

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2023 AND 2022**



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**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>8</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>10</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>11</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</b>	<b>31</b>
<b>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></b>	<b>25</b>



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

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, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2023 and 2022, 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.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal 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* 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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, 2023, 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, 2023

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,285,202	\$ 6,161,168
Accounts Receivable	1,317,596	438,195
Other Receivables	25,038	30,995
Prepaid Expenses	68,478	30,012
Total Current Assets	6,696,314	6,660,370
<b>FIXED ASSETS</b>		
Land	46,000	46,000
Building	60,352	60,352
Furniture and Equipment	111,794	111,794
Leasehold Improvements	7,218	7,218
Total	225,364	225,364
Less: Accumulated Depreciation and Amortization	155,306	136,325
Total Fixed Assets	70,058	89,039
<b>OTHER ASSETS</b>		
Operating Right-of-Use Asset	287,171	358,963
Investments	259,837	88,695
Total Other Assets	547,008	447,658
Total Assets	\$ 7,313,380	\$ 7,197,067

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 630,962	\$ 106,207
Operating Lease Liability	73,356	73,356
Accrued Payroll Liabilities	400,116	384,240
Deferred Revenue	788,298	1,511
Total Current Liabilities	1,892,732	565,314
<b>LONG-TERM LIABILITIES</b>		
Operating Lease Liability, Net of Current Maturities	216,671	287,035
Total Liabilities	2,109,403	852,349
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	4,243,862	4,150,793
Total Without Donor Restrictions	4,243,862	4,150,793
With Donor Restrictions:		
Total With Donor Restrictions	960,115	2,193,925
Total Net Assets	5,203,977	6,344,718
Total Liabilities and Net Assets	\$ 7,313,380	\$ 7,197,067

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
State of North Carolina	\$ 1,919,016	\$ 527,734	\$ 2,446,750
Grants	2,337,555	272,266	2,609,821
Contributions	167,196	46,013	213,209
Fundraising Events:			
Gross Fundraising Events Revenue	254,253	-	254,253
Less: Cost of Direct Benefits to Donors	(67,764)	-	(67,764)
In-Kind Contributions	551,642	-	551,642
Total Public Support	5,161,898	846,013	6,007,911
Revenue:			
Public Service Income	514,594	872,339	1,386,933
Other Income	-	91,228	91,228
Total Revenue	514,594	963,567	1,478,161
Net Assets Released from Restrictions	3,043,390	(3,043,390)	-
Total Public Support and Revenue	8,719,882	(1,233,810)	7,486,072
<b>EXPENSES</b>			
Program Services Expenses:			
Network Training and Support	3,291,878	-	3,291,878
CIS Model	2,623,749	-	2,623,749
Jobs for NC Graduates	1,072,911	-	1,072,911
Reentry to Resilience	450,832	-	450,832
Total Program Services Expenses	7,439,370	-	7,439,370
Supporting Services Expenses:			
Management and General	943,602	-	943,602
Fundraising	243,841	-	243,841
Total Supporting Services Expenses	1,187,443	-	1,187,443
Total Expenses	8,626,813	-	8,626,813
<b>CHANGE IN NET ASSETS</b>	93,069	(1,233,810)	(1,140,741)
Net Assets - Beginning of Year	4,150,793	2,193,925	6,344,718
<b>NET ASSETS - END OF YEAR</b>	\$ 4,243,862	\$ 960,115	\$ 5,203,977

See accompanying Notes to Consolidated Financial Statements.



