

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



CLAconnect.com

WEALTH ADVISORY

OUTSOURCING

**AUDIT, TAX, AND
CONSULTING**

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FEDERAL AND STATE AWARDS	20
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 <i>GOVERNMENT AUDITING STANDARDS</i>	21



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, 2020, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020 and 2019, 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

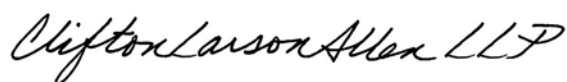
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of federal and state awards, as required by North Carolina G.S. 143C-6-23 *Non-State Entities Receiving State Funds*, is presented for purposes of additional analysis and is 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.

Emphasis of Matter Regarding a Change in Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2020, 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. 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.



CliftonLarsonAllen LLP

Raleigh, North Carolina
September 1, 2020

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,634,191	\$ 1,573,331
Accounts Receivable	101,101	108,048
Grants Receivable	109,105	105,577
Contributions Receivable	40,215	23,800
Other Receivables	10,568	3,505
Loan Receivable	-	15,000
Prepaid Expenses	17,881	32,703
Total Current Assets	1,913,061	1,861,964
FIXED ASSETS		
Land	46,000	46,000
Building	60,352	60,352
Furniture and Equipment	62,149	65,009
Leasehold Improvements	7,218	7,218
Total	175,719	178,579
Less: Accumulated Depreciation and Amortization	107,173	103,761
Total Fixed Assets	68,546	74,818
Total Assets	\$ 1,981,607	\$ 1,936,782

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019**

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 164,492	\$ 100,914
Accrued Payroll Liabilities	303,061	238,249
Deferred Revenue	750	19,853
Total Current Liabilities	468,303	359,016
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,016,220	1,024,222
Total Without Donor Restrictions	1,016,220	1,024,222
With Donor Restrictions:		
Total With Donor Restrictions	497,084	553,544
Total Net Assets	1,513,304	1,577,766
Total Liabilities and Net Assets	\$ 1,981,607	\$ 1,936,782

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
State of North Carolina	\$ 2,233,070	\$ 213,681	\$ 2,446,751
Grants	743,062	230,041	973,103
Contributions	262,481	220,693	483,174
Fundraising Events:			
Gross Fundraising Events Revenue	135,563	-	135,563
Less: Cost of Direct Benefits to Donors	(16,920)	-	(16,920)
In-Kind Contributions	608,804	-	608,804
Total Public Support	<u>3,966,060</u>	<u>664,415</u>	<u>4,630,475</u>
Revenue:			
Public Service Income	360,137	460,985	821,122
Other Income	20,443	-	20,443
Total Revenue	<u>380,580</u>	<u>460,985</u>	<u>841,565</u>
Net Assets Released from Restrictions	<u>1,181,860</u>	<u>(1,181,860)</u>	<u>-</u>
 Total Public Support and Revenue	 5,528,500	 (56,460)	 5,472,040
EXPENSES			
Program Services Expense:			
Network Training and Support	1,276,633	-	1,276,633
CIS Model	2,223,986	-	2,223,986
Jobs for NC Graduates	715,089	-	715,089
Reentry to Resilience	316,664	-	316,664
Hurricane Relief	79,460	-	79,460
Total Program Services Expenses	<u>4,611,832</u>	<u>-</u>	<u>4,611,832</u>
Supporting Services Expense:			
Management and General	730,677	-	730,677
Fundraising	193,993	-	193,993
Total Supporting Services Expenses	<u>924,670</u>	<u>-</u>	<u>924,670</u>
 Total Expenses	 <u>5,536,502</u>	 <u>-</u>	 <u>5,536,502</u>
CHANGE IN NET ASSETS	(8,002)	(56,460)	(64,462)
Net Assets - Beginning of Year	<u>1,024,222</u>	<u>553,544</u>	<u>1,577,766</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,016,220</u></u>	<u><u>\$ 497,084</u></u>	<u><u>\$ 1,513,304</u></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, 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	\$ 1,024,222	\$ 553,544	\$ 1,577,766

