools | 4,675,184 | -- | 4,675,184 |
| Residential services | <u>4,490,061</u> | <u>--</u> | <u>4,490,061</u> |
| Total program services | <u>\$ 12,177,711</u> | <u>\$ --</u> | <u>\$ 12,177,711</u> |
| Supporting services: | | | |
| Management and general | \$ 1,446,602 | \$ -- | \$ 1,446,602 |
| Fundraising | <u>489,218</u> | <u>--</u> | <u>489,218</u> |
| Total supporting services | <u>\$ 1,935,820</u> | <u>\$ --</u> | <u>\$ 1,935,820</u> |
| Total expenses | <u>\$ 14,113,531</u> | <u>\$ --</u> | <u>\$ 14,113,531</u> |
| Change in net assets | \$ 1,080,740 | \$ (321,251) | \$ 759,489 |
| Net assets, beginning of year | <u>9,985,148</u> | <u>4,569,996</u> | <u>14,555,144</u> |
| Net assets, end of year | <u>\$ 11,065,888</u> | <u>\$ 4,248,745</u> | <u>\$ 15,314,633</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statement of Activities
Year Ended June 30, 2023

| | 2023 | | |
|--|--|---|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support and revenue: | | | |
| Contributions | \$ 225,137 | \$ 1,205,719 | \$ 1,430,856 |
| Government grants | 66,374 | -- | 66,374 |
| Tuition assistance and fees | 8,237,271 | -- | 8,237,271 |
| Investment income | 898,577 | 64,755 | 963,332 |
| Medicaid and insurance income | 1,525,888 | -- | 1,525,888 |
| Other revenue | <u>53,702</u> | <u>--</u> | <u>53,702</u> |
| | \$ 11,006,949 | \$ 1,270,474 | \$ 12,277,423 |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions for property and equipment | 51,569 | (51,569) | -- |
| Satisfaction of time restriction | 34,270 | (34,270) | -- |
| Satisfaction of program restrictions | <u>623,637</u> | <u>(623,637)</u> | <u>--</u> |
| Total support and revenue | <u>\$ 11,716,425</u> | <u>\$ 560,998</u> | <u>\$ 12,277,423</u> |
| Expenses: | | | |
| Program services: | | | |
| Community services | \$ 2,565,153 | \$ -- | \$ 2,565,153 |
| Schools | 4,280,338 | -- | 4,280,338 |
| Residential services | <u>4,140,334</u> | <u>--</u> | <u>4,140,334</u> |
| Total program services | <u>\$ 10,985,825</u> | <u>\$ --</u> | <u>\$ 10,985,825</u> |
| Supporting services: | | | |
| Management and general | \$ 1,292,337 | \$ -- | \$ 1,292,337 |
| Fundraising | <u>467,255</u> | <u>--</u> | <u>467,255</u> |
| Total supporting services | <u>\$ 1,759,592</u> | <u>\$ --</u> | <u>\$ 1,759,592</u> |
| Total expenses | <u>\$ 12,745,417</u> | <u>\$ --</u> | <u>\$ 12,745,417</u> |
| Change in net assets | \$ (1,028,992) | \$ 560,998 | \$ (467,994) |
| Net assets, beginning of year | <u>11,014,140</u> | <u>4,008,998</u> | <u>15,023,138</u> |
| Net assets, end of year | <u>\$ 9,985,148</u> | <u>\$ 4,569,996</u> | <u>\$ 14,555,144</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statements of Cash Flows
Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|--|----------------|----------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 759,489 | \$ (467,994) |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Depreciation and amortization | 437,063 | 433,768 |
| Unrealized and realized (gain) on investments | (849,721) | (758,369) |
| Change in cash surrender value of life insurance | (42,445) | (36,143) |
| Amortization of right of use asset - operating leases | 340,405 | 331,213 |
| Bad debt expense | 260,531 | 12,583 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable and other receivables | (2,229,151) | 112,856 |
| Pledges receivable | 6,250 | 42,689 |
| Prepaid expenses | 44,144 | 109,532 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (36,891) | 2,130 |
| Accrued expenses | 72,857 | 103,722 |
| Deferred compensation | 12,129 | 9,630 |
| Lease liabilities - operating | (339,463) | (303,867) |
| Net cash (used in) operating activities | \$ (1,564,803) | \$ (408,250) |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | \$ (568,941) | \$ (407,618) |
| Purchase of investments | (3,327,539) | (2,137,603) |
| Proceeds from the sale of investments | 4,569,805 | 1,889,004 |
| Net cash provided by (used in) investing activities | \$ 673,325 | \$ (656,217) |
| Net (decrease) in cash | \$ (891,478) | \$ (1,064,467) |
| Cash | | |
| Beginning of year | 1,560,667 | 2,625,134 |
| End of year | \$ 669,189 | \$ 1,560,667 |
| Noncash Operating, Investing and Financing Activities, right-of-use asset and lease liabilities - operating lease recognized with adoption of ASC 842 <i>Leases</i> | \$ -- | \$ 1,446,440 |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statement of Functional Expenses
Year Ended June 30, 2024

