

COMMUNITIES IN SCHOOL OF VIRGINIA

Financial Statements
For the year ended
June 30, 2017
(with comparative financial information
for the year ended June 30, 2016)

COMMUNITIES IN SCHOOLS OF VIRGINIA

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Frank Barcalow CPA, P.L.L.C.

Independent Auditor's Report

Board of Directors
Communities In Schools of Virginia
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Communities In Schools of Virginia which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows 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 audit 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 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 Virginia as of June 30, 2017 and the changes in its net assets, and its cash flows for the year then ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Communities In Schools of Virginia 2016 financial statements, and our report dated September 20, 2016 expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia
September 25, 2017

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Notes to Financial Statements June 30, 2017

Note 1 - Summary of significant accounting policies

Nature of organization

Communities In Schools of Virginia (CISVA) is a nonprofit corporation incorporated for the purpose of providing a connection of needed community resources with schools to help young people successfully learn, stay in school, and prepare for post-secondary education opportunities. CISVA will coordinate and replicate the “Communities in Schools” model program with the Commonwealth of Virginia and will provide training and technical assistance for such model programs.

Basis of accounting

The accounting system is maintained and financial reports are prepared in accordance with the accrual basis of accounting. Under generally accepted accounting principles, CISVA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Cash equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. CISVA has no permanently restricted net assets as of June 30, 2017.

Grant support

The Corporation may receive assistance in the form of capital and operating grants from governmental and non-governmental sources. Grant revenues are recorded when earned. Revenues are accrued when conditions for funding have been met and funding is reasonably assured.

Deferred Revenue

Deferred revenue consists of unexpended grant funds received for the next year’s programs or received in advance..

(continued)

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Notes to Financial Statements June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives (generally 5 years) of the assets. Expenditures for repairs and maintenance are expensed in the year which they were incurred. The Corporation capitalizes all equipment over \$1,000 purchased.

Donated property, materials, and services

Property and materials donated to the Corporation are recorded at its fair market value at the time of receipt.

The value of donated services, representing services rendered by various organizations and individuals at no charge to the Corporation, is based on the approximate fair market value of the services received. These services are recognized both as support and expenses, and therefore, do not effect the overall net assets.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

Income taxes

The Internal Revenue Service has determined that the Corporation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Corporation are tax deductible as defined by Section 170 of the Code. In addition, the Internal Revenue Service has determined that the Corporation is not a "private foundation" within the meaning of Section 509(a) of the Code.

Reclassifications

Certain prior year balances may have been reclassified to conform to current year presentation.

Note 2 - Concentration of credit risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash, cash equivalents and receivables. The Corporation maintains its cash balances with a high quality financial institution located in Richmond, Virginia which at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation's unsecured receivables are due from pledges or grants; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 3 – Concentration of funding

CISVA received approximately 80% of its grant funding from a grant from Commonwealth of Virginia, Department of Education, for the year ended June 30, 2017 related to establishing and supporting New Regional Affiliates.

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Notes to Financial Statements June 30, 2017

Note 4 - Retirement plan

CISVA has a SIMPLE IRA plan for all eligible employees. CISVA matches a maximum of 3% of an employees' salary. Total retirement expense for the year ended June 30, 2017 was \$6,296 and is included in employee benefits.

Note 5 – Restricted cash and cash equivalents

Restricted cash is composed of the net balance of funds remaining from grants received from various foundations and corporations, and the State of Virginia for establishing New Regional Affiliates and other projects. CIS Affiliates employ site coordinators who work within the schools, to coordinate support services for students to resolve issues that might be barriers to succeeding academically.

Note 6 – Commitments

CISVA has committed to an annual one year lease for office space with the Virginia Literacy Foundation. The rental expense is shared approximately sixty percent. The lease, dated November 1, 2007 is for a twelve -month term and may automatically renew with a 3% escalation clause, annually. Current monthly rental expense for the CISVA is \$1,468, until November 1, 2017. Total rental cost for the year ended June 30, 2017 was \$22,273. The expense for the year ended June 30, 2017 was increased to reflect an adjustment for space usage by CISVA.

Note 7 - Grants receivable

The grants receivable are to be received by the Corporation for years subsequent to June 30, 2017 are deemed to be fully collectible by management. The grants receivable are due from a Corporation within one year and are related to program support to serve students in various public State schools.

Note 8 – New Regional Affiliates

New Regional Affiliates are funded through funds from various foundations and corporations, and the State of Virginia.. New Regional Affiliates employ site coordinators who work within the schools, to coordinate support services for students to resolve issues that might be barriers to succeeding academically. Expenses for new regional Affiliates may include payroll, payroll taxes, and related benefits; also included are materials and subcontractors. These expenses are included within the expenses for new regional Affiliates in the amount of \$414,334 in the statement of activities for the year ended June 30, 2017.

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Notes to Financial Statements June 30, 2017

Note 10 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 25, 2017, the date the financial statements were issued.

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 consists of \$100,000 from a grants receivable from a corporation for specific time period. Net assets released from restrictions of \$1,532,900, are related to purpose and time restrictions being met.

