

**COMMUNITIES IN SCHOOLS OF TENNESSEE**

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

**JUNE 30, 2019**

**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**Financial Statements**  
**JUNE 30, 2019**

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## CPA for the Not-For-Profit Sector

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Communities In Schools of Tennessee

We have audited the accompanying statement of financial position of Communities in Schools of Tennessee as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Tennessee as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Thomason Financial Resources".

December 1, 2019

**COMMUNITIES IN SCHOOLS OF TENNESSEE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 339,643
Grants receivable	57,550
Accounts receivable	46,250
Prepays	6,502
Total current assets	<u>\$ 449,945</u>

**Noncurrent Assets**

Furniture	\$ 5,125
Less: accumulated depreciation	<u>(1,665)</u>
Total equipment	<u>3,460</u>

Total assets	<u>\$ 453,405</u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 1,909
Accrued liabilities	<u>28,375</u>
Total current liabilities	<u>30,284</u>

**Net Assets**

Without donor restrictions	347,090
With donor restrictions	<u>76,031</u>
Total net assets	<u>423,121</u>

Total liabilities and net assets	<u>\$ 453,405</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Public support:			
Grant income	\$ 576,846	\$ 76,031	\$ 652,877
Contributions	284,097	-	284,097
In kind contributions	7,500	-	7,500
Total public support	<u>868,443</u>	<u>76,031</u>	<u>944,474</u>
Other revenue:		-	
Program service fees	782,000	-	782,000
Interest income	11,966	-	11,966
Total other revenue	<u>793,966</u>	<u>-</u>	<u>793,966</u>
Net assets released from restrictions	198,983	(198,983)	-
Total public support and other revenue	<u>1,861,392</u>	<u>(122,952)</u>	<u>1,738,440</u>
<b>Expenses</b>			
Program services	1,339,809	-	1,339,809
Supporting services:			
Management and general	440,916	-	440,916
Fundraising	66,650	-	66,650
Total supporting services	<u>507,566</u>	<u>-</u>	<u>507,566</u>
Total expenses	<u>1,847,375</u>	<u>-</u>	<u>1,847,375</u>
<b>Change in net assets from continuing operations</b>	14,017	(122,952)	(108,935)
<b>Loss on disposal of discontinued operations</b>	-	(1,098,236)	(1,098,236)
Net assets at beginning of year	333,073	1,297,219	1,630,292
<b>Net assets at end of year</b>	<u>\$ 347,090</u>	<u>\$ 76,031</u>	<u>\$ 423,121</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, 2019**

**Cash Flows From Operating Activities**

Change in net assets	\$ (108,935)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	512
Changes in operating assets and liabilities:	
Grants receivable	30,920
Accounts receivable	(35,166)
Prepays	(6,502)
Accounts payable	(20,575)
Accrued liabilities	(31,251)
Net cash used in operating activities	<u>(170,997)</u>

**Cash Flows From Investing Activities**

Funding of Memphis operations	(1,098,236)
Net cash used in investing activities	<u>(1,098,236)</u>
Net change in cash and cash equivalents	(1,269,233)
Cash and cash equivalents at beginning of year	1,608,876
Cash and cash equivalents at end of year	<u><u>\$ 339,643</u></u>

Supplemental schedule of noncash operating activities:

In-kind contributions of facilities	\$7,500
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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, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 982,676	\$ 214,662	\$ 46,900	\$ 1,244,238
Employee benefits	149,726	31,702	8,280	189,708
Payroll taxes	78,788	15,709	3,679	98,176
Total compensation	<u>1,211,190</u>	<u>262,073</u>	<u>58,859</u>	<u>1,532,122</u>
School program materials	61,094	-	-	61,094
Other materials	6,823	-	239	7,062
Professional fees & consulting	949	39,152	3,443	43,544
Outside contract services	7,991	44,450	-	52,441
Training	9,132	17,615	-	26,747
Travel and meetings	3,403	20,740	803	24,946
Telephone and telecommunications	10,561	5,011	-	15,572
Equipment and maintenance	-	2,779	-	2,779
Office rent	24,917	24,917	-	49,834
Software and license fees	473	-	-	473
Printing and postage	100	825	-	925
Supplies	3,176	3,661	-	6,837
Payroll processing	-	4,003	-	4,003
Insurance	-	6,164	-	6,164
Depreciation	-	512	-	512
Miscellaneous	-	9,014	3,306	12,320
Total expenses by function	<u>\$ 1,339,809</u>	<u>\$ 440,916</u>	<u>\$ 66,650</u>	<u>\$ 1,847,375</u>
Current year's percentages	72.53%	23.87%	3.61%	100.00%

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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.

Prior to July 2018, the Organization had operations in both Davidson County, Tennessee (Nashville) and Shelby County (Memphis). During the fiscal year ended June 30, 2018, the Organization served 28 schools – 7 schools in Davidson County and 21 schools in Shelby County. The Organization’s Board decided to form a new 501 c 3 organization called Communities in Schools of Memphis and to transfer the operations and restricted assets associated with the Shelby County Schools to the new entity. This decision was made in the best interests of both organizations and after much consideration and consultation with local partners in the individual markets and the Communities in Schools National office.

During the fiscal year ended June 30, 2019, the Organization expanded its operations in Davidson County to 17 schools.

**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 for 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.



**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Basis of Presentation-continued**

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.

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, 2019, 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.

**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Contributions**

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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.

**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.

**In-Kind Contributions**

The Organization received contributions in a form other than cash or investments. Office space for state office operations was donated to the Organization in the amount of \$7,500 for fiscal year ended June 30, 2019.

**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, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Change in Accounting Principles**

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

**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.



**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Organization has \$443,443 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$339,643, grants receivable of \$57,550 and accounts receivable of \$46,250. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 90 days 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 – NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019, net assets with donor restrictions are available for the following purpose or period:

Purpose restriction

School sites in Nashville, TN	\$56,031
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Time restriction

School sites in Nashville, TN	\$20,000
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

School sites in Nashville, TN	\$198,983
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**COMMUNITIES IN SCHOOLS OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 5 – LEASE COMMITMENT**

The Organization leases office facilities under an operating lease. Lease expires August 31, 2020. Rent expense for year ended June 30, 2019 totaled \$49,834.

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

<b>Rents</b>	
2020	42,540
2021	<u>7,090</u>
	<u>\$49,630</u>

**NOTE 6 – 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, 2019. Contributions amounted to \$6,635 for year ended June 30, 2019.

**NOTE 7 – DISCONTINUED OPERATIONS**

On July 1, 2018, the Organization's Shelby County operations were transitioned to Communities in Schools of Memphis. Approximately \$1.1 million in net assets, representing the value of Memphis operations within the Organization as of July 1, 2018, were transferred from the Organization to Communities in Schools of Memphis during July through August 2018. These transfers were made from the Organization's operating bank account and reflected in the fiscal year end June 30, 2019 financial statements as a reduction in cash and a simultaneous reduction in net assets with donor restrictions.

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through December 1, 2019, the issuance of the Organization's financial statements.