| | <u>Program Services</u> | | | | <u>Supporting Services</u> | | |
|--|---------------------------|----------------|-----------------------------|---------------|-------------------------------|--------------------|---------------|
| | <u>Community Services</u> | <u>Schools</u> | <u>Residential Services</u> | <u>Total</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries | \$ 2,015,001 | \$ 2,903,819 | \$ 2,713,683 | \$ 7,632,503 | \$ 679,247 | \$ 307,056 | \$ 8,618,806 |
| Employee health and retirement plan costs | 276,981 | 445,304 | 392,380 | 1,114,665 | 127,845 | 32,099 | 1,274,609 |
| Workers' compensation | 19,410 | 26,045 | 22,285 | 67,740 | 13,263 | 2,510 | 83,513 |
| Payroll taxes | 129,461 | 201,198 | 189,073 | 519,732 | 72,597 | 20,860 | 613,189 |
| Total salaries, benefits and taxes | \$ 2,440,853 | \$ 3,576,366 | \$ 3,317,421 | \$ 9,334,640 | \$ 892,952 | \$ 362,525 | \$ 10,590,117 |
| Allowances | -- | -- | 2,966 | 2,966 | -- | -- | 2,966 |
| Clothing and personal | -- | 1,178 | 9,359 | 10,537 | -- | -- | 10,537 |
| Professional services | 79,396 | 77,596 | 140,327 | 297,319 | 96,062 | 30,580 | 423,961 |
| Educational supplies | -- | 80,214 | 1,448 | 81,662 | -- | -- | 81,662 |
| Utilities | 36,749 | 77,482 | 116,663 | 230,894 | 26,361 | 4,899 | 262,154 |
| Food | 4,385 | 181,451 | 131,542 | 317,378 | 73,961 | 1,610 | 392,949 |
| House supplies | 346 | 31,651 | 32,042 | 64,039 | 581 | 53 | 64,673 |
| Insurance | -- | -- | -- | -- | 227,000 | -- | 227,000 |
| Maintenance | 69,987 | 95,170 | 171,979 | 337,136 | 5,867 | 11,689 | 354,692 |
| Work pay | -- | -- | 14,408 | 14,408 | -- | -- | 14,408 |
| Medical and dental | -- | 11,189 | 7,525 | 18,714 | -- | -- | 18,714 |
| Miscellaneous | 2,413 | 1,113 | 5,674 | 9,200 | -- | 335 | 9,535 |
| Postage | 10 | 1,803 | 366 | 2,179 | 2,145 | 1,281 | 5,605 |
| Printing | -- | -- | -- | -- | 774 | 31,600 | 32,374 |
| Recreation | 39,457 | 26,362 | 52,653 | 118,472 | -- | 156 | 118,628 |
| Rent | 6,202 | 303,386 | 82,515 | 392,103 | -- | -- | 392,103 |
| Social services | -- | 36 | 5,085 | 5,121 | -- | -- | 5,121 |
| Wilderness | 5,525 | -- | -- | 5,525 | -- | -- | 5,525 |
| Special events | 13,186 | 18,006 | 15,445 | 46,637 | -- | 6,413 | 53,050 |
| Staff development | 13,985 | 23,278 | 25,441 | 62,704 | 29,640 | 2,404 | 94,748 |
| Office expenses | 17,621 | 41,993 | 7,328 | 66,942 | 79,810 | 11,574 | 158,326 |
| Travel and transportation | 16,145 | 12,318 | 56,886 | 85,349 | 8,616 | 3,124 | 97,089 |
| Bad debt expense | 130,266 | 26,053 | 104,212 | 260,531 | -- | -- | 260,531 |
| Total expenses before depreciation | \$ 2,876,526 | \$ 4,586,645 | \$ 4,301,285 | \$ 11,764,456 | \$ 1,443,769 | \$ 468,243 | \$ 13,676,468 |
| Depreciation and amortization | 135,940 | 88,539 | 188,776 | 413,255 | 2,833 | 20,975 | 437,063 |
| Total program and supporting services expenses | \$ 3,012,466 | \$ 4,675,184 | \$ 4,490,061 | \$ 12,177,711 | \$ 1,446,602 | \$ 489,218 | \$ 14,113,531 |

