

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Communities In Schools of North Carolina, Inc. and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with 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. 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal and State Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021, 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 15, 2021

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,384,316	\$ 1,634,191
Accounts Receivable	217,749	101,101
Grants Receivable	37,400	109,105
Contributions Receivable	-	40,215
Other Receivables	17,779	10,568
Prepaid Expenses	14,432	17,881
Total Current Assets	2,671,676	1,913,061
FIXED ASSETS		
Land	46,000	46,000
Building	60,352	60,352
Furniture and Equipment	112,101	62,149
Leasehold Improvements	7,218	7,218
Total	225,671	175,719
Less: Accumulated Depreciation and Amortization	116,700	107,173
Total Fixed Assets	108,971	68,546
OTHER ASSETS		
Investments	107,550	-
Total Other Assets	107,550	-
Total Assets	\$ 2,888,197	\$ 1,981,607

See accompanying Notes to Consolidated Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 121,933	\$ 164,492
Accrued Payroll Liabilities	258,902	303,061
Deferred Revenue	8,403	750
Total Current Liabilities	389,238	468,303
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,094,089	1,016,220
Total Without Donor Restrictions	1,094,089	1,016,220
With Donor Restrictions:		
Total With Donor Restrictions	1,404,870	497,084
Total Net Assets	2,498,959	1,513,304
Total Liabilities and Net Assets	\$ 2,888,197	\$ 1,981,607

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
State of North Carolina	\$ 1,542,213	\$ 904,537	\$ 2,446,750
Grants	324,618	1,939,876	2,264,494
Contributions	334,364	105,891	440,255
Contribution Received in Donation of CIS Cumberland County	-	88,559	88,559
In-Kind Contributions	464,729	-	464,729
Total Public Support	2,665,924	3,038,863	5,704,787
Revenue:			
Public Service Income	456,867	723,380	1,180,247
Other Income	1,870	20,785	22,655
Total Revenue	458,737	744,165	1,202,902
Net Assets Released from Restrictions	2,875,242	(2,875,242)	-
 Total Public Support and Revenue	 5,999,903	 907,786	 6,907,689
EXPENSES			
Program Services Expenses:			
Network Training and Support	2,026,211	-	2,026,211
CIS Model	2,050,814	-	2,050,814
Jobs for NC Graduates	602,740	-	602,740
Reentry to Resilience	385,073	-	385,073
Total Program Services Expenses	5,064,838	-	5,064,838
Supporting Services Expenses:			
Management and General	687,398	-	687,398
Fundraising	169,798	-	169,798
Total Supporting Services Expenses	857,196	-	857,196
 Total Expenses	 5,922,034	 -	 5,922,034
CHANGE IN NET ASSETS	77,869	907,786	985,655
Net Assets - Beginning of Year	1,016,220	497,084	1,513,304
NET ASSETS - END OF YEAR	\$ 1,094,089	\$ 1,404,870	\$ 2,498,959

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**

	Without Donor Restrictions	With Donor Restrictions	Total
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	3,966,060	664,415	4,630,475
Revenue:			
Public Service Income	360,137	460,985	821,122
Other Income	20,443	-	20,443
Total Revenue	380,580	460,985	841,565
Net Assets Released from Restrictions	1,181,860	(1,181,860)	-
 Total Public Support and Revenue	 5,528,500	 (56,460)	 5,472,040
EXPENSES			
Program Services Expenses:			
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	4,611,832	-	4,611,832
Supporting Services Expenses:			
Management and General	730,677	-	730,677
Fundraising	193,993	-	193,993
Total Supporting Services Expenses	924,670	-	924,670
 Total Expenses	 5,536,502	 -	 5,536,502
CHANGE IN NET ASSETS	(8,002)	(56,460)	(64,462)
Net Assets - Beginning of Year	1,024,222	553,544	1,577,766
NET ASSETS - END OF YEAR	\$ 1,016,220	\$ 497,084	\$ 1,513,304

