

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Communities in Schools of North Carolina, Inc. and Subsidiary
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of Communities in Schools of North Carolina, Inc. and Subsidiary (the Organization), which comprises the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of federal and state awards, as required by North Carolina G.S. 143C-6-23 *Non-State Entities Receiving State Funds*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Auditors

The 2018 consolidated financial statements of the Organization were audited by other auditors whose report dated November 7, 2018, expressed an unmodified opinion on those consolidated financial statements.

Emphasis of Matter Regarding a Change in Accounting Principle

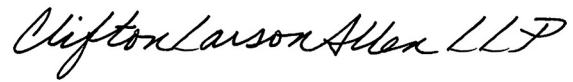
As discussed in Note 2, the Organization adopted a recently issued accounting standard related to the presentation of the financial statements for nonprofit entities. The new standards required changes in the presentation of the financial statements and related disclosures. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been in use.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance.

Board of Directors
Communities in Schools of North Carolina, Inc. and Subsidiary

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Raleigh, North Carolina
September 6, 2019

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,573,331	\$ 1,820,858
Accounts Receivable	108,048	48,652
Grants Receivable	105,577	129,411
Contributions Receivable	23,800	21,250
Other Receivables	3,505	16,579
Loan Receivable	15,000	-
Prepaid Expenses	32,703	27,093
Total Current Assets	1,861,964	2,063,843
FIXED ASSETS		
Land	46,000	46,000
Building	60,352	60,352
Furniture and Equipment	65,009	130,057
Leasehold Improvements	7,218	7,218
Total	178,579	243,627
Less: Accumulated Depreciation and Amortization	103,761	155,758
Total Fixed Assets	74,818	87,869
Total Assets	\$ 1,936,782	\$ 2,151,712

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Accounts Payable	\$ 100,914	\$ 298,793
Accrued Payroll Liabilities	238,249	248,846
Deferred Revenue	19,853	145,117
Other Liabilities	-	3,973
Total Current Liabilities	359,016	696,729
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,024,222	961,475
Total Without Donor Restrictions	1,024,222	961,475
With Donor Restrictions:		
Total With Donor Restrictions	553,544	493,508
Total Net Assets	1,577,766	1,454,983
Total Liabilities and Net Assets	\$ 1,936,782	\$ 2,151,712

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
State of North Carolina	\$ 2,274,679	\$ 172,071	\$ 2,446,750
Grants	-	2,180,338	2,180,338
Contributions	128,466	199,314	327,780
Fundraising Events:			
Gross Fundraising Events Revenue	149,936	-	149,936
Less: Cost of Direct Benefits to Donors	(16,826)	-	(16,826)
In-Kind Contributions	540,281	-	540,281
Total Public Support	3,076,536	2,551,723	5,628,259
Revenue:			
Public Service Income	924,997	-	924,997
Other Income	9,681	-	9,681
Total Revenue	934,678	-	934,678
Net Assets Released from Restrictions	2,491,687	(2,491,687)	-
 Total Public Support and Revenue	 6,502,901	 60,036	 6,562,937
EXPENSES			
Program Services Expense:			
Network Training and Support	1,209,205	-	1,209,205
CIS Model	2,878,840	-	2,878,840
Jobs for NC Graduates	651,048	-	651,048
Reentry to Resilience	279,298	-	279,298
Hurricane Relief	519,336	-	519,336
Total Program Services Expenses	5,537,727	-	5,537,727
Supporting Services Expense:			
Management and General	717,370	-	717,370
Fundraising	185,057	-	185,057
Total Supporting Services Expenses	902,427	-	902,427
 Total Expenses	 6,440,154	 -	 6,440,154
 CHANGE IN NET ASSETS	 62,747	 60,036	 122,783
Net Assets - Beginning of Year	961,475	493,508	1,454,983
 NET ASSETS - END OF YEAR	 <u>\$ 1,024,222</u>	 <u>\$ 553,544</u>	 <u>\$ 1,577,766</u>