ELK HILL FARM, INC. AND ELK HILL FARM FOUNDATION

Combined Statement of Functional Expenses

Year Ended June 30, 2023

| | Program Services | | | | Supporting Services | | Total |
|--|--------------------|--------------|----------------------|---------------|------------------------|-------------|---------------|
| | Community Services | Schools | Residential Services | Total | Management and General | Fundraising | |
| Salaries | \$ 1,779,698 | \$ 2,680,049 | \$ 2,549,016 | \$ 7,008,763 | \$ 648,141 | \$ 312,446 | \$ 7,969,350 |
| Employee health and retirement plan costs | 204,536 | 378,229 | 326,604 | 909,369 | 117,840 | 23,375 | 1,050,584 |
| Workers' compensation | 33,948 | 47,519 | 43,154 | 124,621 | 12,724 | 5,206 | 142,551 |
| Payroll taxes | 119,791 | 187,561 | 171,976 | 479,328 | 68,943 | 21,284 | 569,555 |
| Total salaries, benefits and taxes | \$ 2,137,973 | \$ 3,293,358 | \$ 3,090,750 | \$ 8,522,081 | \$ 847,648 | \$ 362,311 | \$ 9,732,040 |
| Allowances | -- | -- | 1,838 | 1,838 | -- | -- | 1,838 |
| Clothing and personal | -- | 1,224 | 9,250 | 10,474 | -- | -- | 10,474 |
| Professional services | 99,320 | 87,411 | 174,148 | 360,879 | 37,550 | 23,211 | 421,640 |
| Educational supplies | -- | 54,845 | 4 | 54,849 | 22,435 | -- | 77,284 |
| Utilities | 43,075 | 71,018 | 116,161 | 230,254 | 18,441 | 4,764 | 253,459 |
| Food | 5,229 | 152,306 | 104,511 | 262,046 | 64,217 | 810 | 327,073 |
| House supplies | 302 | 981 | 29,230 | 30,513 | 759 | 47 | 31,319 |
| Insurance | -- | -- | -- | -- | 180,566 | -- | 180,566 |
| Maintenance | 60,865 | 86,671 | 159,951 | 307,487 | 7,198 | 10,463 | 325,148 |
| Work pay | -- | 197 | 9,264 | 9,461 | -- | -- | 9,461 |
| Medical and dental | -- | 4,573 | 6,652 | 11,225 | -- | -- | 11,225 |
| Miscellaneous | 1,857 | 961 | 5,913 | 8,731 | -- | 1,528 | 10,259 |
| Postage | 739 | 2,170 | 1,135 | 4,044 | -- | 1,018 | 5,062 |
| Printing | 64 | 570 | 68 | 702 | -- | 22,684 | 23,386 |
| Recreation | 25,452 | 21,695 | 59,463 | 106,610 | -- | 152 | 106,762 |
| Rent | 4,600 | 321,574 | 82,442 | 408,616 | -- | -- | 408,616 |
| Social services | -- | -- | 4,145 | 4,145 | -- | -- | 4,145 |
| Special events | 13,128 | 14,414 | 17,430 | 44,972 | -- | 8,380 | 53,352 |
| Staff development | 13,487 | 17,970 | 24,562 | 56,019 | 18,913 | 2,258 | 77,190 |
| Office expenses | 15,691 | 41,345 | 7,179 | 64,215 | 60,202 | 7,801 | 132,218 |
| Travel and transportation | 10,400 | 14,915 | 50,847 | 76,162 | 19,313 | 1,068 | 96,543 |
| Bad debt expense | -- | -- | -- | -- | 12,589 | -- | 12,589 |
| Total expenses before depreciation | \$ 2,432,182 | \$ 4,188,198 | \$ 3,954,943 | \$ 10,575,323 | \$ 1,289,831 | \$ 446,495 | \$ 12,311,649 |
| Depreciation and amortization | 132,971 | 92,140 | 185,391 | 410,502 | 2,506 | 20,760 | 433,768 |
| Total program and supporting services expenses | \$ 2,565,153 | \$ 4,280,338 | \$ 4,140,334 | \$ 10,985,825 | \$ 1,292,337 | \$ 467,255 | \$ 12,745,417 |

See Notes to Combined Financial Statements.

**ELK HILL FARM, INC. AND
ELK HILL FARM FOUNDATION**

Notes to Combined Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Elk Hill Farm, Inc. (Elk Hill) provides residential services, day educational treatment programs and community services to at-risk adolescents from across the Commonwealth of Virginia. Tuition fees are received primarily from social service organizations, courts systems, Medicaid, school systems, and charitable organizations.

Elk Hill Farm Foundation (the Foundation) is a charitable foundation that holds investments and receives certain contributions. The Foundation provides support to Elk Hill through up to a 5% spending rate contribution. The Foundation Board of Trustees are also members of the Elk Hill Farm, Inc. Board.

The operations of Elk Hill and the Foundation have been combined in the accompanying combined financial statements. All inter-organization accounts and transactions have been eliminated. Elk Hill and the Foundation are referred to herein as the Organization.

Basis of Presentation

Accounting standards establish classifications for net assets, revenues, gains and losses, based on the existence or absence of donor-imposed restrictions as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that can be filled by actions of the Organization pursuant to those stipulations that expire by the passage of time or are required to be maintained permanently by the Organization. For net assets that are required to be maintained permanently, the donors of such assets permit the Organization to use the income earned on those assets.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenue and expense during the reporting period. Upon settlement, actual results may differ from estimated amounts. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Notes to Combined Financial Statements

Fair Value Measurement

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the combined financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active exchange markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic re-assessments of models to ensure that they are continuing to perform as designed. The Organization performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed, and any material exposures are escalated through a management review process.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2024 and 2023, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its combined financial position or results of operations.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Long-Term Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Notes to Combined Financial Statements

Income Tax Status

The Organizations are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue code and comparable state law. In addition, contributions to both qualify for the charitable contribution deduction under Section 170(b)(1)(a). They have been classified as organizations that are not private foundations under Section 509(a)(2). Management has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. With few exceptions, the Organizations are no longer subject to examinations by tax authorities for tax years prior to 2020.

Cash

The Organization has cash balances that may at times exceed the federally insured limits. The Organization has not experienced any losses on such amounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable from program service fees are recognized based on student attendance records and the standard rates published by Elk Hill and government agencies. The Organization does not accrue interest or fees on overdue receivables. Account receivable at July 1, 2022 was \$1,873,688 net of an allowance of \$172,509.

Medicaid insurance providers have indicated to Elk Hill Farm that claims can be retracted up to two years from submission date. Management estimates that any unpaid claims over two years are 100% uncollectable and 50% of unpaid claims from the prior fiscal year are uncollectable. Management estimates that for the current year, 10% of unpaid current year claims that are six months or older and 5% for claims less than six months old will be uncollectable.

Accounts receivable due from localities are based on signed contracts with each locality. Payments occur after purchase orders have been issued by the locality and invoices submitted by Elk Hill Farm. If invoices are not submitted by August 15th after the end of a fiscal year localities have no obligation to pay. Elk Hill Farm estimates uncollectable receivables at 10% of invoices over 90 days old at fiscal year-end, with write offs of unpaid balances occurring at the end of the subsequent fiscal year.

An allowance for doubtful accounts on other receivables is provided when deemed necessary and is based upon a review of each receivable, historical collection information, and existing economic conditions. Delinquent receivables are written off when management believes that all reasonable collection efforts have been exhausted.