**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
State of North Carolina	\$ 1,418,423	\$ 1,028,327	\$ 2,446,750
Grants	421,007	1,376,782	1,797,789
Contributions	3,580,126	108,700	3,688,826
Fundraising Events:			
Gross Fundraising Events Revenue	7,215	-	7,215
Less: Cost of Direct Benefits to Donors	(802)	-	(802)
In-Kind Contributions	501,828	-	501,828
Total Public Support	5,927,797	2,513,809	8,441,606
Revenue:			
Public Service Income	633,529	958,566	1,592,095
Other Income	8,373	(21,314)	(12,941)
Total Revenue	641,902	937,252	1,579,154
Net Assets Released from Restrictions	2,662,006	(2,662,006)	-
Total Public Support and Revenue	9,231,705	789,055	10,020,760
 <b>EXPENSES</b>			
Program Services Expenses:			
Network Training and Support	1,223,275	-	1,223,275
CIS Model	2,600,582	-	2,600,582
Jobs for NC Graduates	740,961	-	740,961
Reentry to Resilience	552,360	-	552,360
Total Program Services Expenses	5,117,178	-	5,117,178
Supporting Services Expenses:			
Management and General	829,668	-	829,668
Fundraising	228,155	-	228,155
Total Supporting Services Expenses	1,057,823	-	1,057,823
Total Expenses	6,175,001	-	6,175,001
 <b>CHANGE IN NET ASSETS</b>	3,056,704	789,055	3,845,759
Net Assets - Beginning of Year	1,094,089	1,404,870	2,498,959
 <b>NET ASSETS - END OF YEAR</b>	\$ 4,150,793	\$ 2,193,925	\$ 6,344,718

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, 2023**

	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	\$ 600,665	\$ 1,686,739	\$ 626,220	\$ 286,644	\$ 3,200,268	\$ 557,723	\$ 142,673	\$ 700,396	\$ 3,900,664
Payroll Taxes and Employee Benefits	158,025	528,704	200,925	93,537	981,191	119,316	38,820	158,136	1,139,327
Contracted Services and Professional Fees	219,243	19,894	1,215	-	240,352	97,949	22,928	120,877	361,229
Equipment, Licenses, and Maintenance	11,196	27,508	12,990	14,312	66,006	37,547	6,135	43,682	109,688
Occupancy, Communications, and Insurance	51,729	159,828	121,828	3,076	336,461	50,527	17,038	67,565	404,026
Office Supplies, Printing, and Advertising	16,405	8,649	4,026	368	29,448	12,708	1,881	14,589	44,037
Training and Travel	114,817	84,577	35,797	44,035	279,226	41,124	7,184	48,308	327,534
Student Support	553	81,101	31,518	3,202	116,374	414	91	505	116,879
Funds to Affiliates	2,090,640	-	-	-	2,090,640	-	-	-	2,090,640
Conferences, Conventions, and Meetings	465	-	-	-	465	-	-	-	465
Depreciation and Amortization	-	18,981	-	-	18,981	-	-	-	18,981
Other Costs	28,140	7,768	38,392	5,658	79,958	26,294	7,091	33,385	113,343
Total of Expenses by Function	<u>\$ 3,291,878</u>	<u>\$ 2,623,749</u>	<u>\$ 1,072,911</u>	<u>\$ 450,832</u>	<u>\$ 7,439,370</u>	<u>\$ 943,602</u>	<u>\$ 243,841</u>	<u>\$ 1,187,443</u>	<u>\$ 8,626,813</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, 2022**