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, 2021

	Program Services				Supporting Services				Total
	Network Training and Support	CIS Model	Jobs for NC Graduates	Reentry to Resilience	Total Program	Management and General	Fundraising	Total Supporting	
Employee Compensation	\$ 552,643	\$ 1,395,249	\$ 380,760	\$ 260,398	\$ 2,589,050	\$ 391,850	\$ 97,044	\$ 488,894	\$ 3,077,944
Payroll Taxes and Employee Benefits	144,801	396,480	109,838	76,726	727,845	81,782	26,580	108,362	836,207
Contracted Services and Professional Fees	122,353	22,654	215	-	145,222	105,748	14,393	120,141	265,363
Equipment, Licenses, and Maintenance	4,549	5,930	6,800	4,669	21,948	30,290	1,527	31,817	53,765
Occupancy, Communications, and Insurance	53,743	154,102	54,981	2,230	265,056	35,342	14,418	49,760	314,816
Office Supplies, Printing, and Advertising	11,996	13,671	1,058	22,136	48,861	5,156	5,291	10,447	59,308
Training and Travel	17,023	13,733	3,457	14,592	48,805	22,664	2,753	25,417	74,222
Student Support	-	33,862	5,644	3,228	42,734	-	-	-	42,734
Funds to Affiliates	1,085,790	-	-	-	1,085,790	-	-	-	1,085,790
Conferences, Conventions, and Meetings	12,157	-	-	-	12,157	142	-	142	12,299
Depreciation and Amortization	768	8,066	-	-	8,834	492	201	693	9,527
Other Costs	20,388	7,067	29,682	1,094	58,231	13,932	7,591	21,523	79,754
Total Expenses by Function	2,026,211	2,050,814	592,435	385,073	5,054,533	687,398	169,798	857,196	5,911,729
Plus: Expenses for Funds to NC									
Education Agencies	-	-	10,305	-	10,305	-	-	-	10,305
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	<u>\$ 2,026,211</u>	<u>\$ 2,050,814</u>	<u>\$ 602,740</u>	<u>\$ 385,073</u>	<u>\$ 5,064,838</u>	<u>\$ 687,398</u>	<u>\$ 169,798</u>	<u>\$ 857,196</u>	<u>\$ 5,922,034</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, 2020

	Program Services					Supporting Services				
	Network	CIS	Jobs	Reentry to	Hurricane	Total	Management	Fundraising	Total	Total
	Training and		for NC							
Support	Model	Graduates	Resilience	Relief	Program	and General	Fundraising	Supporting	Total	
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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grantors, Contributors, and Service Recipients	\$ 6,418,964	\$ 4,833,226
Cash Paid to Employees and Suppliers	(5,531,047)	(4,795,134)
Interest Received	3,034	7,768
Net Cash Provided by Operating Activities	890,951	45,860
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Received	-	15,000
Investment Additions	(90,874)	-
Purchases of Fixed Assets	(49,952)	-
Net Cash Provided (Used) by Investing Activities	(140,826)	15,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	750,125	60,860
Cash and Cash Equivalents - Beginning of Year	1,634,191	1,573,331
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,384,316	\$ 1,634,191
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 985,655	\$ (64,462)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,527	6,272
Unrealized Gain on Investment	(16,676)	-
(Increase) Decrease in:		
Accounts Receivable	(116,648)	6,947
Grants and Contributions Receivable	111,920	(19,943)
Other Receivables	(7,211)	(7,063)
Prepaid Expenses	3,449	14,822
Increase (Decrease) in:		
Accounts Payable	(42,559)	63,578
Accrued Payroll Liabilities	(44,159)	64,812
Deferred Revenue	7,653	(19,103)
Net Cash Provided by Operating Activities	\$ 890,951	\$ 45,860

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 and the sole member of Communities In Schools of Cumberland County in 2021.

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 18 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, Alleghany, Bertie, Cabarrus, Cumberland, Edgecombe, Granville, Halifax, Hertford, Jackson, Nash, North Hampton, and Pamlico 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, Transylvania, and Wilkes counties of North Carolina.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 youth development 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, Mecklenburg, Nash, 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, 2021 AND 2020

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, 2021 and 2020.

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.

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

Contributions are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), amounts are reclassified from with donor restrictions to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2021 AND 2020

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, 2021 or 2020.

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.

Investments

Investments are carried at fair value. The fair value of marketable equity and debt securities are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Gains and losses are determined using the specific identification method.