Notes to Combined Financial Statements

Management has provided allowances totaling \$546,170 and \$285,639 of receivables that it has deemed uncollectible at June 30, 2024 and 2023, respectively. Bad debt expense was \$260,531 and \$12,589 for the years ended June 30, 2024 and 2023, respectively. The following is an analysis of the allowance for accounts receivable balance as of and for the year ended June 30, 2024.

| | <u>2024</u> |
|---|-------------------|
| Beginning balance July 1, 2023 prior to adoption of ASC 326 | \$ 285,639 |
| Impact of adoption of ASC 326 | -- |
| Provision charged to operations | 301,876 |
| Less charge offs | (41,345) |
| Ending balance | <u>\$ 546,170</u> |

Promises to Give

Unconditional promises to give (pledges) are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are met.

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Contributions are recognized when received or unconditionally promised.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Revenue Recognition

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, the Organization recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Notes to Combined Financial Statements

Revenue Streams

The Organization receives various sources of revenue.

Tuition assistance and fees and Medicaid and insurance income are recognized when the services have been provided and the related expenses have been incurred. They represent an exchange transaction and are recognized during the year, as the related services are provided. The performance obligation of delivering services are simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the year. Billings occur monthly after services are provided.

Long-Term Investments

Investments with readily determinable fair values are reported at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying combined statements of activities. Realized gains and losses are determined by specific identification using the first in and first out method.

Property and Equipment

Property and equipment are stated at cost or, if donated, at estimated fair market value at date of receipt. Acquisitions of new buildings, equipment, land improvements and major betterments are capitalized. Repairs and maintenance costs are expensed as incurred. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

| | <u>Years</u> |
|--------------------------------------|--------------|
| Buildings and leasehold improvements | 10-40 |
| Furniture, fixtures and equipment | 3-10 |
| Intangibles | 2-7 |
| Transportation equipment | 5-7 |

Contributed Nonfinancial Assets (In-Kind Contributions)

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Contributed nonfinancial assets include donated property, plant and equipment, materials and supplies, professional services, and other in-kind contributions which are recorded at the respective fair values of the good or services received. Contributed goods are recorded at fair value at the date of donation. Contributions of such goods or services received during the years ended June 30, 2024 and 2023 were building materials of \$26,150 and \$0, respectively and were used in program services and management and general services.

Notes to Combined Financial Statements

Many individuals volunteer their time and perform a variety of activities that support the Organization. The value of these contributed services is not recorded as in-kind contributions as the criteria for recognition was not met under the standards. Therefore, no contributed services for volunteer time has been reflected in the financial statements for the years ended June 30, 2024 and 2023.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Organization made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Notes to Combined Financial Statements

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

New Accounting Pronouncement

The Organization adopted ASC 326, *Financial Instruments--Credit Losses*, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include accounts receivable and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements.

Prior Period Presentation

The statements of financial position and activities for Elk Hill Farm, Inc. and Elk Hill Farm Foundation as of and for the year ended June 30, 2023, were restated in the current year presentation to correct an error. Investments of \$1,313,505 owned by Elk Hill Farm, Inc. were included in Elk Hill Farm Foundation's statement of financial position at June 30, 2023. Elk Hill Farm, Inc.'s investment income of \$77,203 was included in Elk Hill Farm Foundation's statement of activities for the year ended June 30, 2023. The changes in the 2023 presentation did not have an effect on combined net assets or the combined change in net assets as of and for the year ended June 30, 2023.

Notes to Combined Financial Statements

Note 2. Liquidity and Availability

The Organization receives contributions and payments from social service organizations, courts systems, Medicaid, and school systems to support the Organization's programs. General expenditures consist of costs associated with operation of the various programs. The Organization's cash flows have seasonal variations during the year. To manage liquidity, the Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

| Financial assets, at year-end: | 2024 | 2023 |
|---|---------------|---------------|
| Cash and cash equivalents | \$ 669,189 | \$ 1,560,667 |
| Accounts receivable, net | 3,715,608 | 1,744,204 |
| Pledges receivable - current, net | 23,967 | 11,750 |
| Employee and other receivables | 5,428 | 8,212 |
| Investments | 7,777,340 | 8,169,885 |
| Total financial assets | \$ 12,191,532 | \$ 11,494,718 |
| Less those unavailable for general expenditure within one year, due to: | | |
| Board designated funds | \$ 2,219,350 | \$ 3,321,441 |
| Net assets with donor restrictions | 4,248,745 | 4,569,996 |
| Financial assets not available to be used within one year | \$ 6,468,095 | \$ 7,891,437 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 5,723,437 | \$ 3,603,281 |

Note 3. Concentrations

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and invested cash deposited in a large regional bank and with a brokerage firm.

Money market accounts with the brokerage firm are not insured by the FDIC but have limited protection provided by the Securities Investor Protection Corporation (SIPC).

Revenue and accounts receivable from Medicaid represent significant concentrations.

Note 4. Pledges Receivable

The Organization projects that donors will remit contributions receivable as follows:

Year Ending June 30:

| | |
|------|------------|
| 2025 | \$ 23,967 |
| 2026 | 81,533 |
| | \$ 105,500 |

Notes to Combined Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------------|----------------------------|----------------------------|
| Land | \$ 265,229 | \$ 265,229 |
| Buildings and leasehold improvements | 8,723,820 | 8,237,765 |
| Furniture, fixtures and equipment | 1,386,520 | 1,356,280 |
| Intangibles | 70,014 | 70,014 |
| Transportation equipment | 706,111 | 658,645 |
| | <u>\$ 11,151,694</u> | <u>\$ 10,587,933</u> |
| Less accumulated depreciation | 7,639,525 | 7,207,642 |
| | <u><u>\$ 3,512,169</u></u> | <u><u>\$ 3,380,291</u></u> |

Depreciation and amortization expense totaled \$437,063 and \$433,768 for the years ended June 30, 2024 and 2023, respectively.

