

COMMUNITIES IN SCHOOLS OF TENNESSEE

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

JUNE 30, 2016 AND 2015

COMMUNITIES IN SCHOOLS OF TENNESSEE
Financial Statements
JUNE 30, 2016 AND 2015

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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, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'Shawn E. Smith', is written over a horizontal line.

September 2, 2016

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 195,540	\$ 571,571
Grants receivable	740,328	5,000
Total current assets	<u>\$ 935,868</u>	<u>\$ 576,571</u>
Noncurrent Assets		
Furniture	\$ 5,125	\$ -
Less: accumulated depreciation	(128)	-
Total equipment	<u>4,997</u>	<u>-</u>
Total assets	<u>\$ 940,865</u>	<u>\$ 576,571</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued liabilities	\$ 28,253	\$ 12,738
Deferred revenue	18,000	-
Total current liabilities	<u>46,253</u>	<u>12,738</u>
Net Assets		
Unrestricted	378,693	229,380
Temporarily restricted	515,919	334,453
Total net assets	<u>894,612</u>	<u>563,833</u>
Total liabilities and net assets	<u>\$ 940,865</u>	<u>\$ 576,571</u>

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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Grant income	\$ 1,180,585	\$ 739,841	\$ 1,920,426
Contributions	69,314	-	69,314
In kind contributions	8,733	-	8,733
Total public support	1,258,632	739,841	1,998,473
Other revenue:		-	
Program service fees	361,000	-	361,000
Interest income	2,460	-	2,460
Total other revenue	363,460	-	363,460
Net assets released from restrictions	558,375	(558,375)	-
Total public support and other revenue	2,180,467	181,466	2,361,933
Expenses			
Program services	1,614,398	-	1,614,398
Supporting services:			
Management and general	280,886	-	280,886
Fundraising	135,870	-	135,870
Total supporting services	416,756	-	416,756
Total expenses	2,031,154	-	2,031,154
Change in net assets	149,313	181,466	330,779
Net assets at beginning of year	229,380	334,453	563,833
Net assets at end of year	<u>\$ 378,693</u>	<u>\$ 515,919</u>	<u>\$ 894,612</u>

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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Grant income	\$ 500,885	\$ 548,870	\$ 1,049,755
Contributions	33,325	-	33,325
In kind contributions	19,541	-	19,541
Total public support	553,751	548,870	1,102,621
Other revenue:		-	
Program service fees	46,000	-	46,000
Interest income	1,082	-	1,082
Total other revenue	47,082	-	47,082
Net assets released from restrictions	380,625	(380,625)	-
Total public support and other revenue	981,458	168,245	1,149,703
Expenses			
Program services	626,475	-	626,475
Supporting services:			
Management and general	160,308	-	160,308
Fundraising	43,741	-	43,741
Total supporting services	204,049	-	204,049
Total expenses	830,524	-	830,524
Change in net assets	150,934	168,245	319,179
Net assets at beginning of year	78,446	166,208	244,654
Net assets at end of year	<u>\$ 229,380</u>	<u>\$ 334,453</u>	<u>\$ 563,833</u>

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Cash Flows From Operating Activities:	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 330,779	\$319,179
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128	-
Changes in operating assets and liabilities:		
Grants receivable	(735,328)	(5,000)
Deferred revenue	18,000	-
Accrued liabilities	15,515	2,595
Net cash (used in) provided by operating activities	<u>(370,906)</u>	<u>316,774</u>
Cash Flows From Investing Activities:		
Purchases of equipment	<u>(5,125)</u>	<u>-</u>
Net cash used in investing activities	<u>(5,125)</u>	<u>-</u>
Net change in cash and cash equivalents	(376,031)	316,774
Cash and cash equivalents at beginning of year	571,571	254,797
Cash and cash equivalents at end of year	<u>\$ 195,540</u>	<u>\$571,571</u>
<u>Supplemental schedule of noncash operating activities:</u>		
In-kind contributions of accounting services	\$1,233	\$12,041
In-kind contributions of facilities	7,500	7,500
Total in-kind contributions	<u>\$8,733</u>	<u>\$19,541</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, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 1,136,596	\$ 158,098	\$ 90,098	\$ 1,384,792
Employee benefits	164,407	10,419	13,708	188,534
Payroll taxes	95,077	10,728	7,541	113,346
Total compensation	<u>1,396,080</u>	<u>179,245</u>	<u>111,347</u>	<u>1,686,672</u>
School program materials	89,682	-	-	89,682
Other materials	1,835	-	12,053	13,888
Professional fees & consulting	10,691	24,272	4,572	39,535
Outside contract services	4,110	3,200	-	7,310
Training	21,811	2,556	355	24,722
Travel and meetings	19,898	7,959	5,873	33,730
Telephone and telecommunications	14,198	2,914	-	17,112
Equipment and maintenance	23,598	9,406	598	33,602
Office rent	15,856	34,817	-	50,673
Software and license fees	8,460	-	-	8,460
Printing and postage	-	2,547	82	2,629
Supplies	5,103	5,831	-	10,934
Payroll processing	3,076	897	-	3,973
Insurance	-	4,713	-	4,713
Depreciation	-	128	-	128
Miscellaneous	-	2,401	990	3,391
Total expenses by function	<u>\$ 1,614,398</u>	<u>\$ 280,886</u>	<u>\$ 135,870</u>	<u>\$ 2,031,154</u>
Current year's percentages	79.48%	13.83%	6.69%	100.00%

