

COMMUNITIES IN SCHOOLS OF TENNESSEE

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

JUNE 30, 2022

COMMUNITIES IN SCHOOLS OF TENNESSEE
Financial Statements
JUNE 30, 2022

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7

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, 2022, 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, 2022, 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

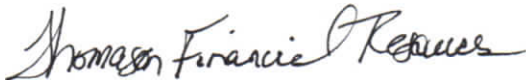
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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



November 7, 2022

COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,433,656
Grants receivable	35,000
Accounts receivable	135,470
Other receivable	1,045
Prepays	9,577
Total current assets	<u>\$ 4,614,748</u>

Noncurrent Assets

Furniture	5,125
Less: accumulated depreciation	<u>(3,203)</u>
Total equipment	1,922
Total assets	<u>\$ 4,616,670</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	9,334
Accrued liabilities	<u>2,525</u>
Total current liabilities	11,859

Net Assets

Without donor restrictions	4,372,202
With donor restrictions	<u>232,609</u>
Total net assets	4,604,811

Total liabilities and net assets	<u>\$ 4,616,670</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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support:			
Grant income	\$ 428,258	201,769	630,027
Contributions	3,539,742	126	3,539,868
In kind contributions	33,180	-	33,180
Special events revenue:			
Revenue	63,267	-	63,267
Less direct costs	(8,951)	-	(8,951)
Net revenue from special events	54,316	-	54,316
Total public support	4,055,496	201,895	4,257,391
Other revenue:			
Program service fees	822,019	-	822,019
Interest income	7,931	-	7,931
Total other revenue	829,950	-	829,950
Net assets released from restrictions	1,781,291	(1,781,291)	-
Total public support and other revenue	6,666,737	(1,579,396)	5,087,341
Expenses			
Program services	3,021,495	-	3,021,495
Supporting services:			
Management and general	518,742	-	518,742
Fundraising	168,393	-	168,393
Total supporting services	687,135	-	687,135
Total expenses	3,708,630	-	3,708,630
Change in net assets	2,958,107	(1,579,396)	1,378,711
Net assets at beginning of year	1,414,095	1,812,005	3,226,100
Net assets at end of year	<u>\$ 4,372,202</u>	<u>\$ 232,609</u>	<u>\$ 4,604,811</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, 2022**

Cash Flows From Operating Activities

Change in net assets	\$ 1,378,711
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	513
Changes in operating assets and liabilities:	
Grants receivable	125,000
Accounts receivable	(84,397)
Other receivable	(1,045)
Prepays	11,233
Accounts payable	837
Accrued liabilities	(23,492)
Net cash provided by operating activities	<u>1,407,360</u>
Net change in cash and cash equivalents	1,407,360
Cash and cash equivalents at beginning of year	<u>3,026,296</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,433,656</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of school program materials	\$ 33,180
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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, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 2,193,123	\$ 239,668	\$ 121,129	\$ 2,553,920
Employee benefits	343,042	30,242	18,572	391,856
Payroll taxes	168,067	17,496	9,780	195,343
Total compensation	<u>2,704,232</u>	<u>287,406</u>	<u>149,481</u>	<u>3,141,119</u>
School program materials	174,739	-	-	174,739
Other materials	10,683	-	1,242	11,925
Professional fees & consulting	6,210	77,940	-	84,150
Outside contract services	14,681	70,978	-	85,659
Training	35,084	872	464	36,420
Travel and meetings	11,479	886	509	12,874
Telephone and telecommunications	19,501	4,837	757	25,095
Equipment and maintenance	19,610	99	-	19,709
Office rent	22,075	22,075	-	44,150
Marketing & communications materials	-	-	9,634	9,634
Software and license fees	712	-	-	712
Printing and postage	1,155	2,467	535	4,157
Supplies	573	1,671	-	2,244
Payroll processing	-	12,288	-	12,288
Insurance	-	26,584	-	26,584
Depreciation	-	513	-	513
Direct expenses of special events	-	-	8,951	8,951
Miscellaneous	761	10,126	5,771	16,658
Total expenses	<u>3,021,495</u>	<u>518,742</u>	<u>177,344</u>	<u>3,717,581</u>
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	(8,951)	(8,951)
Total expenses by function	<u>\$ 3,021,495</u>	<u>\$ 518,742</u>	<u>\$ 168,393</u>	<u>\$ 3,708,630</u>
Current year's percentages	81.5%	14.0%	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, 2022

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, 2022

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, 2022, 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, 2022

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, 2022

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.

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, 2022:

Financial assets at year-end:	
Cash	\$4,433,656
Accounts receivable	135,470
Grants receivable	35,000
Other receivable	<u>1,045</u>
Total financial assets	4,605,171
Less amounts not available to be used for general expenditures within one year:	
Assets subject to restrictions	<u>232,609</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$4,372,562</u></u>

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY - continued

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 \$33,180 and were recorded as in-kind contributions and related school program materials for the year ended June 30, 2022.

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 \$458,572 for year ended June 30, 2022.

NOTE 6 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease. Lease expires August 31, 2022. Rent expense for year ended June 30, 2022, totaled \$44,115.

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

Rents

2023	<u>7,377</u>
	<u>\$ 7,377</u>

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, net assets with donor restrictions are available for the following purpose or period:

<u>Purpose restriction</u>	
Rural expansion program	\$ 125,000
Specific schools in Nashville, TN	57,609
<u>Time restriction</u>	
School sites in Nashville, TN	50,000
	<u>\$ 232,609</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>Purpose restriction</u>	
Rural expansion program	\$1,650,000
Specific schools in Nashville, TN	101,291
<u>Time restriction</u>	
School sites in Nashville, TN	30,000
	<u>\$1,781,291</u>

NOTE 8 – 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, 2022. Contributions amounted to \$44,568 for year ended June 30, 2022.

NOTE 9 – SUBSEQUENT EVENTS

On November 7, 2022, the Organization received \$3,000,000 from the State of Tennessee to continue its pilot program operations into 23 schools in 15 of the most economically distressed, rural counties in the state. The funds are restricted solely for this purpose and are to be used by June 30, 2024. The Organization evaluated subsequent events through November 7, 2022, the issuance of the Organization's financial statements, noting no other matters than that stated above.