Note 6. Long-Term Investments

Investments are carried at fair value and are summarized as follows as of June 30, 2024 and 2023:

| | <u>2024</u> | | <u>2023</u> | |
|--------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Equities | \$ 4,750,345 | \$ 7,777,340 | \$ 5,159,313 | \$ 7,422,058 |
| Fixed income | -- | -- | 922,927 | 747,827 |
| | <u>\$ 4,750,345</u> | <u>\$ 7,777,340</u> | <u>\$ 6,082,240</u> | <u>\$ 8,169,885</u> |

The following schedule summarizes investment income which is reported in the combined statements of activities for the years ended June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|------------------------|---------------------|-------------------|
| Interest and dividends | \$ 175,676 | \$ 204,963 |
| Realized gains | 15,715 | 76,109 |
| Unrealized gains | 834,006 | 682,260 |
| | <u>\$ 1,025,397</u> | <u>\$ 963,332</u> |

Note 7. Retirement Plan

The Organization has established a retirement plan for all employees who work more than 20 hours per week. This is a voluntary contributory plan, and the Organization matches the employee contribution up to 5% for all employees who work at least a thousand hours per year. Contributions to the plan by the Organization amounted to \$198,045 and \$170,118 for the years ended June 30, 2024 and 2023, respectively.

Notes to Combined Financial Statements

Note 8. Deferred Compensation

The Organization has established deferred compensation plans for its chief executive officer, chief operating officer and former chief executive officer that is funded by life insurance policies.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions for the following purposes were as follows as of June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: | | |
| Scholarships | \$ -- | \$ 32,655 |
| Property and equipment | 50,794 | 64,217 |
| Unrestricted pledges | 40,497 | 40,497 |
| Literacy and education | 16,583 | 22,500 |
| New Charlottesville Day School | 5,000 | -- |
| Program / Innovation fund | 51,626 | 66,046 |
| Eco grant | 5,174 | 6,042 |
| Adventure grant | -- | 296 |
| Workforce Development | -- | 16,013 |
| Ball Cottage renovation | 51,729 | 51,729 |
| Substance Abuse | 1,385 | 47,520 |
| School based mental health | 46,541 | 45,535 |
| Scott/Farley Innovation Fund | 655,258 | 655,258 |
| Welcome Home | 360,881 | 608,384 |
| Other | 2,673 | 134 |
| | <u>\$ 1,288,141</u> | <u>\$ 1,656,826</u> |
| Accumulated earnings from endowment funds | \$ 217,533 | \$ 170,099 |
| Endowment funds: | | |
| Scholarship | 591,521 | 591,521 |
| General | 2,151,550 | 2,151,550 |
| | <u>\$ 2,743,071</u> | <u>\$ 2,743,071</u> |
| Total net assets with donor restrictions | <u>\$ 4,248,745</u> | <u>\$ 4,569,996</u> |

Notes to Combined Financial Statements

Note 10. Endowment Funds

The Organization's endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization classifies permanent endowment funds to include the original value of gifts donated to the permanent endowment and subsequent gifts to the permanent endowment assets.

Accumulated earnings and realized gains are reported as net assets without donor restrictions where no donor restrictions or board-imposed designations exist. To the extent that endowment assets earn interest and dividends beyond the amount appropriated for expenditure in any given year, the excess is classified as net assets with donor restrictions until appropriated by the Board for expenditure.

The Organization has adopted an investment policy to achieve income and growth through current yield and realized/unrealized capital appreciation. The policy targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Organization expects its endowment funds to provide an average rate of return of approximately 5% annually. The Organization has adopted a spending policy for distribution each year which allows for up to 5% of the endowment fund's fair market value (averaged over the previous three calendar year ends preceding the current calendar year).

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

| | 2024 | | |
|---|---|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 2,007,936 | \$ 2,914,455 | \$ 4,922,391 |
| Investment income | -- | 80,058 | 80,058 |
| Contributions | 590,810 | -- | 590,810 |
| Appropriation of endowment assets for expenditure | <u>(379,396)</u> | <u>(31,338)</u> | <u>(410,734)</u> |
| Endowment net assets, end of year | <u>\$ 2,219,350</u> | <u>\$ 2,963,175</u> | <u>\$ 5,182,525</u> |
| | 2023 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 2,393,532 | \$ 2,877,657 | \$ 5,271,189 |
| Investment income | -- | 64,755 | 64,755 |
| Contributions | 385,396 | -- | 385,396 |
| Appropriation of endowment assets for expenditure | <u>(770,992)</u> | <u>(27,957)</u> | <u>(798,949)</u> |
| Endowment net assets, end of year | <u>\$ 2,007,936</u> | <u>\$ 2,914,455</u> | <u>\$ 4,922,391</u> |

Notes to Combined Financial Statements

Endowment funds designated by the Board of Directors and classified in the Without Donor Restrictions category as of June 30, 2024 and 2023 were as follows:

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Annual giving | \$ 590,810 | \$ 379,396 |
| Other Elk Hill Farm Foundation endowment | 1,628,540 | 1,628,540 |
| | <u>\$ 2,219,350</u> | <u>\$ 2,007,936</u> |

As of June 30, 2020, a contributor to the Organization has made a written revocable transfer to donate seven parcels of land, together with all the improvements thereon, located in the City of Richmond, Virginia upon death. Pursuant to the transfer Elk Hill is to sell the parcels, the proceeds of which are to go to the General Endowment Fund. Due to certain variables inherent in the estimation of the value of the properties as well as the contributor's right to revoke the deed, the intentions to give are not reflected in the accompanying combined financial statements.

