

COMMUNITIES IN SCHOOLS OF TENNESSEE

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

JUNE 30, 2021

COMMUNITIES IN SCHOOLS OF TENNESSEE
Financial Statements
JUNE 30, 2021

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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, 2021, 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, 2021, 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

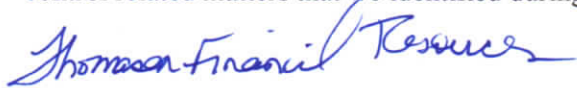
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

A handwritten signature in blue ink that reads "Thomas Financial Resources". The signature is written in a cursive, flowing style.

October 12, 2021

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,026,296
Grants receivable	130,000
Accounts receivable	51,073
Prepays	20,810
Total current assets	<u>\$ 3,228,179</u>

Noncurrent Assets

Grants receivable	30,000
Furniture	5,125
Less: accumulated depreciation	<u>(2,690)</u>
Total equipment	<u>2,435</u>
Total assets	<u>\$ 3,260,614</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	8,497
Accrued liabilities	<u>26,017</u>
Total current liabilities	<u>34,514</u>

Net Assets

Without donor restrictions	1,414,095
With donor restrictions	<u>1,812,005</u>
Total net assets	<u>3,226,100</u>

Total liabilities and net assets	<u>\$ 3,260,614</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, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support:			
Government grants	\$ 576,461	-	576,461
Other grant income	478,588	309,158	787,746
Contributions	527,730	3,550	531,280
Gain on forgiveness of note payable	358,985	-	358,985
Total public support	1,941,764	312,708	2,254,472
Other revenue:			
Program service fees	861,000	-	861,000
Interest income	11,144	-	11,144
Total other revenue	872,144	-	872,144
Net assets released from restrictions	1,624,222	(1,624,222)	-
Total public support and other revenue	4,438,130	(1,311,514)	3,126,616
Expenses			
Program services	2,910,583	-	2,910,583
Supporting services:			
Management and general	496,305	-	496,305
Fundraising	108,695	-	108,695
Total supporting services	605,000	-	605,000
Total expenses	3,515,583	-	3,515,583
Change in net assets	922,547	(1,311,514)	(388,967)
Net assets at beginning of year	491,548	3,123,519	3,615,067
Net assets at end of year	<u>\$ 1,414,095</u>	<u>\$ 1,812,005</u>	<u>\$ 3,226,100</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, 2021**

Cash Flows From Operating Activities

Change in net assets	\$ (388,967)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on forgiveness of note payable	(358,985)
Depreciation	512
Changes in operating assets and liabilities:	
Grants receivable	(63,125)
Accounts receivable	57,564
Prepays	(10,600)
Accounts payable	5,084
Accrued liabilities	(43,621)
Net cash used in operating activities	<u>(802,138)</u>
 Net change in cash and cash equivalents	 (802,138)
Cash and cash equivalents at beginning of year	<u>3,828,434</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,026,296</u></u>

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, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 2,182,698	\$ 228,089	\$ 71,503	\$ 2,482,290
Employee benefits	293,517	24,115	9,705	327,337
Payroll taxes	163,804	16,747	5,657	186,208
Total compensation	<u>2,640,019</u>	<u>268,951</u>	<u>86,865</u>	<u>2,995,835</u>
School program materials	189,709	-	-	189,709
Other materials	10,200	-	976	11,176
Professional fees & consulting	-	37,593	-	37,593
Outside contract services	3,329	104,895	-	108,224
Training	9,073	854	746	10,673
Travel and meetings	1,681	106	110	1,897
Telephone and telecommunications	25,219	6,051	416	31,686
Equipment and maintenance	6,323	2,072	1,219	9,614
Office rent	21,590	21,590	-	43,180
Communications materials	-	-	15,555	15,555
Software and license fees	490	-	-	490
Printing and postage	2,093	326	99	2,518
Supplies	857	675	-	1,532
Payroll processing	-	12,133	-	12,133
Insurance	-	32,288	-	32,288
Depreciation	-	512	-	512
Miscellaneous	-	8,259	2,709	10,968
Total expenses by function	<u>\$ 2,910,583</u>	<u>\$ 496,305</u>	<u>\$ 108,695</u>	<u>\$ 3,515,583</u>
Current year's percentages	82.79%	14.12%	3.09%	100.00%

The accompanying notes are an integral part of these financial statements

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021, 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, 2021

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.

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.

Adoption of New Accounting Pronouncement

On July 1, 2020, the Organization adopted FASB Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (ASC 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement-continued

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract obligation for delivering services to community schools is generally satisfied at the time these services are provided.

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, 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,425,364 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,374,291 and accounts receivable of \$51,073. 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 – GRANTS RECEIVABLE

Grants receivable at June 30, 2021, are as follows:

Less than 1 year	\$130,000
1 year to 5 years	<u>30,000</u>
	<u>\$160,000</u>

NOTE 5– DIRECT APPROPRIATION GRANT

In July 2019, the Organization received \$4,500,000 from the State of Tennessee related to a 3-year pilot program to expand the 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, 2021, \$3,000,000 of funds has been released from restriction. The grant funds also earned \$11,144 of interest during 2021.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – GAIN ON FORGIVENESS OF NOTE PAYABLE

On April 27, 2020, the Organization was granted a loan from Pinnacle Bank in the aggregate amount of \$358,985, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. Funds from the loan were used for qualifying expenses including payroll costs, costs used to continue group health care benefits, rent, and utilities. As such, the conditions for forgiveness had been met and on December 2, 2020, the PPP loan was forgiven. This forgiveness is recognized in the Statement of Activities in the revenue section as a gain on forgiveness of note payable.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions are available for the following purpose or period:

Purpose restriction

Rural expansion program	\$1,650,000
Specific schools in Nashville, TN	102,005

Time restriction

School sites in Nashville, TN	60,000
	<u>\$1,812,005</u>

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:

Purpose restriction

Rural expansion program	\$1,500,000
Specific schools in Nashville, TN	74,222

Time restriction

School sites in Nashville, TN	50,000
	<u>\$1,624,222</u>

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease. Lease expires August 31, 2022. Rent expense for year ended June 30, 2021, totaled \$43,180.

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

Rents

2022	\$ 44,115
2023	<u>7,377</u>
	<u>\$ 51,492</u>

NOTE 9 – 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, 2021. Contributions amounted to \$14,717 for year ended June 30, 2021.

NOTE 10 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2022.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 13, 2021, the issuance of the Organization's financial statements.