	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	\$ 504,485	\$ 1,712,033	\$ 432,568	\$ 393,936	\$ 3,043,022	\$ 535,862	\$ 143,595	\$ 679,457	\$ 3,722,479
Payroll Taxes and Employee Benefits	115,299	496,688	134,289	116,540	862,816	101,919	34,982	136,901	999,717
Contracted Services and Professional Fees	151,461	18,928	1,358	-	171,747	54,656	10,797	65,453	237,200
Equipment, Licenses, and Maintenance	7,824	32,305	6,499	2,190	48,818	11,775	5,599	17,374	66,192
Occupancy, Communications, and Insurance	58,379	144,322	72,089	3,281	278,071	37,353	13,181	50,534	328,605
Office Supplies, Printing, and Advertising	16,140	25,155	2,551	739	44,585	9,027	6,529	15,556	60,141
Training and Travel	89,975	55,052	26,076	28,765	199,868	32,038	9,566	41,604	241,472
Student Support	3	89,741	34,502	6,054	130,300	9	1	10	130,310
Funds to Affiliates	251,418	-	-	-	251,418	-	-	-	251,418
Conferences, Conventions, and Meetings	18,259	-	-	-	18,259	-	-	-	18,259
Depreciation and Amortization	462	19,093	-	-	19,555	276	101	377	19,932
Other Costs	9,570	7,265	31,029	855	48,719	46,753	3,804	50,557	99,276
Total of Expenses by Function	<u>\$ 1,223,275</u>	<u>\$ 2,600,582</u>	<u>\$ 740,961</u>	<u>\$ 552,360</u>	<u>\$ 5,117,178</u>	<u>\$ 829,668</u>	<u>\$ 228,155</u>	<u>\$ 1,057,823</u>	<u>\$ 6,175,001</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, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Grantors, Contributors, and Service Recipients	\$ 7,381,475	\$ 9,795,554
Cash Paid to Employees and Suppliers	(8,104,239)	(6,022,209)
Interest Received	4,713	8,373
Net Cash Provided (Used) by Operating Activities	(718,051)	3,781,718
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Additions	(157,915)	(4,866)
Net Cash Used by Investing Activities	(157,915)	(4,866)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(875,966)	3,776,852
Cash and Cash Equivalents - Beginning of Year	6,161,168	2,384,316
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,285,202	\$ 6,161,168
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,140,741)	\$ 3,845,759
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,409	21,360
Unrealized Gain on Investment	(13,227)	23,721
(Increase) Decrease in:		
Accounts Receivable	(879,401)	(220,446)
Grants Receivable	-	37,400
Other Receivables	5,957	(13,216)
Prepaid Expenses	(38,466)	(15,580)
Increase (Decrease) in:		
Accounts Payable	524,755	(15,726)
Accrued Payroll Liabilities	15,876	125,338
Deferred Revenue	786,787	(6,892)
Net Cash Provided (Used) by Operating Activities	\$ (718,051)	\$ 3,781,718

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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. This 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 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, 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, Concord, Cumberland, Duplin, Halifax, Henderson, Jackson, Robeson, Transylvania, and Wilkes counties of North Carolina.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, Edgecombe, Guilford, Mecklenburg, Nash, Wake, and Wilson counties of North Carolina.

**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, 2023 AND 2022**

**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, 2023 and 2022.

**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**

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU 2020-07), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the year ended June 30, 2023. This standard requires enhancements to presentation and disclosure around contributed nonfinancial assets. This standard did not affect the recognition of these transactions.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Donated Services and In-Kind Contributions (Continued)**

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

**Fixed Assets**

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

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

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

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 or 2022.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

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



**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**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.

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, 2023 and 2022.

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, 2023 and 2022.

**Leases**

The Organization follows FASB issued ASU 2016-02, *Leases (Topic 842)* which requires recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position.

The Organization applies Topic 842, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period in excess of 12 months in exchange for consideration. The Organization defines control of the asset as the right to obtain substantially all of the economic benefits from the use of the identified asset as well as the right to direct the use of the identified asset. The Organization does not have any short-term leases with a lease term of 12 months or less.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Leases (Continued)**

The Organization has determined it has one existing lease that is material to the financial statements and that this lease is an operating lease, which is included as operating ROU asset and operating lease liability in the accompanying consolidated statements of financial position. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments and are measured at the present value of future lease payments over the lease term. ROU assets are calculated at the present value of the future lease payments adjusted by and deferred rent liability. ROU assets and lease liabilities are recognized at the lease commencement date.

The Organization uses the incremental borrowing rate to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Estimates**

The preparation of consolidated 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.

