

COMMUNITIES IN SCHOOLS OF TENNESSEE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2023

COMMUNITIES IN SCHOOLS OF TENNESSEE
Financial Statements
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Communities In Schools of Tennessee

Opinion

We have audited the accompanying statements of Communities In Schools of Tennessee which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Tennessee as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Communities In Schools of Tennessee, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities In Schools of Tennessee's ability to continue as a going concern within one year after the date that the financial statements are 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, 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 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 the 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 Communities In Schools of Tennessee'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt Communities In Schools of Tennessee'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.



October 23, 2023

COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,585,549
Grants receivable	28,125
Accounts receivable	52,578
Prepays	30,654
Total current assets	<u>\$ 1,696,906</u>

Noncurrent Assets

Investments	\$ 3,992,956
Equipment	5,125
Less: accumulated depreciation	<u>(3,715)</u>
Total equipment	1,410
Total assets	<u>\$ 5,691,272</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	8,300
Accrued liabilities	<u>2,424</u>
Total current liabilities	10,724

Net Assets

Without donor restrictions	4,095,750
With donor restrictions	<u>1,584,798</u>
Total net assets	<u>5,680,548</u>

Total liabilities and net assets	<u>\$ 5,691,272</u>
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The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support:			
Government grant income	\$ 1,500,000	1,500,000	3,000,000
Grant income	607,947	-	607,947
Contributions	311,932	84,798	396,730
In-kind contributions	80,927	-	80,927
Special events revenue:			
Revenue	98,467	-	98,467
Less direct costs	(28,739)	-	(28,739)
Net revenue from special events	69,728	-	69,728
Total public support	2,570,534	1,584,798	4,155,332
Other revenue:			
Program service fees	712,930	-	712,930
Investment income, net	194,192	-	194,192
Interest income	82,230	-	82,230
Total other revenue	989,352	-	989,352
Net assets released from restrictions	232,609	(232,609)	-
Total public support and other revenue	3,792,495	1,352,189	5,144,684
Expenses			
Program services	3,371,174	-	3,371,174
Supporting services:			
Management and general	514,704	-	514,704
Fundraising	183,069	-	183,069
Total supporting services	697,773	-	697,773
Total expenses	4,068,947	-	4,068,947
Change in net assets	(276,452)	1,352,189	1,075,737
Net assets at beginning of year	4,372,202	232,609	4,604,811
Net assets at end of year	<u>\$ 4,095,750</u>	<u>\$ 1,584,798</u>	<u>\$ 5,680,548</u>

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

Cash Flows From Operating Activities

Change in net assets	\$ 1,075,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	513
Investment income, net	(194,192)
Changes in operating assets and liabilities:	
Grants receivable	6,875
Accounts receivable	82,892
Other receivable	1,045
Prepays	(21,078)
Accounts payable	(1,034)
Accrued liabilities	(101)
Net cash provided by operating activities	<u>950,657</u>

Cash Flows From Investing Activities

Net purchases of investments	<u>(3,798,764)</u>
Net cash used in investing activities	<u>(3,798,764)</u>
Net change in cash and cash equivalents	(2,848,107)
Cash and cash equivalents at beginning of year	4,433,656
Cash and cash equivalents at end of year	<u><u>\$ 1,585,549</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of school program materials	\$ 80,927
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The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 2,290,702	\$ 217,911	\$ 139,675	\$ 2,648,288
Employee benefits	344,117	29,062	21,679	394,858
Payroll taxes	174,171	15,480	10,647	200,298
Total compensation	<u>2,808,990</u>	<u>262,453</u>	<u>172,001</u>	<u>3,243,444</u>
School program materials	410,427	-	-	410,427
Other materials	10,388	-	1,606	11,994
Professional fees & consulting	29,846	55,761	-	85,607
Outside contract services	-	92,587	-	92,587
Training	21,447	2,395	-	23,842
Travel and meetings	27,471	5,459	1,662	34,592
Telephone and telecommunications	20,237	5,318	923	26,478
Equipment and maintenance	15,775	2,868	-	18,643
Office rent	22,425	22,425	-	44,850
Marketing & communications materials	-	-	2,036	2,036
Software and license fees	993	-	-	993
Printing and postage	635	2,555	332	3,522
Supplies	204	2,264	-	2,468
Payroll processing	-	12,998	-	12,998
Insurance	-	26,414	-	26,414
Depreciation	-	513	-	513
Direct expenses of special events	-	-	28,739	28,739
Miscellaneous	2,336	20,694	4,509	27,539
Total expenses	<u>3,371,174</u>	<u>514,704</u>	<u>211,808</u>	<u>4,097,686</u>
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	(28,739)	(28,739)
Total expenses by function	<u>\$ 3,371,174</u>	<u>\$ 514,704</u>	<u>\$ 183,069</u>	<u>\$ 4,068,947</u>
Current year's percentages	82.9%	12.6%	4.5%	100.0%

The accompanying notes are an integral part of these financial statements

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Communities in Schools of Tennessee (the “Organization”) is a nonprofit organization headquartered in Nashville, Tennessee. The Organization’s purpose is to surround students with a community of support, empowering them to stay in school and achieve in life. The Organization fulfills its mission by collaborating with school districts and schools to place site coordinators in schools to assess students’ needs and provide resources tailored to each student. The Organization partners with local businesses, social service agencies, health-care providers, and volunteers to provide food, supplies, counseling, academic assistance, or a positive role model. The Organization earns income from schools for its services and is supported primarily through grants and individual contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation-continued

Net assets with donor restrictions -continued

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, 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.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At June 30, 2023, the Organization had no cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

See fair value measurements for investments under **Financial Instruments** in Note 1. Unrealized and realized gains and losses, investment fees and interest and dividends are reflected in the statement of activities as investment income, net.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Support and Revenue Recognition

Grants and Contributions: Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest are received. Conditional promises to give, including those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Special events revenues: Revenues from special events are recognized as those events occur.