Investment return consists of investment income/expense as well as realized and unrealized gains or losses and is included with other income with and without donor restrictions in the statements of activities and changes in net assets.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Investments (Continued)

The Organization may invest in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Therefore, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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, 2021 and 2020.

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, 2021 and 2020.

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.

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 15, 2021, 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, 2021 AND 2020

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, and the revenue is recognized at a point in time as the performance obligations are satisfied. For the year ended June 30, 2021, \$867 of revenue was recognized related to Hurricane Relief support services. For the year ended June 30, 2020, \$9,092 of revenue was recognized for support services provided to Communities In Schools of Cumberland County (CISCC).

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 \$6,330,879 and \$4,715,058 for the years ended June 30, 2021 and 2020, respectively.

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. No such fundraising event was held in 2021.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents, Net of Donor Restricted	\$ 2,384,316	\$ 1,634,191
Accounts Receivables	217,749	101,101
Grants Receivable	37,400	109,105
Contributions Receivable	-	40,215
Other Receivable	17,779	10,568
Less:		
Assets with Donor-Imposed Restrictions	(1,404,870)	(497,084)
Total	<u>\$ 1,252,374</u>	<u>\$ 1,398,096</u>

Contributions 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 for the years ended June 30, 2021 and June 30, 2020, that can be draw upon.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable which are promises to give, consist of \$-0- and \$40,215 at June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Network Training and Support	\$ 919,707	\$ 213,681
CIS Model	385,616	209,328
Hurricane Relief	8,855	-
Re-Entry to Resiliency	45,473	45,473
Jobs for North Carolina Graduates	45,219	28,602
Total	<u>\$ 1,404,870</u>	<u>\$ 497,084</u>

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	2021	2020
Satisfaction of Purpose Restrictions:		
Network Training and Support	\$ 1,368,051	\$ 130,785
CIS Model	1,138,808	917,328
Jobs for North Carolina Graduates	33,383	6,398
Hurricane Relief	335,000	81,113
Re-Entry to Resiliency	-	46,236
Total	\$ 2,875,242	\$ 1,181,860

NOTE 6 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the quality, risk or liquidity profile of the asset or liability.

As of June 30, 2021, investments consisted of Level 3 inputs, with a fair market value of \$107,550. As of June 30, 2020, no investments were held.

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

Balance, Beginning of the Year	\$	-
Contribution Received in Donation of CIS Cumberland County		88,559
Net Realized and Unrealized Gain		18,991
Balance, End of the Year	<u>\$</u>	<u>107,550</u>

NOTE 7 DONATED PROFESSIONAL SERVICES AND MATERIALS

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

<u>June 30, 2021</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Occupancy	\$ 165,825	\$ -	\$ -	\$ 165,825
Wages	297,904	-	-	297,904
Services	-	-	1,000	1,000
Total	<u>\$ 463,729</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 464,729</u>
<u>June 30, 2020</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>

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 LINE OF CREDIT

The Organization has an unsecured revolving line of credit available in the amount of \$500,000 as of June 30, 2021 and 2020. Interest is payable monthly on all outstanding balances at Prime rate (4.25% and 3.25% at June 30, 2021 and 2020, respectively). All outstanding principal and accrued interest is due on November 12, 2021. There was no outstanding balance at June 30, 2021 or 2020.

NOTE 9 LEASES

The Organization entered a 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 \$72,673 and \$71,412, respectively, for the years ended June 30, 2021 and 2020.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 73,352
2023	73,352
2024	73,352
Total	<u>\$ 220,056</u>

NOTE 10 CONCENTRATIONS

One major source of funding for the Organization totaled \$3,546,750 and \$2,446,750 for the years ended June 30, 2021 and 2020, respectively. Additionally, 66% and 83% of total grants receivable is due from two grantors for 2021 and 2020, respectively.

NOTE 11 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, 2021 and 2020, the Organization's discretionary contributions amounted to \$127,529 and \$122,222, respectively.

COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 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, 2020 and automatically renews for one-year periods beginning on July 1, 2020 unless written notice of termination is given. The fees amounted to \$28,941 and \$27,563 for the years ended June 30, 2021 and 2020, 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.