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
State of North Carolina	\$ 2,446,752	\$ -	\$ 2,446,752
Grants	-	1,745,121	1,745,121
Contributions	116,427	63,081	179,508
Fundraising Events:			
Gross Fundraising Events Revenue	150,266	-	150,266
Less: Cost of Direct Benefits to Donors	(22,272)	-	(22,272)
In-Kind Contributions	627,656	-	627,656
Total Public Support	3,318,829	1,808,202	5,127,031
Revenue:			
Public Service Income	849,130	-	849,130
Other Income	248	-	248
Total Revenue	849,378	-	849,378
Net Assets Released from Restrictions	1,745,579	(1,745,579)	-
Total Public Support and Revenue	5,913,786	62,623	5,976,409
EXPENSES			
Program Services Expense:			
Network Training and Support	1,213,539	-	1,213,539
CIS Model	2,825,267	-	2,825,267
Jobs for NC Graduates	670,625	-	670,625
Reentry to Resilience	246,147	-	246,147
Hurricane Relief	-	-	-
Total Program Services Expenses	4,955,578	-	4,955,578
Supporting Services Expense:			
Management and General	721,158	-	721,158
Fundraising	221,893	-	221,893
Total Supporting Services Expenses	943,051	-	943,051
Total Expenses	5,898,629	-	5,898,629
CHANGE IN NET ASSETS	15,157	62,623	77,780
Net Assets - Beginning of Year	946,318	430,885	1,377,203
NET ASSETS - END OF YEAR	\$ 961,475	\$ 493,508	\$ 1,454,983

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services					
	Network	CIS Model	Jobs			Total Program	Management and General		Total Supporting		Total
	Training and Support		for NC Graduates	Reentry to Resilience	Hurricane Relief		Fundraising	Supporting			
Employee Compensation	\$ 425,863	\$ 1,928,333	\$ 387,966	\$ 184,740	\$ -	\$ 2,926,902	\$ 425,679	\$ 89,281	\$ 514,960	\$ 3,441,862	
Payroll Taxes and Employee Benefits	95,486	524,245	98,187	46,832	-	764,750	76,009	12,838	88,847	853,597	
Contracted Services and Professional Fees	79,294	17,810	1,710	-	-	98,814	102,505	32,168	134,673	233,487	
Equipment, Licenses, and Maintenance	11,711	13,245	376	-	-	25,332	30,233	5,096	35,329	60,661	
Occupancy, Communications, and Insurance	34,977	251,852	68,760	2,079	-	357,668	46,656	4,842	51,498	409,166	
Office Supplies, Printing, and Advertising	27,986	14,929	3,974	280	-	47,169	6,596	1,266	7,862	55,031	
Training and Travel	75,938	73,526	28,688	41,379	-	219,531	13,934	1,355	15,289	234,820	
Student Support	48	43,367	48,376	3,861	-	95,652	-	-	-	95,652	
Funds to Affiliates	361,501	-	-	-	-	361,501	-	-	-	361,501	
Conferences, Conventions, and Meetings	84,642	2,705	12,585	-	-	99,932	-	-	-	99,932	
Depreciation and Amortization	5,007	3,931	-	-	-	8,938	3,378	735	4,113	13,051	
Other Costs	6,752	4,897	426	127	-	12,202	12,380	54,302	66,682	78,884	
Subtotal of Expenses by Function	1,209,205	2,878,840	651,048	279,298	-	5,018,391	717,370	201,883	919,253	5,937,644	
Funds to NC Education Agencies	-	-	-	-	519,336	519,336	-	-	-	519,336	
Total Expenses by Function	1,209,205	2,878,840	651,048	279,298	519,336	5,537,727	717,370	201,883	919,253	6,456,980	
Less: Expenses Included with Revenues on the Consolidated Statement of Activities:											
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(16,826)	(16,826)	(16,826)	
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	<u>\$ 1,209,205</u>	<u>\$ 2,878,840</u>	<u>\$ 651,048</u>	<u>\$ 279,298</u>	<u>\$ 519,336</u>	<u>\$ 5,537,727</u>	<u>\$ 717,370</u>	<u>\$ 185,057</u>	<u>\$ 902,427</u>	<u>\$ 6,440,154</u>	