Note 11. Leasing Arrangements

The Organization leases facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2027 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. Renewal options are included in the lease term only when it is reasonably certain that the Organization will exercise that option. The lease agreements provide for increases in future minimum annual rental payments and generally require the Organization to pay real estate taxes, insurance, and other operating expenses.

The Amani House lease expires September 30, 2024 with monthly payments of \$2,948 from October 2020 through September 2021, \$2,948 from October 2021 through September 2022, \$3,096 from October 2022 through September 2023, and \$3,250, and from October 2023 through September 2024. There Organization exercised its option to renew the lease for two years through September 2026 with monthly payments of \$3,413 from October 2024 through September 2025, and \$3,584, and from October 2025 through September 2026.

The Charlottesville School and Community Services lease expires June 30, 2027 with original monthly payments at July 1, 2022 of \$8,867. Lease payments will increase annually based on changes in the CPI for all Urban Consumers (CPI-U) as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Rate increase will be no less than 3% and no more than 8%.

The Staunton, VA lease expires June 30, 2026. As of July 1, 2022 rent was \$12,674 per month. In June 2023, the lease was amended to include additional space with monthly rent of \$14,265 effective July 1, 2023. Rent will increase 1% annually. The lease can be terminated upon providing six-month written notice.

Notes to Combined Financial Statements

In February 2022, the Organization entered into a three-year lease for a Charlottesville house. Payments are required in the amount of \$3,440 from March 2022 through February 2023, \$3,543 from March 2023 through February 2024 and \$3,650 from March 2024 through February 2025.

In February 2017, the Organization entered into a seven-month lease for office space of Carlisle Avenue Baptist Church. The lease provides for automatic renewal each term for one year unless either party provides a ninety-day notice of termination of the lease.

Total rent expense under these leases amounted to \$392,103 and \$408,616 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023 the Organization's weighted average discount rate was 2.87%. The weighted average remaining lease term was 2.40 years and 3.32 years at June 30, 2024 and 2023, respectively.

The following table summarizes the maturity of the Organization's lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in the Organization's combined statements of financial position.

Year Ending June 30:

| | |
|---|-------------------|
| 2025 | \$ 361,515 |
| 2026 | 339,833 |
| 2027 | <u>131,015</u> |
| Total future minimum lease payments | \$ 832,363 |
| Imputed interest | <u>(29,253)</u> |
| Present value of minimum lease payments | <u>\$ 803,110</u> |

Note 12. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities. Accordingly, certain costs have been allocated by the amount to the programs and supporting services on the basis of the activity benefited. Such allocations are determined by management on an equitable basis.

Notes to Combined Financial Statements

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Allocation Method</u> |
|---|--------------------------|
| Salaries | Time and effort |
| Employee health and retirement plan costs | Direct allocation |
| Workers comp | Direct allocation |
| Payroll taxes | Direct allocation |
| Allowances | Direct allocation |
| Clothing and personal | Direct allocation |
| Professional services | Direct allocation |
| Educational supplies | Direct allocation |
| Utilities | Direct allocation |
| Food | Direct allocation |
| House supplies | Direct allocation |
| Insurance | Direct allocation |
| Maintenance | Direct allocation |
| Work pay | Direct allocation |
| Medical and dental | Direct allocation |
| Miscellaneous | Direct allocation |
| Postage | Direct allocation |
| Printing | Direct allocation |
| Recreation | Direct allocation |
| Rent | Direct allocation |
| Social services | Direct allocation |
| Wilderness | Direct allocation |
| Special events | Direct allocation |
| Staff development | Direct allocation |
| Office expenses | Direct allocation |
| Travel and transportation | Direct allocation |
| Bad debt expense | Direct allocation |
| Depreciation and amortization | Direct allocation |

Notes to Combined Financial Statements

Note 13. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a reoccurring basis as of June 30, 2024 and 2023:

| | Balance as of June 30, 2024 | Quoted Price in Active Market for Identical Assets (Level 1) | Significant Other Observable Levels (Level 2) | Significant Other Unobservable Levels (Level 3) |
|--------------|--|---|--|--|
| Equities | \$ 7,777,340 | \$ 7,777,340 | \$ -- | \$ -- |
| | | | | |
| | Balance as of June 30, 2023 | Quoted Price in Active Market for Identical Assets (Level 1) | Significant Other Observable Levels (Level 2) | Significant Other Unobservable Levels (Level 3) |
| Equities | \$ 7,422,058 | \$ 7,422,058 | \$ -- | \$ -- |
| Fixed income | 747,827 | 747,827 | -- | -- |
| | \$ 8,169,885 | \$ 8,169,885 | \$ -- | \$ -- |

Note 14. Subsequent Events

The Organization has evaluated all subsequent events through December 11, 2024, the date the combined financial statements were available to be issued. The Organization has determined that there are no subsequent events that require recognition or disclosure.



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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Trustees
Elk Hill Farm, Inc. and Elk Hill Farm Foundation
Goochland, Virginia

We have audited the combined financial statements of Elk Hill Farm, Inc. and Elk Hill Farm Foundation (the Organization) as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated December 11, 2024, which contains an unmodified opinion on those combined financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Yount, Hyde & Barbour, P.C.

Richmond, Virginia
December 11, 2024

ELK HILL FARM, INC.