**Subsequent Events**

Management has evaluated subsequent events through September 15, 2023, 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, 2023 AND 2022**

**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.

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 (excluding in-kind) totaled \$6,656,713 and \$9,525,460 for the years ended June 30, 2023 and 2022, 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 \$67,764 (exchange element) and \$186,489 (contribution element) for the year ended June 30, 2023. Revenue recognized from fundraising revenue totaled approximately \$802 (exchange element) and \$6,413 (contribution element) for the year ended June 30, 2022.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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>2023</u>	<u>2022</u>
Cash and Cash Equivalents, Net of Donor Restricted	\$ 5,285,202	\$ 6,161,168
Accounts Receivables	1,317,596	438,195
Other Receivables	25,038	30,995
Less :Assets with Donor-Imposed Restrictions	<u>(960,115)</u>	<u>(2,193,925)</u>
Total	<u>\$ 5,667,721</u>	<u>\$ 4,436,433</u>

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, 2023 and 2022, that can be drawn upon.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Network Training and Support	\$ 561,521	\$ 1,397,466
CIS Model	255,258	716,053
Re-Entry to Resiliency	33,012	45,473
Jobs for North Carolina Graduates	<u>110,324</u>	<u>34,933</u>
Total	<u>\$ 960,115</u>	<u>\$ 2,193,925</u>

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

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions:		
Network Training and Support	\$ 1,462,228	\$ 985,281
CIS Model	1,512,884	1,304,272
Jobs for North Carolina Graduates	55,817	372,453
Re-Entry to Resiliency	<u>12,461</u>	<u>-</u>
Total	<u>\$ 3,043,390</u>	<u>\$ 2,662,006</u>

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

The Organization reports certain assets and liabilities at fair value in the consolidated 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.

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.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following table set forth by level within the fair value hierarchy the Organization's investments accounted for at fair value on a recurring basis as of June 30, 2023:

	Fair Value of Investments at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Fixed Income Securities	\$ 163,394	\$ -	\$ 96,443	\$ 259,837
Total	\$ 163,394	\$ -	\$ 96,443	\$ 259,837

As of June 30 2022, investments consisted only of Level 3 inputs, with a fair market value of \$88,695.

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, 2023 and 2022:

	2023	2022
Balance, Beginning of the Year	\$ 88,695	\$ 107,550
Net Realized and Unrealized Gain (Loss)	7,748	(18,855)
Balance, End of the Year	\$ 96,443	\$ 88,695

The fair value of the beneficial interest in assets held by CIS Cumberland County is based on the fair value of fund investments as reported by the Cumberland County Community Foundation. These are considered to be Level 3 measurements. There were no transfers in and out of Level 3 investments during the year ended June 30, 2023.

**NOTE 6 DONATED PROFESSIONAL SERVICES AND MATERIALS**

In-kind contributions are recorded at their fair value on the date of contribution. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For occupancy, the fair value is estimated using the average price per square foot of publicly available commercial real estate listings in the Organization's service area.

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 6 DONATED PROFESSIONAL SERVICES AND MATERIALS (CONTINUED)**

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

<u>June 30, 2023</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Occupancy	\$ 240,835	\$ -	\$ -	\$ 240,835
Wages	309,407	-	-	309,407
Services	-	-	1,400	1,400
Total	<u>\$ 550,242</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 551,642</u>

<u>June 30, 2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Occupancy	\$ 173,835	\$ -	\$ -	\$ 173,835
Wages	325,593	-	-	325,593
Services	-	-	2,400	2,400
Total	<u>\$ 499,428</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 501,828</u>

**NOTE 7 LINE OF CREDIT**

The Organization has an unsecured revolving line of credit available in the amount of \$500,000. Interest is payable monthly on all outstanding balances at prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively). All outstanding principal and accrued interest is due on November 12, 2023. There was no outstanding balance at June 30, 2023 or 2022.

**NOTE 8 LEASES**

The Organization entered into an operating lease for office space effective July 1, 2019. The lease is for a term of five years, through June 30, 2024. The lease contains a multi-year renewal option, and management has determined that it is reasonably certain that the Organization will exercise one three-year extension, resulting in a lease expiration date of June 30, 2027.