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services						Supporting Services			Grand Total
	Network		Jobs			Total	Management and General		Total	
	Training and Support	CIS Model	for NC Graduates	Reentry to Resilience	Hurricane Relief		Fundraising	Supporting		
Employee Compensation	\$ 487,772	\$ 1,770,370	\$ 361,510	\$ 174,351	\$ -	\$ 2,794,003	\$ 393,528	\$ 146,840	\$ 540,368	\$ 3,334,371
Payroll Taxes and Employee Benefits	101,044	504,101	72,776	40,520	-	718,441	71,499	27,693	99,192	817,633
Contracted Services and Professional Fees	68,555	28,481	5,791	450	-	103,277	142,699	31,266	173,965	277,242
Equipment, Licenses, and Maintenance	13,378	19,532	6,822	1,947	-	41,679	35,612	7,950	43,562	85,241
Occupancy, Communications, and Insurance	43,859	260,124	74,298	2,229	-	380,510	34,776	12,586	47,362	427,872
Office Supplies, Printing, and Advertising	7,881	18,977	89,546	1,360	-	117,764	5,865	1,951	7,816	125,580
Training and Travel	93,863	84,057	26,589	24,706	-	229,215	9,422	958	10,380	239,595
Student Support	-	108,786	3,766	-	-	112,552	-	-	-	112,552
Funds to Affiliates	328,724	-	-	-	-	328,724	-	-	-	328,724
Conferences, Conventions, and Meetings	54,898	7,424	1,728	-	-	64,050	304	-	304	64,354
Special Event Expenses	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortization	4,671	4,680	-	-	-	9,351	3,747	1,469	5,216	14,567
Other Costs	8,894	18,735	27,799	584	-	56,012	23,706	13,452	37,158	93,170
Total Expenses by Function	1,213,539	2,825,267	670,625	246,147	-	4,955,578	721,158	244,165	965,323	5,920,901
Less: Expenses Included with Revenues on the Consolidated Statement of Activities:										
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(22,272)	(22,272)	(22,272)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	<u>\$ 1,213,539</u>	<u>\$ 2,825,267</u>	<u>\$ 670,625</u>	<u>\$ 246,147</u>	<u>\$ -</u>	<u>\$ 4,955,578</u>	<u>\$ 721,158</u>	<u>\$ 221,893</u>	<u>\$ 943,051</u>	<u>\$ 5,898,629</u>

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grantors, Contributors, and Service Recipients	\$ 5,849,852	\$ 5,518,575
Cash Paid to Employees and Suppliers	(6,091,807)	(5,006,218)
Interest Received	9,428	248
Net Cash Provided (Used) by Operating Activities	(232,527)	512,605
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Advanced	(15,000)	-
Net Cash Used by Investing Activities	(15,000)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(247,527)	512,605
Cash and Cash Equivalents - Beginning of Year	1,820,858	1,308,253
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,573,331	\$ 1,820,858
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 122,783	\$ 77,780
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	13,051	14,567
(Increase) Decrease in:		
Accounts Receivable	(59,396)	(20,770)
Grants and Contributions Receivable	21,284	85,205
Other Receivables	13,074	(13,070)
Prepaid Expenses	(5,610)	1,545
Increase (Decrease) in:		
Accounts Payable	(197,879)	175,885
Accrued Payroll Liabilities	(10,597)	75,638
Deferred Revenue	(125,264)	119,797
Other Liabilities	(3,973)	(3,972)
Net Cash Provided (Used) by Operating Activities	\$ (232,527)	\$ 512,605

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Communities in Schools of North Carolina, Inc. (CISNC) is a charitable organization which assists communities throughout North Carolina in developing and implementing local Communities in Schools programs and provides support to new and existing Communities in Schools programs.

