

**COMMUNITIES IN SCHOOLS
OF ATLANTA, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Communities In Schools of Atlanta, Inc.
Atlanta, Georgia**

We have audited the accompanying financial statements of **Communities In Schools of Atlanta, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Atlanta, Inc. as of June 30, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Atlanta, Georgia
November 14, 2018

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 600,007	\$ 546,466
Grants and contracts receivable	81,062	31,193
Promises to give	-	10,750
Prepaid expenses and other assets	26,175	17,901
Investments	2,925,620	2,456,833
Property and equipment, net	49,087	57,633
Total assets	<u>\$ 3,681,951</u>	<u>\$ 3,120,776</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 69,807	\$ 41,780
Accrued expenses	407,532	313,456
Total liabilities	<u>477,339</u>	<u>355,236</u>
Net assets		
Unrestricted	2,625,020	2,677,137
Temporarily restricted	579,592	88,403
Total net assets	<u>3,204,612</u>	<u>2,765,540</u>
Total Liabilities and Net Assets	<u>\$ 3,681,951</u>	<u>\$ 3,120,776</u>

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Government funding	\$ 4,246,316	\$ 19,000	\$ 4,265,316
Contributions	658,301	1,381,258	2,039,559
Special events, net of \$135,860 of direct costs	278,579	-	278,579
Realized and unrealized gains on investments	134,821	-	134,821
Interest and dividend income	52,821	-	52,821
Other income	845	-	845
	<u>5,371,683</u>	<u>1,400,258</u>	<u>6,771,941</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>909,069</u>	<u>(909,069)</u>	<u>-</u>
Expenses			
Program services	5,003,604	-	5,003,604
Management and general	908,720	-	908,720
Fundraising	420,545	-	420,545
	<u>6,332,869</u>	<u>-</u>	<u>6,332,869</u>
Change in net assets	(52,117)	491,189	439,072
Net assets at beginning of year	<u>2,677,137</u>	<u>88,403</u>	<u>2,765,540</u>
Net assets at end of year	<u>\$ 2,625,020</u>	<u>\$ 579,592</u>	<u>\$ 3,204,612</u>

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Government funding	\$ 3,242,696	\$ 38,000	\$ 3,280,696
Contributions	276,648	742,132	1,018,780
Special events, net of \$73,829 of direct costs	232,437	-	232,437
Realized and unrealized gains on investments	167,196	-	167,196
Interest and dividend income	51,196	-	51,196
Other income	1,881	-	1,881
	<u>3,972,054</u>	<u>780,132</u>	<u>4,752,186</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>751,554</u>	<u>(751,554)</u>	<u>-</u>
Expenses			
Program services	3,499,730	-	3,499,730
Management and general	776,316	-	776,316
Fundraising	302,162	-	302,162
	<u>4,578,208</u>	<u>-</u>	<u>4,578,208</u>
Change in net assets	145,400	28,578	173,978
Net assets at beginning of year	<u>2,531,737</u>	<u>59,825</u>	<u>2,591,562</u>
Net assets at end of year	<u>\$ 2,677,137</u>	<u>\$ 88,403</u>	<u>\$ 2,765,540</u>

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
	Direct Services	Management and General	Fundraising	
Salaries	\$ 3,012,001	\$ 462,485	\$ 230,849	\$ 3,705,335
Taxes and benefits	904,514	167,203	93,169	1,164,886
Professional fees	219,791	168,225	60,114	448,130
Rent	77,072	15,965	1,774	94,811
School activities	239,709	592	-	240,301
Assistance to individuals	248,669	10,076	-	258,745
Office expenses	50,868	18,263	2,317	71,448
Depreciation	23,995	8,260	-	32,255
Other expenses	44,270	16,091	7,926	68,287
Staff development and conferences	35,680	6,813	1,552	44,045
Travel	50,138	5,503	1,090	56,731
Advertising/branding	17,872	7,366	-	25,238
Insurance	32,131	6,519	724	39,374
Events/meetings	38,226	10,026	17,766	66,018
Equipment and maintenance	8,668	5,333	3,264	17,265
	\$ 5,003,604	\$ 908,720	\$ 420,545	\$ 6,332,869

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
	Direct Services	Management and General	Fundraising	
Salaries	\$ 2,203,478	\$ 371,295	\$ 156,547	\$ 2,731,320
Taxes and benefits	633,137	125,326	60,542	819,005
Professional fees	99,678	134,713	56,839	291,230
Rent	69,732	15,221	1,691	86,644
School activities	146,422	1,021	-	147,443
Assistance to individuals	98,656	24,650	-	123,306
Office expenses	42,077	15,106	5,514	62,697
Depreciation	21,007	6,585	-	27,592
Other expenses	19,013	17,934	3,756	40,703
Staff development and conferences	31,837	14,914	2,538	49,289
Travel	41,147	10,686	3,249	55,082
Advertising/branding	8,625	18,117	-	26,742
Insurance	27,916	5,984	665	34,565
Events/meetings	23,595	12,172	10,821	46,588
Equipment and maintenance	33,410	2,592	-	36,002
	\$ 3,499,730	\$ 776,316	\$ 302,162	\$ 4,578,208