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, 2020

	Program Services					Supporting Services				
	Network	CIS Model	Jobs	Reentry to Resilience	Hurricane Relief	Total Program	Management	Fundraising	Total	Total
	Training and Support		for NC Graduates				and General		Supporting	
Employee Compensation	\$ 543,068	\$ 1,415,084	\$ 414,161	\$ 222,292	\$ -	\$ 2,594,605	\$ 448,223	\$ 102,024	\$ 550,247	\$ 3,144,852
Payroll Taxes and Employee Benefits	119,503	420,578	104,143	56,303	-	700,527	78,554	20,973	99,527	800,054
Contracted Services and Professional Fees	162,806	13,446	55,839	-	-	232,091	114,039	39,685	153,724	385,815
Equipment, Licenses, and Maintenance	15,345	4,188	16	3,618	-	23,167	25,171	8,698	33,869	57,036
Occupancy, Communications, and Insurance	53,412	158,149	68,617	2,081	-	282,259	35,233	13,904	49,137	331,396
Office Supplies, Printing, and Advertising	19,103	11,537	1,858	337	-	32,835	4,858	4,381	9,239	42,074
Training and Travel	63,823	38,182	22,877	31,747	-	156,629	10,407	2,003	12,410	169,039
Student Support	-	32,337	19,743	46	-	52,126	-	-	-	52,126
Funds to Affiliates	232,195	-	-	-	-	232,195	-	-	-	232,195
Conferences, Conventions, and Meetings	55,832	-	-	-	-	55,832	-	-	-	55,832
Depreciation and Amortization	1,466	3,217	-	-	-	4,683	1,155	434	1,589	6,272
Other Costs	10,080	4,491	27,835	240	-	42,646	13,037	18,811	31,848	74,494
Subtotal of Expenses by Function	1,276,633	2,101,209	715,089	316,664	-	4,409,595	730,677	210,913	941,590	5,351,185
Funds to NC Education Agencies	-	122,777	-	-	79,460	202,237	-	-	-	202,237
Total Expenses by Function	1,276,633	2,223,986	715,089	316,664	79,460	4,611,832	730,677	210,913	941,590	5,553,422
Less: Expenses Included with Revenues on the Consolidated Statement of Activities:										
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(16,920)	(16,920)	(16,920)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	<u>\$ 1,276,633</u>	<u>\$ 2,223,986</u>	<u>\$ 715,089</u>	<u>\$ 316,664</u>	<u>\$ 79,460</u>	<u>\$ 4,611,832</u>	<u>\$ 730,677</u>	<u>\$ 193,993</u>	<u>\$ 924,670</u>	<u>\$ 5,536,502</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, 2019

	Program Services					Supporting Services				
	Network	CIS Model	Jobs		Hurricane Relief	Total Program	Management	Fundraising	Total	Total
	Training and Support		for NC Graduates	Reentry to Resilience			and General		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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grantors, Contributors, and Service Recipients	\$ 4,833,226	\$ 5,849,852
Cash Paid to Employees and Suppliers	(4,795,134)	(6,091,807)
Interest Received	7,768	9,428
Net Cash Provided (Used) by Operating Activities	45,860	(232,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable (Advanced)/Received	15,000	(15,000)
Net Cash Provided (Used) by Investing Activities	15,000	(15,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	60,860	(247,527)
Cash and Cash Equivalents - Beginning of Year	1,573,331	1,820,858
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,634,191	\$ 1,573,331
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (64,462)	\$ 122,783
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	6,272	13,051
(Increase) Decrease in:		
Accounts Receivable	6,947	(59,396)
Grants and Contributions Receivable	(19,943)	21,284
Other Receivables	(7,063)	13,074
Prepaid Expenses	14,822	(5,610)
Increase (Decrease) in:		
Accounts Payable	63,578	(197,879)
Accrued Payroll Liabilities	64,812	(10,597)
Deferred Revenue	(19,103)	(125,264)
Other Liabilities	-	(3,973)
Net Cash Provided (Used) by Operating Activities	\$ 45,860	\$ (232,527)

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, North Hampton, 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, 2020 AND 2019**

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

Organization (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 consolidated 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 (U.S. GAAP).

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 consolidated 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, 2020 AND 2019

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

Cash and Cash Equivalents

For purposes of the consolidated 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, 2020 and 2019.

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.

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.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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, 2020 or 2019.

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.

Income Taxes

CISNC is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) on its exempt function income and is classified by the Internal Revenue Service (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, 2020 and 2019.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Income Taxes (Continued)

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, 2020 and 2019.

Estimates

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

In 2020, the Organization adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services using the modified retrospective method. The Organization also adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

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 1, 2020, the date which the consolidated financial statements were available to be issued.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 REVENUE

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue that consists of performance obligations satisfied at a point in time is generally recognized when criteria for the contract have been achieved, or when specific events have occurred, and when there are no additional services related to that obligation.

A portion of public support income is comprised of income earned by providing support services to Communities In Schools of Cumberland County (CISCC). For the year ended June 30, 2020, \$9,092 of revenue was recognized at a point in time as the performance obligations were satisfied.