Communities in Schools of North Carolina Services Group, LLC (CISNCSG), a nonprofit limited liability company whose sole member is CISNC, was formed in June 2014 to provide direct services for certain Communities In Schools affiliates, consistent with the Articles of Incorporation and Bylaws of CISNC. CISNCSG became the sole member of Communities in Schools of the Rocky Mount Region, Inc. in 2017.

Jobs for North Carolina's Graduates, LLC was also formed in 2017 and the sole member is CISNCSG. The LLC was formed for the purpose of operating the Jobs for America's Graduates, Inc. (JAG) program model in North Carolina.

CISNC and CISNCSG are collectively referred to as the "Organization." The mission of the Organization is to surround students with a community of support, empowering them to stay in school and achieve in life. The mission is fulfilled by focusing our efforts in the following areas.

Network Training and Support

CISNC provides training, technical assistance, and other supports to the local Communities in Schools affiliates located in North Carolina. These services include supporting the organization during transition, training staff at all levels to ensure use of evidence-based services, strategic planning, marketing and communication support, and activities to strengthen the whole network. Services are provided in 23 counties across North Carolina.

CIS Model

The Organization provides this program directly inside schools to serve students grade K-12 by building relationships and wrapping students in support and resources. CISNC Model program empowers students to reach their potential and succeed at school and in life. Services are provided in Alamance, Bertie, Cabarrus, Edgecombe, Granville, Halifax, Hertford, Jackson, Nash, Pamlico, and Warren counties of North Carolina.

Jobs for NC Graduates

JAG is a student-centered college and career readiness program of CISNC that helps students stay in school through graduation, pursue post-secondary education, and secure quality entry-level jobs leading to career advancement opportunities. The program provides students with classroom learning, college and career connections, engagement opportunities with local employers, and mentoring after high school. Services are provided in Alamance, Cabarrus, Duplin, Halifax, Henderson, Robeson, and Wilkes counties of North Carolina.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reentry to Resilience

The Reentry to Resilience (R2R) program provides a bridge for youth transitioning from detention centers back into their families, schools, and communities with a unique approach to wraparound supports and services. With a focus on reducing recidivism, Youth Success Coaches begin working with youth and their families in the earliest stages to create educational plans, supports, and work opportunities. Coaches continue to work with the youth and family for up to another 12 months, providing crucial support at times. Services are provided to youth living in Cumberland, Durham, Guilford, and Wake counties of North Carolina.

Hurricane Relief

CISNC received, administered, and disbursed contributions to local education agencies, such as, public school districts and charter schools located in North Carolina counties designated as federal disaster areas following Hurricane Florence under the North Carolina State program for Florence Aid to Students and Teachers of North Carolina (FAST NC).

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the transactions of CISNC and CISNCSG. All significant inter-organization transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

The classification of net assets, revenues, and gains and losses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the consolidated Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed (or certain grantor-imposed) restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors (or certain grantors). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in the bank, all cash held on hand and highly liquid short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability to collect. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that all receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2019 and 2018.

Contributions and Promises to Give

The Organization has \$-0- and \$22,500 of existing conditional grants receivable at June 30, 2019 and 2018, respectively. Payment is contingent upon securing additional sources of funding and/or meeting certain milestones. These conditional grants will be recognized as income as the conditions are substantially met.

Contributions, Grants, and Federal and State Awards

Unconditional contributions and promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give expected to be collected in subsequent years are reported at the present value of their net realizable value using a risk-adjusted discount rate.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributions restricted for the acquisition of long-lived assets are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Donated Services and In-Kind Contributions

Donated materials, furniture, equipment, space, and services are recorded at their estimated fair values at the date of receipt and are reflected as in-kind contributions in the accompanying consolidated financial statements. The Organization does not imply time restrictions on gifts of long-lived assets. The amounts reflected in the accompanying Consolidated Statements of Activities as in-kind contributions are offset by like amounts included in expenses to the extent that amounts are not capitalized.