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 439,072	\$ 173,978
Adjustments to reconcile change in net assets to net cash cash provided by operating activities:		
Depreciation	32,255	27,592
Loss on disposal of property and equipment	331	197
Realized and unrealized gain on investments	(134,821)	(167,196)
Change in assets and liabilities		
Grants and contracts receivable	(49,869)	84,988
Promises to give	10,750	(250)
Prepaid expenses and other assets	(8,274)	38,429
Accounts payable and accrued expenses	122,103	(9,252)
Net cash provided by operating activities	<u>411,547</u>	<u>148,486</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(24,040)	(18,984)
Purchases of investments and reinvested earnings	(979,233)	(243,669)
Proceeds from sale of investments	<u>645,267</u>	<u>210,634</u>
Net cash (used in) investing activities	<u>(358,006)</u>	<u>(52,019)</u>
Net increase in cash and cash equivalents	<u>53,541</u>	<u>96,467</u>
Cash and cash equivalents at beginning of year	<u>546,466</u>	<u>449,999</u>
Cash and cash equivalents at end of year	<u>\$ 600,007</u>	<u>\$ 546,466</u>

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Communities In Schools of Atlanta, Inc. (the “Organization”) is a Georgia nonprofit organization located in Atlanta, Georgia that was established in 1971 within the meaning of Section 501(c)(3) of the Internal Revenue Code. The mission of Communities In Schools of Atlanta, Inc. is to surround young people with a community of support, empowering them to stay in school and achieve in life. The Organization is part of the largest and most effective research-based dropout prevention organization in the nation. The Organization places trained staff in schools who build relationships with struggling students and their families. They help identify the non-instructional obstacles that are preventing children from succeeding in school, and then connect students and their families to resources and services already available in the community. When the needs of students are met, they can concentrate on learning, and teachers are free to teach. The Organization offers services to Atlanta Public Schools, the Clayton County School District, the DeKalb County School District, and the Fulton County School District.

Basis of Accounting

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

Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Organization considers all short-term, interest-bearing deposits external of the investment accounts with maturities of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Grants and contracts receivable represents fees that have been billed but not collected as of the date of the accompanying financial statements. A provision for doubtful accounts is made to maintain adequate reserves to cover anticipated losses based upon accounts is made to maintain adequate reserves to cover anticipated losses based upon management's evaluation of the collectability of grants and contracts receivable. At June 30, 2018 and 2017, the Organization considers all grants and contracts receivable fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

Promises to Give

Promises to give to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible promises to give is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors. At June 30, 2018 and 2017, the Organization considers all promises to give fully collectible. Therefore, no allowance for uncollectible amounts is recorded in the accompanying financial statements.

Investments

Investments are reported at fair value.

Property and Equipment

The Organization capitalizes property and equipment in excess of \$500. Purchased property and equipment is recorded at cost. Donated items are recorded at fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment have estimated useful lives ranging from three to eight years. Depreciation expense was \$32,255 and \$27,592 for the years ended June 30, 2018 and 2017, respectively.

Donated Services and Materials

Various individuals, corporations, and foundations donate materials and services to the Organization for use in its programs and are recorded at the estimated fair market value at the date of donation. For the years ended June 30, 2018 and 2017, contributed materials of \$158,980 and \$71,780, respectively, have been included in contributions and expenses in the accompanying Statements of Activities.

Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the years ended June 30, 2018 and 2017, contributed services of \$72,258 and \$46,371, respectively, have been included in contributions and expenses in the accompanying Statements of Activities.

Expense Allocation

The costs of providing the various programs and other activities are summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE

Accounting principles generally accepted in the United States of America establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, or other observable inputs other than quoted market prices. Level 3 within the hierarchy states that valuations are derived from valuation techniques in which one or more significant inputs are unobservable. At June 30, 2018 and 2017, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments.