Statements of Financial Position

June 30, 2024 and 2023

| Assets | 2024 | 2023 |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash | \$ 593,513 | \$ 1,260,656 |
| Accounts receivable, net | 3,715,608 | 1,744,204 |
| Pledges receivable, net | 23,967 | -- |
| Employee and other receivables | 4,978 | 7,762 |
| Prepaid expenses | 105,563 | 149,707 |
| Total current assets | <u>\$ 4,443,629</u> | <u>\$ 3,162,329</u> |
| Property and Equipment, | | |
| less accumulated depreciation | \$ 3,512,169 | \$ 3,380,291 |
| Long-Term Assets | | |
| Pledges receivable, net, less current portion | \$ -- | \$ 30,217 |
| Investments | 393,595 | 1,581,464 |
| Lease right-of-use assets - operating | 774,822 | 1,115,227 |
| Total long-term assets | <u>\$ 1,168,417</u> | <u>\$ 2,726,908</u> |
| Other Assets | | |
| Security deposits | \$ 15,265 | \$ 15,265 |
| Cash surrender value of life insurance policies | 416,831 | 374,386 |
| Total other assets | <u>\$ 432,096</u> | <u>\$ 389,651</u> |
| Total assets | <u>\$ 9,556,311</u> | <u>\$ 9,659,179</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 23,392 | \$ 60,283 |
| Accrued expenses | 679,775 | 606,918 |
| Deferred compensation, current portion | 37,870 | 37,870 |
| Lease liabilities - operating, current portion | 361,515 | 367,862 |
| Total current liabilities | <u>\$ 1,102,552</u> | <u>\$ 1,072,933</u> |
| Long-Term Liabilities | | |
| Lease liabilities - operating, net of current portion | \$ 441,595 | \$ 774,711 |
| Deferred compensation, long-term portion | 238,935 | 226,806 |
| Due to Foundation | 7,571 | 7,571 |
| Total long-term liabilities | <u>\$ 688,101</u> | <u>\$ 1,009,088</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | \$ 6,557,855 | \$ 4,897,293 |
| Designated by board | 590,810 | 1,692,901 |
| With donor restrictions | 616,993 | 986,964 |
| Total net assets | <u>\$ 7,765,658</u> | <u>\$ 7,577,158</u> |
| Total liabilities and net assets | <u>\$ 9,556,311</u> | <u>\$ 9,659,179</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM FOUNDATION

Statements of Financial Position

June 30, 2024 and 2023

| Assets | 2024 | 2023 |
|---|-------------------------|-------------------------|
| Current Assets | | |
| Cash | \$ 75,676 | \$ 300,011 |
| Pledges receivable, net | -- | 11,750 |
| Other receivables | 450 | 450 |
| Total current assets | <u>\$ 76,126</u> | <u>\$ 312,211</u> |
| Other Assets | | |
| Pledges receivable, net, less current portion | \$ 81,533 | \$ 69,783 |
| Long-term investments | 7,383,745 | 6,588,421 |
| Due from Elk Hill Farm | 7,571 | 7,571 |
| Total other assets | <u>\$ 7,472,849</u> | <u>\$ 6,665,775</u> |
| Total assets | <u>\$ 7,548,975</u> | <u>\$ 6,977,986</u> |
| Liabilities and Net Assets | | |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | \$ 2,288,683 | \$ 1,766,414 |
| Designated by board | 1,628,540 | 1,628,540 |
| With donor restrictions | <u>3,631,752</u> | <u>3,583,032</u> |
| Total net assets | <u>\$ 7,548,975</u> | <u>\$ 6,977,986</u> |
| Total liabilities and net assets | <u>\$ 7,548,975</u> | <u>\$ 6,977,986</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC.

Statement of Activities
Year Ended June 30, 2024

| | 2024 | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | |
| Contributions | \$ 1,283,197 | \$ 604,904 | \$ 1,888,101 |
| Contributions nonfinancial assets | 26,150 | -- | 26,150 |
| Investment income | 52,083 | -- | 52,083 |
| Other revenue | 105,630 | -- | 105,630 |
| Tuition assistance and fees | 9,715,581 | -- | 9,715,581 |
| Medicaid and insurance income | <u>2,504,936</u> | <u>--</u> | <u>2,504,936</u> |
| | \$ 13,687,577 | \$ 604,904 | \$ 14,292,481 |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions for property and equipment | 13,423 | (13,423) | -- |
| Satisfaction of program restrictions | <u>961,452</u> | <u>(961,452)</u> | <u>--</u> |
| Total support and revenue | <u>\$ 14,662,452</u> | <u>\$ (369,971)</u> | <u>\$ 14,292,481</u> |
| Expenses: | | | |
| Program services: | | | |
| Community services | \$ 3,012,466 | \$ -- | \$ 3,012,466 |
| Schools | 4,675,184 | -- | 4,675,184 |
| Residential services | <u>4,490,061</u> | <u>--</u> | <u>4,490,061</u> |
| Total program services | <u>\$ 12,177,711</u> | <u>\$ --</u> | <u>\$ 12,177,711</u> |
| Supporting services: | | | |
| Management and general | \$ 1,437,052 | \$ -- | \$ 1,437,052 |
| Fundraising | <u>489,218</u> | <u>--</u> | <u>489,218</u> |
| Total supporting services | <u>\$ 1,926,270</u> | <u>\$ --</u> | <u>\$ 1,926,270</u> |
| Total expenses | <u>\$ 14,103,981</u> | <u>\$ --</u> | <u>\$ 14,103,981</u> |
| Change in net assets | \$ 558,471 | \$ (369,971) | \$ 188,500 |
| Net assets, beginning of year | <u>6,590,194</u> | <u>986,964</u> | <u>7,577,158</u> |
| Net assets, end of year | <u>\$ 7,148,665</u> | <u>\$ 616,993</u> | <u>\$ 7,765,658</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM, INC.