Fixed Assets

Purchased and donated furniture and equipment with a cost of \$5,000 or more and a life expectancy of at least three years are capitalized. Purchased and donated furniture and equipment are stated at cost and estimated fair value at date of receipt, respectively. Depreciation and amortization are computed using the straight-line method. The estimated useful lives are summarized as follows:

Building	15 to 30 Years
Furniture and Equipment	3 to 7 Years
Leasehold Improvements	7 Years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the Consolidated Statements of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019 or 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statements of Activities. The Consolidated Statements of Functional Expenses present the natural classification detail of expenses by function.

Operating expenses not directly attributable to a specific function are allocated to specific functions by the Organization's management based on what it considers to be the best available objective criteria. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, depreciation, amortization, and other, which are allocated on the basis of estimates of time and effort.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

CISNC is exempt from income taxes under Internal Revenue Code Section 501(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. CISNCSG and JAG, single member nonprofit LLCs, are disregarded entities for income tax purposes. Annually, CISNC is required to file with the IRS a Return of Organization Exempt from Income Tax, Form 990. There was no unrelated business income for the years ended June 30, 2019 and 2018.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of June 30, 2019 and 2018.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash and cash equivalents. At times, the Organization has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain items included in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. Change in net assets of the Organization previously reported for 2018 were not affected by these reclassifications.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Schedule of Federal and State Awards

The accompanying Schedule of Federal and State Awards include the federal and state grant activity of the Organization and is presented on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through September 6, 2019, the date which the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents, Net of Donor Restricted	\$ 1,019,787	\$ 1,327,350
Accounts Receivable	232,130	194,642
Promises to Give	23,800	21,250
Total	<u>\$ 1,275,717</u>	<u>\$ 1,543,242</u>

Contributions and loan receivables are both subject to implied time restrictions but are expected to be collected within one year. As part of the Organization's liquidity management, it attempts to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$250,000 that it can draw upon.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable which are promises to give, consist of \$23,800 and \$21,250 at June 30, 2019 and 2018, respectively, are estimated to be collected within one year.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Network Training and Support	\$ 98,410	\$ -
CIS Model	307,316	491,125
Hurricane Relief	81,109	-
Re-Entry to Resiliency	66,709	-
SECU School Supply Drive	-	2,383
Total	<u>\$ 553,544</u>	<u>\$ 493,508</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Network Training and Support	\$ 24,750	\$ 3,500
CIS Model	1,214,356	857,898
Collective Impact	-	137,984
Literacy	-	21,161
Jobs for North Carolina Graduates	694,572	719,079
Hurricane Relief	519,336	-
Re-Entry to Resiliency	36,290	-
SECU School Supply Drive	2,383	5,957
Total	<u>\$ 2,491,687</u>	<u>\$ 1,745,579</u>

NOTE 5 DONATED PROFESSIONAL SERVICES AND MATERIALS

We received donated space, professional services, and materials as follows during the years ended June 30:

<u>June 30, 2019</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Occupancy	\$ 260,843	\$ -	\$ -	\$ 260,843
Wages	236,871	-	-	236,871
Services	-	-	1,784	1,784
School Supplies	-	-	40,783	40,783
Total	<u>\$ 497,714</u>	<u>\$ -</u>	<u>\$ 42,567</u>	<u>\$ 540,281</u>
 <u>June 30, 2018</u>				
Occupancy	\$ 273,133	\$ -	\$ -	\$ 273,133
Wages	343,723	-	-	343,723
Services	10,800	-	-	10,800
Total	<u>\$ 627,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,656</u>

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 LINE OF CREDIT

The Organization has available an unsecured revolving line of credit in the amount of \$250,000 as of June 30, 2019 and 2018. Interest is payable monthly on all outstanding balances at Prime rate (5.5% and 5% at June 30, 2019 and 2018, respectively). All outstanding principal and accrued interest is due on February 3, 2020. There was no outstanding balance at June 30, 2019 or 2018.