Program service fees: Organization provides an integrated student supports model to both Nashville and rural community schools. Fees for these program activities are recognized as revenue at the time the activities are held.

Grants Receivable

The Organization considers grants receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Accounts Receivable

Accounts receivable are primarily non-interest-bearing amounts due from schools as annual fees for partnering with the Organization. The Organization considers accounts receivable are collectible in full. Accordingly, no allowance for doubtful accounts has been recorded.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Expense Recognition and Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Facility rent, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

New Accounting Pronouncement

On July 1, 2022, the Organization adopted Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842). The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. The Organization has no leases with lease terms over 12 months as of June 30, 2023.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Mutual funds - Valued at the closing price reported on the active market in which they are traded and are classified within level 1 of the valuation hierarchy.

Private equity and real estate funds – Valued at prices quoted by various inactive markets and/or independent financial analysts.

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

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year at June 30, 2023:

Financial assets at year-end:	
Cash	\$1,585,549
Investments	3,992,956
Accounts receivable	52,578
Grants receivable	<u>28,125</u>
Total financial assets	5,659,208
Less amounts not available to be used for general expenditures within one year:	
Assets subject to restrictions	1,584,798
Investments-private equity and real estate	<u>55,178</u>
Financial assets not available to be used within one year	<u>1,639,976</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,019,232</u>

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 12 months of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

NOTE 3 – CONCENTRATION OF RISK

Amounts held in a financial institution are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high-quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

NOTE 4– IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of school program materials to conduct events and activities within its partner schools. The estimated fair value of these donated items totaled \$80,927 and were recorded as in-kind contributions and related school program materials for the year ended June 30, 2023.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization receives cash from grants and contributions from CIS National. The total amount paid from CIS National to the Organization amounted to \$315,059 for year ended June 30, 2023.

NOTE 6 – FAIR VALUE MEASUREMENTS-INVESTMENTS

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis on the statement of financial position, by level within the fair value hierarchy, as of June 30, 2023.

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
Mutual Funds:				
Public Equity:				
U.S. equity	\$1,208,961	-	-	\$1,208,961
International equity	706,651	-	-	706,651
Other	<u>249,885</u>	<u>-</u>	<u>-</u>	<u>249,885</u>
Total Public Equity	<u>2,165,497</u>	<u>-</u>	<u>-</u>	<u>2,165,497</u>
Fixed Income	<u>1,772,281</u>	<u>-</u>	<u>-</u>	<u>1,772,281</u>
Other Investments:				
Private equity	-	-	11,563	11,563
Private real estate	<u>-</u>	<u>-</u>	<u>43,615</u>	<u>43,615</u>
Total Other Investments	<u>-</u>	<u>-</u>	<u>55,178</u>	<u>55,178</u>
	<u><u>\$ 3,937,778</u></u>	<u><u>-</u></u>	<u><u>\$55,178</u></u>	<u><u>\$3,992,956</u></u>

NOTE 7 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease. Lease expires August 31, 2023. Rent expense for year ended June 30, 2023, totaled \$44,850.

Future minimum rental payments under noncancellable operating lease are as follows:

Rents

2024	<u>7,524</u>
	<u><u>\$ 7,524</u></u>

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8– DIRECT APPROPRIATION GRANT

In July 2022, the Organization received \$3,000,000 from the State of Tennessee related to a 2-year pilot program to continue its Organization’s program into 23 high schools in 15 of the most economically distressed, rural counties in the state. The funds are restricted solely for this purpose. As of June 30, 2023, \$1,500,000 of funds has been released from restriction.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, net assets with donor restrictions are available for the following purpose or period:

<u>Purpose restriction</u>	
Rural expansion program	\$ 1,500,000
Specific schools in Nashville, TN	34,798
<u>Time restriction</u>	
School sites in Nashville, TN	<u>50,000</u>
	<u>\$ 1,584,798</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 10 RETIREMENT PLAN

During fiscal year ended June 30, 2016, the Organization adopted a 401(k) plan whereby practically all employees may elect to contribute a portion of their salaries up to the Internal Revenue Code maximum annual limit. To be an eligible employee to participate in the plan, the employee must reach age 21. In addition, an employee is not required to complete a service requirement to participate in the plan. The plan provides for the Organization to make discretionary contributions to the plan. The Organization made a matching contribution to employees’ salary reduction contribution up to a limit of 2% of annual compensation for the year ended June 30, 2023. Contributions amounted to \$47,105 for year ended June 30, 2023.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 23, 2023, the date at which the financial statements were available for issuance, noting none.