Statement of Activities
Year Ended June 30, 2023

| | 2023 | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | |
| Contributions | \$ 629,407 | \$ 1,205,719 | \$ 1,835,126 |
| Government grants | 66,374 | -- | 66,374 |
| Investment income | 145,315 | -- | 145,315 |
| Other revenue | 53,702 | -- | 53,702 |
| Tuition assistance and fees | 8,237,271 | -- | 8,237,271 |
| Medicaid and insurance income | <u>1,525,888</u> | <u>--</u> | <u>1,525,888</u> |
| | <u>\$ 10,657,957</u> | <u>\$ 1,205,719</u> | <u>\$ 11,863,676</u> |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions for property and equipment | 51,569 | (51,569) | -- |
| Satisfaction of time restriction | 34,270 | (34,270) | -- |
| Satisfaction of program restrictions | <u>594,394</u> | <u>(594,394)</u> | <u>--</u> |
| Total support and revenue | <u>\$ 11,338,190</u> | <u>\$ 525,486</u> | <u>\$ 11,863,676</u> |
| Expenses: | | | |
| Program services: | | | |
| Community services | \$ 2,565,153 | \$ -- | \$ 2,565,153 |
| Schools | 4,280,338 | -- | 4,280,338 |
| Residential services | <u>4,140,334</u> | <u>--</u> | <u>4,140,334</u> |
| Total program services | <u>\$ 10,985,825</u> | <u>\$ --</u> | <u>\$ 10,985,825</u> |
| Supporting services: | | | |
| Management and general | \$ 1,262,198 | \$ -- | \$ 1,262,198 |
| Fundraising | <u>467,255</u> | <u>--</u> | <u>467,255</u> |
| Total supporting services | <u>\$ 1,729,453</u> | <u>\$ --</u> | <u>\$ 1,729,453</u> |
| Total expenses | <u>\$ 12,715,278</u> | <u>\$ --</u> | <u>\$ 12,715,278</u> |
| Change in net assets | \$ (1,377,088) | \$ 525,486 | \$ (851,602) |
| Net assets, beginning of year | 6,730,980 | 461,478 | 7,192,458 |
| Restatement | <u>1,236,302</u> | <u>--</u> | <u>1,236,302</u> |
| Net assets, beginning of year - restated | <u>\$ 7,967,282</u> | <u>\$ 461,478</u> | <u>\$ 8,428,760</u> |
| Net assets, end of year | <u>\$ 6,590,194</u> | <u>\$ 986,964</u> | <u>\$ 7,577,158</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM FOUNDATION

Statement of Activities
Year Ended June 30, 2024

| | 2024 | | |
|--|--|---|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support and revenue: | | | |
| Investment income | <u>\$ 893,256</u> | <u>\$ 80,058</u> | <u>\$ 973,314</u> |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>\$ 31,338</u> | <u>\$ (31,338)</u> | <u>\$ --</u> |
| Total support and revenue | <u>\$ 924,594</u> | <u>\$ 48,720</u> | <u>\$ 973,314</u> |
| Expenses and losses: | | | |
| Program services: | | | |
| Grant to Elk Hill Farm | <u>\$ 392,775</u> | <u>\$ --</u> | <u>\$ 392,775</u> |
| Supporting services: | | | |
| Management and general | <u>\$ 9,550</u> | <u>\$ --</u> | <u>\$ 9,550</u> |
| Total expenses | <u>\$ 402,325</u> | <u>\$ --</u> | <u>\$ 402,325</u> |
| Change in net assets | <u>\$ 522,269</u> | <u>\$ 48,720</u> | <u>\$ 570,989</u> |
| Net assets, beginning of year | <u>3,394,954</u> | <u>3,583,032</u> | <u>6,977,986</u> |
| Net assets, end of year | <u>\$ 3,917,223</u> | <u>\$ 3,631,752</u> | <u>\$ 7,548,975</u> |

See Notes to Combined Financial Statements.

ELK HILL FARM FOUNDATION

Statement of Activities
Year Ended June 30, 2023

| | 2023 | | |
|--|--|---|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support and revenue: | | | |
| Investment income | \$ 753,262 | 64,755 | \$ 818,017 |
| | <u>\$ 753,262</u> | <u>\$ 64,755</u> | <u>\$ 818,017</u> |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | \$ 29,243 | \$ (29,243) | \$ -- |
| Total support and revenue | <u>\$ 782,505</u> | <u>\$ 35,512</u> | <u>\$ 818,017</u> |
| Expenses and losses: | | | |
| Program services: | | | |
| Grant to Elk Hill Farm | \$ 404,270 | \$ -- | \$ 404,270 |
| Supporting services: | | | |
| Management and general | \$ 30,139 | \$ -- | \$ 30,139 |
| Total expenses | <u>\$ 434,409</u> | <u>\$ --</u> | <u>\$ 434,409</u> |
| Change in net assets | \$ 348,096 | \$ 35,512 | \$ 383,608 |
| Net assets as previously reported, beginning of year | 4,283,160 | 3,547,520 | 7,830,680 |
| Restatement | <u>(1,236,302)</u> | <u>--</u> | <u>(1,236,302)</u> |
| Net assets, end of year | <u>\$ 3,046,858</u> | <u>\$ 3,547,520</u> | <u>\$ 6,594,378</u> |
| Net assets, end of year | <u>\$ 3,394,954</u> | <u>\$ 3,583,032</u> | <u>\$ 6,977,986</u> |

See Notes to Combined Financial Statements.