The Organization recognizes grants and contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, 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. Revenue recognized from grants and contributions totaled \$4,723,517 for the year ended June 30, 2020.

Fundraising revenue is comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total cost to attend the event and the exchange element. The Organization recognizes the exchange portion of the cost to attend the event at the time the event takes place and the contribution portion immediately. Revenue recognized from fundraising revenue totaled approximately \$21,200 (exchange element) and \$114,363 (contribution element) for the year ended June 30, 2020.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents, Net of Donor Restricted	\$ 1,634,191	\$ 1,573,331
Accounts Receivables	101,101	108,048
Grants Receivable	109,105	105,577
Contributions Receivable	40,215	23,800
Other Receivable	10,568	3,505
Loan Receivable	-	15,000
Less:		
Assets with Donor-Imposed Restrictions	<u>(497,084)</u>	<u>(553,544)</u>
Total	<u>\$ 1,398,096</u>	<u>\$ 1,275,717</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 \$500,000 and \$250,000 for the years ended June 30, 2020 and June 30, 2019, respectively, that can be draw upon.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable which are promises to give, consist of \$40,215 and \$23,800 at June 30, 2020 and 2019, respectively, are estimated to be collected within one year.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Network Training and Support	\$ 213,681	\$ 98,410
CIS Model	209,328	307,316
Hurricane Relief	-	81,109
Re-Entry to Resiliency	45,473	66,709
Jobs for North Carolina Graduates	<u>28,602</u>	<u>-</u>
Total	<u>\$ 497,084</u>	<u>\$ 553,544</u>

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
Network Training and Support	\$ 130,785	\$ 24,750
CIS Model	917,328	1,214,356
Jobs for North Carolina Graduates	6,398	694,572
Hurricane Relief	81,113	519,336
Re-Entry to Resiliency	46,236	36,290
SECU School Supply Drive	-	2,383
Total	<u>\$ 1,181,860</u>	<u>\$ 2,491,687</u>

NOTE 6 DONATED PROFESSIONAL SERVICES AND MATERIALS

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

<u>June 30, 2020</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Occupancy	\$ 179,523	\$ -	\$ -	\$ 179,523
Wages	421,781	-	-	421,781
Services	-	-	7,500	7,500
Total	<u>\$ 601,304</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 608,804</u>
<u>June 30, 2019</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>

NOTE 7 LINE OF CREDIT

The Organization had an unsecured revolving line of credit available in the amount of \$250,000 as of June, 30, 2019. In November 2019, the amount available under the line of credit was increased to \$500,000. Interest is payable monthly on all outstanding balances at Prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively). All outstanding principal and accrued interest is due on November 12, 2021. There was no outstanding balance at June 30, 2020 or 2019.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 LEASES

The Organization leased office space under an operating lease agreement which expired on June 30, 2019. The Organization entered a new lease for the space effective July 1, 2019.

The lease is for a term of five years, through June 30, 2024, and will automatically be extended for successive additional terms of three years each, unless terminated in writing.

Rent expense amounted to \$71,412 and \$68,011, respectively, for the years ended June 30, 2020 and 2019.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 70,566
2022	73,352
2023	73,352
2024	73,352
Total	<u>\$ 290,622</u>

NOTE 9 CONCENTRATIONS

A major source of funding for the Organization is the state of North Carolina, which awarded \$2,446,751 and \$2,446,750 for the years ended June 30, 2020 and 2019, respectively. Additionally, 83% and 82% of total grants receivable is due from two grantors for 2020 and 2019, respectively.

NOTE 10 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, 2020 and 2019, the Organization's discretionary contributions amounted to \$122,222 and \$119,631, respectively.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2019 and automatically renews for one-year periods beginning on July 1, 2019 unless written notice of termination is given. The fees amounted to \$27,563 and \$-0- for the years ended June 30, 2020 and 2019, 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, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	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	\$ 697,899	\$ 744,039 **
Total Federal Awards			<u>697,899</u>	<u>744,039</u>
State Awards				
* N.C. State Board of Education	N/A	2019-01	2,446,751	2,233,069 **
Total State Awards			<u>2,446,751</u>	<u>2,233,069</u>
Total Federal and State Awards			<u>\$ 3,144,650</u>	<u>\$ 2,977,108</u>

* Of the expenditures presented, the Organization provided State awards of \$212,195 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 consolidated financial statements of Communities In Schools of North Carolina, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended June 30, 2020, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 1, 2020