Following are valuation methodology descriptions used for assets measured at fair value:

Common stocks and exchange-traded funds (“ETFs”): Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Certificate of deposit: Does not meet the definition of a debt security as it is not traded on a market or exchange; therefore, it is not subject to fair value leveling and is reported at cost.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Foreign bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and ETFs	\$ 1,197,223	\$ -	\$ -	\$ 1,197,223
Mutual funds	727,272	-	-	727,272
Corporate bonds	-	918,084	-	918,084
U.S. government securities	-	35,534	-	35,534
Cash and money markets	45,565	-	-	45,565
Foreign bonds	-	1,942	-	1,942
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 1,970,060</u>	<u>\$ 955,560</u>	<u>\$ -</u>	<u>\$ 2,925,620</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and ETFs	\$ 1,621,095	\$ -	\$ -	\$ 1,621,095
Mutual funds	697,681	-	-	697,681
Corporate bonds	-	22,969	-	22,969
U.S. government securities	-	37,399	-	37,399
Cash and money markets	75,620	-	-	75,620
Foreign bonds	-	2,069	-	2,069
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 2,394,396</u>	<u>\$ 62,437</u>	<u>\$ -</u>	<u>\$ 2,456,833</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Computers and software	\$ 322,747	\$ 306,259
Furniture, fixtures, and equipment	198,504	204,804
Vehicles	69,041	69,041
Improvements	25,519	25,519
	<u> </u>	<u> </u>
Total	615,811	605,623
Less accumulated depreciation	<u>(566,724)</u>	<u>(547,990)</u>
Total property and equipment, net	<u>\$ 49,087</u>	<u>\$ 57,633</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LINES OF CREDIT

In November 2015, the Organization entered into a line of credit agreement with a financial institution that holds a portion of the Organization's investments. The agreement allows for borrowings based on a percentage of the eligible securities maintained in the investment account that serves as collateral. Interest is charged monthly at the lender's calculated base rate with an additional rate above or below the base rate depending on the amount of assets held under management of the institution. As of June 30, 2018 and 2017, there was no outstanding balance on the line of credit.

In March 2016, the Organization entered into a \$500,000 line of credit agreement with a financial institution. Interest is charged on the outstanding balance at a rate of 3.60 percentage points over LIBOR. The agreement matures on August 10, 2019 and requires monthly interest payments on the outstanding principal balance. As of June 30, 2018 and 2017, there was no outstanding balance on the line of credit.

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Traditional program	\$ 517,692	\$ 25,000
Miscellaneous program services	4,533	6,938
21 st Century program	15,689	-
Family Literacy	17,615	6,465
Social emotional learning program	<u>24,063</u>	<u>50,000</u>
Total	<u>\$ 579,592</u>	<u>\$ 88,403</u>

Temporarily restricted net assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Cash	\$ 579,592	\$ 77,653
Promises to give	<u>-</u>	<u>10,750</u>
Total	<u>\$ 579,592</u>	<u>\$ 88,403</u>

Temporarily restricted net assets totaling \$909,069 and \$751,554 were released from restrictions during the years ended June 30, 2018 and 2017, respectively, for program services.

NOTE 6. CONCENTRATIONS

During the year ended June 30, 2018, the Organization received contributions from three donors representing approximately 42% of total contributions. During the year ended June 30, 2017, the Organization received contributions from two donors representing approximately 24% of total contributions.

During the years ended June 30, 2018 and 2017, the Organization received funding from two government agencies representing approximately 80% and 86% of total government funding, respectively.

At June 30, 2018, three government agencies represented approximately 72% of grants and contracts receivable, and at June 30, 2017, two government agencies represented approximately 76% of grants and contracts receivable.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Organization received grants and subgrants totaling \$219,000 and \$40,512, respectively, from Communities In Schools of Georgia, a nonprofit organization which supports the work of the local Communities In Schools affiliates in the state of Georgia. During the years ended June 30, 2018 and 2017, the Organization received grants of \$136,560 and \$215,260, respectively, from Communities In Schools, the national affiliate. At June 30, 2018 and 2017, the Organization's grants and contracts receivable included \$8,700 and \$11,400, respectively, due from these related parties.

NOTE 8. RETIREMENT PLAN

The Organization provides an employee benefit retirement plan established pursuant to Section 403(b) of the Internal Revenue Code. An employee is eligible to join the Plan immediately upon employment and elect to voluntarily contribute up to the maximum allowed in accordance with Section 403(b) of the Internal Revenue Code. Participants are immediately vested in any elected deferrals and in the earnings on those deferrals. The Organization may also elect to make additional matching or non-elective contributions to the Plan on behalf of all eligible employees. Employees are eligible to receive the employer contributions after one year of service. All benefits payable under the Plan are to be provided from tax sheltered annuities which are not assets of the Organization. Employer contributions to the Plan were \$29,722 and \$24,790 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9. COMMITMENTS

The Organization has entered into operating leases for office space expiring at various dates through the year ended June 30, 2025. Total rent expense under these leases was \$94,811 and \$86,644 for the years ended June 30, 2018 and 2017, respectively. The future minimum lease payments under these non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 100,750
2020	80,838
2021	82,855
2022	84,914
2023	87,045
Thereafter	116,212
Total	<u>\$ 552,614</u>

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2018, the date these financial statements were available to be issued.

Subsequent to year-end the Organization drew \$500,000 on the line of credit maturing August 2019, described in Note 4.