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Statement of Financial Position

June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 961,176	\$ 1,086,498
Certificates of deposit	250,466	-
Other receivables	1,995	16,743
Grants receivable	100,000	100,000
Prepaid expenses	684	684
Total current assets	<u>1,314,321</u>	<u>1,203,925</u>
Property and equipment		
Office furniture, fixtures and equipment	15,455	16,726
Less accumulated depreciation	14,945	13,279
Total property and equipment	<u>510</u>	<u>3,447</u>
Total assets	<u>\$ 1,314,831</u>	<u>\$ 1,207,372</u>
Liabilities and net assets		
Liabilities		
Accrued expenses	\$ 16,385	\$ 12,402
Deferred revenue	35,000	55,000
Total liabilities	<u>51,385</u>	<u>67,402</u>
Net assets		
Unrestricted	1,163,446	1,039,970
Temporarily restricted	100,000	100,000
Total net assets	<u>1,263,446</u>	<u>1,139,970</u>
	<u>\$ 1,314,831</u>	<u>\$ 1,207,372</u>

See notes to the financial statements.

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Statement of Activities

For the Year Ended June 30, 2017

(with summarized totals for the year ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Public support and revenue				
Contributions	\$ 12,802	\$ -	\$ 12,802	\$ 23,486
Grants	-	1,532,900	1,532,900	974,413
Other income	3,666	-	3,666	2,322
Total public support and revenue	<u>16,468</u>	<u>1,532,900</u>	<u>1,549,368</u>	<u>1,000,221</u>
Net assets released from restrictions	<u>1,532,900</u>	<u>(1,532,900)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,549,368</u>	<u>-</u>	<u>1,549,368</u>	<u>1,000,221</u>
Expenditures				
Program services	1,270,580	-	1,270,580	859,116
Supporting services				
General and administrative	105,085	-	105,085	114,289
Development	50,226	-	50,226	49,267
Total Supporting services	<u>155,312</u>	<u>-</u>	<u>155,312</u>	<u>163,556</u>
Total expenditures	<u>1,425,892</u>	<u>-</u>	<u>1,425,892</u>	<u>1,022,672</u>
Change in net assets	123,476	-	123,476	(22,451)
Net assets at beginning of year	<u>1,039,970</u>	<u>100,000</u>	<u>1,139,970</u>	<u>1,162,421</u>
Net assets at end of year	<u>\$ 1,163,446</u>	<u>\$ 100,000</u>	<u>\$ 1,263,446</u>	<u>\$ 1,139,970</u>

See notes to the financial statements.

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Statement of Functional Expenses For the Year Ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total Expenses</u>
Salaries	\$ 655,652	51,912	\$ 35,196	\$ 742,760
Employee benefits and payroll taxes	133,634	7,338	9,784	150,757
Meetings	-	2,559	-	2,559
New Regional Affiliates	414,334	-	-	414,334
Depreciation	1,459	521	195	2,175
Supplies	7,569	2,700	1,013	11,282
Professional fees	5,744	28,844	-	34,588
Rent	14,944	5,331	1,999	22,274
Travel	21,542	-	-	21,542
Miscellaneous	15,702	5,880	2,039	23,621
Total expense	\$ <u>1,270,580</u>	\$ <u>105,085</u>	\$ <u>50,226</u>	\$ <u>1,425,892</u>

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total Expenses</u>
Salaries	\$ 163,721	63,640	\$ 36,356	\$ 263,717
Employee benefits and payroll taxes	41,734	16,223	9,265	67,222
Meetings	-	3,490	-	3,490
New Regional Affiliates	619,952	-	-	619,952
Depreciation	1,471	572	327	2,370
Supplies	1,242	483	276	2,001
Professional fees	-	24,554	-	24,554
Rent	11,388	4,427	2,529	18,344
Travel	17,293	-	-	17,293
Miscellaneous	2,315	900	514	3,729
Total expense	\$ <u>859,116</u>	\$ <u>114,289</u>	\$ <u>49,267</u>	\$ <u>1,022,672</u>

See notes to the financial statements.

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Statement of Cash Flows

June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	123,476	\$ (22,451)
Adjustments to reconcile change in net assets to net cash(used in) provided by operating activities:		
Depreciation	2,175	2,369
Loss on disposal of assets	762	0
Changes in operating assets and liabilities:		
(Increase) decrease in grants and other receivables	14,748	84,893
(Increase) decrease in prepaid expenses	-	1,384
Increase (decrease) in accounts payable and accrued expenses	3,983	(3,260)
Increase (decrease) in deferred revenue	(20,000)	4,000
Net cash (used in) provided by operating activities	<u>125,144</u>	<u>66,935</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(250,466)	-
Acquisition of property and equipment	-	(3,607)
Net cash (used in) provided by investing activities	<u>(250,466)</u>	<u>(3,607)</u>
Cash flows from financing activities		
Change in restricted cash designated for programs	-	12,106
Net increase (decrease) in cash and cash equivalents	(125,322)	75,434
Cash at beginning of year	<u>1,086,498</u>	<u>1,011,064</u>
Cash at end of year	<u><u>961,176</u></u>	<u><u>\$ 1,086,498</u></u>

See notes to financial statements.