NOTE 13 BUSINESS COMBINATION

Effective July 1, 2021, CISNCSG became the sole member of Communities in School of Cumberland County. The transaction was accounted for in accordance with the Financial Accounting standards Board Standards codification 958-805 *Business Combinations*.

On the consolidated statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired over consideration paid in acquisition of the affiliate. The inherent contribution totaled \$88,559 and is reported on the consolidated statement of activities as Contribution Received in Donation of CIS Cumberland County.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Agency/Grantor	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Awards				
<u>U.S. Department of the Treasury</u>				
Coronavirus Relief Funds	21.019	North Carolina Office of State Budget and Management Pandemic Recovery Office - COVID-19 Aid to North Carolinians	N/A	\$ 1,100,000
		North Carolina Department of Commerce	51-00	<u>250,000</u>
<i>Subtotal Coronavirus Relief Funds</i>				<u>1,350,000</u>
<i>Subtotal U.S. Department of Treasury</i>				1,350,000
<u>U.S. Department of Labor</u>				
WOIA Adult Program WOIA Youth Activities WOIA Dislocated Worker Formula Grants <i>Subtotal Workforce Innovation and Opportunity Act Cluster</i>	17.WIOA	Division of Workforce Solutions of the North Carolina Department of Commerce	N/A	<u>320,354</u>
<i>Subtotal U.S. Department of Labor</i>				<u>320,354</u>
Total Expenditures of Federal Awards				1,670,354
State Awards				
N/A	N/A	N.C. State Board of Education	2020-01	<u>1,542,213</u>
Total Expenditures of State Awards				<u>1,542,213</u>
Total Federal and State Awards				<u><u>\$ 3,212,567</u></u>

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards include the federal and state grant activity of Communities In Schools of North Carolina, Inc. and Subsidiary (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from certain financial reports submitted to federal, state, or city agencies due to those reports being submitted on either a cash or modified accrual basis of accounting. Because the accompanying schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 SUBRECIPIENTS

During the year ended June 30, 2021, the Organization passed through \$941,995 of funds from CFDA 21.019 programs to subrecipients.



**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 (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, 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, and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 consolidated financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-02.

Communities In Schools of North Carolina, Inc. and Subsidiary's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 results 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 15, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Communities In Schools of North Carolina, Inc. and Subsidiary's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Raleigh, North Carolina
September 15, 2021

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Funds

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ yes x no

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

Current Year

None.

Prior Year

None.

Section III – Federal Award Findings and Questioned Costs – Major Programs

Current Year

None.

Prior Year

Not applicable.

Section III – State Award Findings and Questioned Costs

2021-001

Federal Agency: U.S. Department of the Treasury

Federal Program Title: Coronavirus Relief Fund

CFDA Number: 21.019

Pass-Through Agency: North Carolina Office of State Budget and Management and the North Carolina Department of Commerce

Pass-Through Number: 51-00

Type of Finding:

- Significant Deficiency/Material Noncompliance

Condition: Funds were drawn down in advance of expenditures and payments were not made within the required 3 days.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – State Award Findings and Questioned Costs (Continued)

Criteria or specific requirement: Funds must either be drawn down as a reimbursement for expenditures already paid or, if drawn in advance, must be disbursed within 3 days of receiving the funds.

Effect: Noncompliance with the state requirements around cash management.

Questioned Costs: \$19,853

Cause: The Organization was not aware of the cash management requirements and required timing for the payments.

Recommendation: We recommend that the Organization adopt policies and procedures that require monitoring of the timing of drawdowns and payments to ensure they are complying with the federal requirements.

Views of responsible officials and planned corrective actions: On October 16, 2021, Communities In Schools of North Carolina (CISNC) received Coronavirus Relief Fund Award Notification from the North Carolina Department of Public Instruction (NCDPI). There was no associated contract, agreement, or specific guidance provided related to this award other than publicly available guidance related to CFDA 21.019: Coronavirus Relief Fund and Title 2 U.S. *Code of Federal Regulations* Part 200 (Uniform Guidance). Funds were to be spent down by December 30, 2020, with a final report due to the North Carolina Pandemic Recovery Office (NCPRO) by January 20, 2021.