NOTE 7 LEASES

The Organization leases office space under an operating lease agreement which expired on June 30, 2019.

Rent expense amounted to \$68,011 and \$72,851, respectively, for the years ended June 30, 2019 and 2018.

Future minimum lease payments, including the financial impact of escalation clauses; are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 73,932
2021	73,932
2022	76,848
2023	76,848
2024	76,848
Total	<u>\$ 378,408</u>

During June 2019, the Organization entered into an operating lease agreement for its existing office space effective July 1, 2019. The lease is for five years, through June 30, 2024, and will automatically be extended for successive additional terms of three years each, unless terminated in writing.

NOTE 8 CONCENTRATIONS

A major source of funding for the Organization is the state of North Carolina, which awarded \$2,446,750 and \$2,446,752 for the years ended June 30, 2019 and 2018, respectively. Additionally, 82% and 64% of total grants receivable is due from two grantors for 2019 and 2018, respectively.

NOTE 9 PENSION PLAN

The Organization sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all employees. The Plan provides that employees who have met the service requirement may contribute to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary. During the years ended June 30, 2019 and 2018, the Organization's discretionary contributions amounted to \$119,631 and \$93,143, respectively.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 RELATED PARTY TRANSACTIONS

CISNC provides management services, including financial support and administrative services, as well as other overall management, to CISNCSG under a management agreement. The agreement was effective July 1, 2014 and automatically renews unless terminated upon prior written 30-day notice. The agreement provides for compensation for services to be 15% of total annual expenditures. Intercompany management fees amounted to \$286,380 and \$252,803 for the years ended June 30, 2019 and 2018, respectively.

In addition, CISNCSG provides management services to Communities in Schools of South Carolina, Inc., Communities in Schools of The Rocky Mount Region, Inc., and JAG under management agreements with comparable terms to those in the previous paragraph.

NOTE 11 AFFILIATE AGREEMENT

On December 13, 2016, (JAG) entered into a National Affiliation Agreement with Jobs for America's Graduates, Inc. (National JAG) for the purpose of operating the JAG Program Model in the state of North Carolina. JAG will operate the National JAG model as an affiliated program in the state of North Carolina. As such, JAG is subject to a periodic accreditation process by National JAG and compliance with the National JAG standards and best practices. The term of the agreement was through June 30, 2018 and automatically renews for one-year periods beginning on July 1, 2018 unless written notice of termination is given. The fees amounted to \$-0- and \$26,250 for the years ended June 30, 2019 and 2018, respectively. Subsequent years' fees will be based on the number of programs to be continued and newly established. The agreement may be terminated by either party upon 30 days' written notice.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Federal Awards				
<u>U.S. Department of Labor</u>				
Pass-Through Programs from:	17.258,			
Division of Workforce Solutions of the	17.259,			
North Carolina Department of Commerce	17.278	N/A	\$ 709,253	\$ 705,936 **
Total Federal Awards			<u>709,253</u>	<u>705,936</u>
State Awards				
* N.C. State Board of Education	N/A	2019-01	2,446,750	2,274,679 **
Public Schools of N.C. Department of Public Instruction	N/A	N/A	413,331	464,427 **
Total State Awards			<u>2,860,081</u>	<u>2,739,106</u>
Total Federal and State Awards			<u>\$ 3,569,334</u>	<u>\$ 3,445,042</u>

* Of the expenditures presented, the Organization provided State awards of \$361,501 to sub-recipients.

** Programs have a direct and material effect on the Organization's financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Communities in Schools of North Carolina, Inc. and Subsidiary
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities in Schools of North Carolina, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Communities in Schools of North Carolina, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Communities in Schools of North Carolina, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of North Carolina, Inc. and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

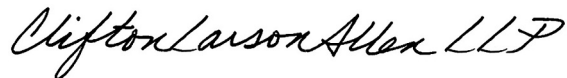
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Communities in Schools of North Carolina, Inc. and Subsidiary’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Raleigh, North Carolina
September 6, 2019