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, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 427,081	\$ 99,616	\$ 31,848	\$ 558,545
Employee benefits	49,577	6,901	1,611	58,089
Payroll taxes	37,103	8,102	2,609	47,814
Total compensation	<u>513,761</u>	<u>114,619</u>	<u>36,068</u>	<u>664,448</u>
School program materials	31,917	-	-	31,917
Other materials	969	-	1,993	2,962
Professional fees & consulting	-	13,240	2,210	15,450
Outside contract services	5,270	4,091	-	9,361
Training	10,738	1,625	20	12,383
Travel and meetings	26,100	4,136	1,216	31,452
Telephone and telecommunications	5,143	508	-	5,651
Equipment and maintenance	23,447	1,193	981	25,621
Office rent	5,800	7,500	-	13,300
Printing and postage	-	2,022	117	2,139
Supplies	1,619	3,408	494	5,521
Payroll processing	1,711	380	-	2,091
Insurance	-	5,488	-	5,488
Miscellaneous	-	2,098	642	2,740
Total expenses by function	<u>\$ 626,475</u>	<u>\$ 160,308</u>	<u>\$ 43,741</u>	<u>\$ 830,524</u>
Current year's percentages	75.43%	19.30%	5.27%	100.00%

The accompanying notes are an integral part of these financial statements

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

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. There were no permanently restricted net assets as of June 30, 2016 or 2015.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2016 and at June 30, 2015, the Organization had no cash equivalents.

Expense 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. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

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.

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements to conform to the June 30, 2016 presentation. These reclassifications had no effect on the results of operations previously reported.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended June 30, 2013 through June 30, 2016.

NOTE 2 – DONATED SERVICES AND FACILITIES

A board member donated accounting and financial services to the Organization in the amount of \$1,233 and \$12,041 during the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Additionally, office space for state office operations was donated to the Organization in the amount of \$7,500 for each fiscal year ended June 30, 2016 and June 30, 2015.

NOTE 3 – CONCENTRATION OF RISK

Amounts held in a financial institution occasionally 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.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015 for the following purposes:

	<u>2016</u>	<u>2015</u>
School sites in Memphis, TN	\$419,134	\$274,452
School sites in Nashville, TN	<u>96,785</u>	<u>60,001</u>
	<u>\$515,919</u>	<u>\$334,453</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:

	<u>2016</u>	<u>2015</u>
School sites in Nashville, TN	\$274,452	\$337,125
School sites in Memphis, TN	<u>283,923</u>	<u>43,500</u>
Total restrictions released	<u>\$558,375</u>	<u>\$380,625</u>

NOTE 5 – LEASE COMMITMENT

The Organization leases office facilities under two operating lease. Leases expire from July 31, 2016 to August 31, 2018. Rent expense for the years ended June 30, 2016 and 2015 totaled \$50,673 and \$13,300, respectively.

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

	Rents
2017	41,532
2018	41,136
2019	<u>6,884</u>
	<u>\$89,552</u>

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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 no discretionary contributions to the plan for year ended June 30, 2016

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through September 2, 2016, the issuance of the Organization's financial statements.