CISNC made a good faith effort to adhere to 2 CFR § 200.305 - Federal payment. CISNC demonstrated the willingness follow procedures to minimize the time elapsing between the drawdown of funds and disbursement to 15 Communities In Schools sub-recipients throughout the state of North Carolina and to use a financial management system that met the standards for fund control and accountability.

CISNC aimed for our drawdowns to be limited to minimum amounts needed and to be timed to be in accordance with the actual, immediate requirements of CISNC in carrying out the purpose of the approved project. The timing and amount of advance payments were as close as administratively feasible to the actual disbursements made to sub-recipients. CISNC worked with sub-recipients to develop budgets for the duration of the project and to reimburse expenses incurred over a 6-month period in the 3 months we were given to administer this award. We used the budget and subsequent conversations with sub-recipients to determine the amount of the initial drawdown. We closely monitored fund utilization via reimbursement to inform our approach for the second and third of the 3 total drawdowns.

We took great care and pride in our work and regret and take seriously that there is a finding related to our cash management of the award.

Using 0.25% as a proxy for an average interest rate during the period in question, the earnings on the \$19,853 would be approximately \$4 (0.25% annual rate of return x \$19,853 cash held / 365 days in a year x 30 days in a month), a negligible amount and well below than the \$500 threshold for remitting interest earned to the State Government.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – State Award Findings and Questioned Costs (Continued)

2021-002

Federal Agency: U.S. Department of the Treasury

Federal Program Title: Coronavirus Relief Fund

CFDA Number: 21.019

Pass-Through Agency: North Carolina Office of State Budget and Management and the North Carolina Department of Commerce

Pass-Through Number: 51-00

Type of Finding:

- Significant Deficiency/Material Noncompliance

Condition: Sales tax was reimbursed to sub -recipients with grant federal dollars passed through the state.

Criteria or specific requirement: Sales tax should not be charged to federal grants passed through the state.

Effect: Noncompliance with the state compliance requirement around specific provisions.

Questioned Costs: \$4,105

Cause: The Organization was unaware of the state compliance requirements in this area.

Recommendation: We recommend that the Organization adopt policies and procedures to ensure monitoring of grant compliance requirements to ensure they are complying with both the federal and state requirements.

Views of responsible officials and planned corrective actions: On October 16, 2021, Communities In Schools of North Carolina (CISNC) received Coronavirus Relief Fund Award Notification from the North Carolina Department of Public Instruction (NCDPI). There was no associated contract, agreement, or proactively issued guidance provided related to this award other than publicly available guidance related to CFDA 21.019: Coronavirus Relief Fund and Title 2 U.S. *Code of Federal Regulations* Part 200 (Uniform Guidance). Funds were to be spent down by December 30, 2020, with a final report due to the North Carolina Pandemic Recovery Office (NCPRO) by January 20, 2021.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – State Award Findings and Questioned Costs (Continued)

CISNC made a good faith effort to comply with all known requirements and to exercise care in the administration of this award. When we became aware that the award was likely, we researched relevant guidance, attended informational sessions held by NCPRO, and asked specific follow up questions of NCPRO regarding allowable expenses for which we received responses. From the time that we received the award until our final report to NCPRO on January 20, 2021, CISNC continued to scan the environment for new or evolving guidance. It was not until April 2021, 4 months after funds were reimbursed and 3 months after our final report was submitted to NC Pro that the State of North Carolina issued additional requirements related to these funds. This guidance included a requirement that funds not be used to reimburse sub-recipients for sales tax and instead that sub-recipients should file for sales tax reimbursement as usual. CISNC was unaware of this requirement or otherwise would have complied.

We took great care and pride in our work and regret and take seriously that there is a finding related to our reimbursement of sales tax. We are committed to working more closely with funders in the future and regularly asking for guidance or any changes in guidance, and we now know to specifically ask about allowability of sales taxes incurred.

We are proud of what we accomplished on behalf of disadvantaged youth throughout North Carolina in a short amount of time and without the benefit of full requirements being issued in advance of when funds were disbursed. We look forward to doing even better in the future.