As of June 30, 2023, the Organization's leases consisted of one operating lease. The discount rate related to the lease was 4%. The following table provides additional quantitative information concerning the Organization's leases.

	<u>2023</u>	<u>2022</u>
Lease Cost:		
Operating Lease Cost	<u>\$ 74,784</u>	<u>\$ 74,784</u>
Other Information:		
Operating Cash Flows from Operating Leases	<u>\$ 73,356</u>	<u>\$ 73,356</u>

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 8 LEASES (CONTINUED)**

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,	Amount
2024	\$ 73,356
2025	76,212
2026	76,212
2027	76,212
Thereafter	-
Total Undiscounted Lease Payments	301,992
Less: Imputed Interest	11,965
Total Lease Liability	\$ 290,027

**NOTE 9 CONCENTRATIONS**

One major source of funding for the Organization totaled \$2,446,750 and \$2,446,750 for the years ended June 30, 2023 and 2022, respectively. Additionally, 83% and 80% of total grants receivable is due from two grantors for 2023 and 2022, 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, 2023 and 2022, the Organization's discretionary contributions amounted to \$163,575 and \$136,292, respectively.

**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, 2022 and automatically renews for one-year periods beginning on July 1, 2022 unless written notice of termination is given. The fees amounted to \$30,388 and \$30,388 for the years ended June 30, 2023 and 2022, 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.



**COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED 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 the 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, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2023.

**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) 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 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 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.

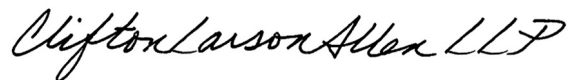
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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.

**Report on 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 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 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 results of that testing, and not to provide an opinion on the effectiveness of the Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Raleigh, North Carolina  
September 15, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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**

***Opinion on Each Major Federal Program***

We have audited the Organization's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

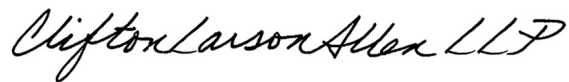
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) 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 weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) 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)**

84.425U

**Name of Federal Program or Cluster**

U.S. Department of Education:  
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

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, 2023**

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.



**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing	Pass-Through Agency/Grantor	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Awards</b>				
<b><u>U.S. Department of Justice</u></b>				
Second Chance Act	16.812	North Carolina Department of Public Safety	N/A	\$ 191,802 **
<b><i>Subtotal U.S. Department of Justice</i></b>				<u>191,802</u>
<b><u>U.S. Department of the Treasury</u></b>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	North Carolina Department of Public Safety	N/A	129,361 **
<b><i>Subtotal U.S. Department of Treasury</i></b>				<u>129,361</u>
<b><u>U.S. Department Education</u></b>				
Governors Emergency Education Fund (GEER)	84.425C	North Carolina Office of State Budget and Management	N/A	487,816 **
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	North Carolina Department of Public Instruction	N/A	1,670,304 **
Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	North Carolina Department of Public Instruction	N/A	119,196 **
<b><i>Subtotal U.S. Department of Treasury</i></b>				<u>2,277,316</u>
<b>Total Expenditures of Federal Awards</b>				<u>2,598,479</u>
<b>State Awards</b>				
N/A*	N/A	N.C. State Board of Education	2020-01	2,947,373 **
<b>Total Expenditures of State Awards</b>				<u>2,947,373</u>
<b>Total Federal and State Awards</b>				<u>\$ 5,545,852</u>

\* Of the expenditures presented, the Organization provided State and Federal awards of \$178,298 and \$1,550,997, respectively to subrecipients.

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

**COMMUNITIES IN SCHOOLS OF NORTH CAROLINA, INC. AND SUBSIDIARY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the Schedule) 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.

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 INDIRECT COST RATE**

The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.