

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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## INDEPENDENT AUDITOR'S REPORT

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**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 non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 2017 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Communities In Schools of Atlanta, Inc. as of June 30, 2016, were audited by other auditors whose report dated January 13, 2017, expressed an unmodified opinion on those statements.

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

Atlanta, Georgia  
November 3, 2017

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 546,466	\$ 449,999
Grants and contracts receivable	31,193	116,181
Promises to give	10,750	10,500
Prepaid expenses and other assets	17,901	56,330
Investments	2,456,833	2,256,602
Property and equipment, net	57,633	66,438
Total assets	<u>\$ 3,120,776</u>	<u>\$ 2,956,050</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 41,780	\$ 69,286
Accrued expenses	313,456	295,202
Total liabilities	<u>355,236</u>	<u>364,488</u>
Net assets		
Unrestricted	2,677,137	2,531,737
Temporarily restricted	88,403	59,825
Total net assets	<u>2,765,540</u>	<u>2,591,562</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,120,776</u>	<u>\$ 2,956,050</u>

**See Notes to Financial Statements.**

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

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

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
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
	<b>3,972,054</b>	<b>780,132</b>	<b>4,752,186</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>751,554</b>	<b>(751,554)</b>	<b>-</b>
<b>Expenses</b>			
Program services	3,499,730	-	3,499,730
Management and general	776,316	-	776,316
Fundraising	302,162	-	302,162
	<b>4,578,208</b>	<b>-</b>	<b>4,578,208</b>
Change in net assets	145,400	28,578	173,978
<b>Net assets at beginning of year</b>	<b>2,531,737</b>	<b>59,825</b>	<b>2,591,562</b>
<b>Net assets at end of year</b>	<b>\$ 2,677,137</b>	<b>\$ 88,403</b>	<b>\$ 2,765,540</b>

**See Notes to Financial Statements.**

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Government funding	\$ 2,309,040	\$ 28,000	\$ 2,337,040
Contributions	236,206	864,252	1,100,458
Special events, net of \$101,694 of direct costs	264,118	-	264,118
Realized and unrealized losses on investments	(46,806)	-	(46,806)
Interest and dividend income	52,143	-	52,143
Other income	1,320	-	1,320
	<u>2,816,021</u>	<u>892,252</u>	<u>3,708,273</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>921,077</u>	<u>(921,077)</u>	<u>-</u>
<b>Expenses</b>			
Program services	2,764,610	-	2,764,610
Management and general	569,135	-	569,135
Fundraising	187,375	-	187,375
	<u>3,521,120</u>	<u>-</u>	<u>3,521,120</u>
Change in net assets	215,978	(28,825)	187,153
<b>Net assets at beginning of year</b>	<u>2,315,759</u>	<u>88,650</u>	<u>2,404,409</u>
<b>Net assets at end of year</b>	<u>\$ 2,531,737</u>	<u>\$ 59,825</u>	<u>\$ 2,591,562</u>

**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	75,487	17,698	5,514	98,699	
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	
	<b>\$ 3,499,730</b>	<b>\$ 776,316</b>	<b>\$ 302,162</b>	<b>\$ 4,578,208</b>	

See Notes to Financial Statements.

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Total
	Direct Services	Management and General	Fundraising	
Salaries	\$ 1,717,752	\$ 271,373	\$ 125,261	\$ 2,114,386
Taxes and benefits	557,596	116,397	49,971	723,964
Professional fees	54,518	107,870	2,749	165,137
Rent	78,512	14,791	1,233	94,536
School activities	93,436	-	-	93,436
Assistance to individuals	74,892	2,410	-	77,302
Office expenses	48,698	14,658	1,222	64,578
Depreciation	27,386	5,159	-	32,545
Other expenses	17,625	5,699	5,683	29,007
Staff development and conferences	26,244	2,400	200	28,844
Travel	26,028	1,804	150	27,982
Advertising/branding	3,620	17,754	-	21,374
Insurance	17,278	3,255	271	20,804
Events/meetings	21,025	2,853	635	24,513
Interest expense	-	2,712	-	2,712
	\$ 2,764,610	\$ 569,135	\$ 187,375	\$ 3,521,120

**See Notes to Financial Statements.**



# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 173,978	\$ 187,153
Adjustments to reconcile change in net assets to net cash cash provided by operating activities:		
Depreciation	27,592	32,545
Loss on disposal of property and equipment	197	-
Realized and unrealized (gain) loss on investments	(167,196)	46,806
Change in assets and liabilities		
Grants and contracts receivable	84,988	(55,048)
Promises to give	(250)	30,250
Prepaid expenses and other assets	38,429	(34,360)
Accounts payable and accrued expenses	(9,252)	161,465
Net cash provided by operating activities	148,486	368,811
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(18,984)	(38,017)
Purchases of investments and reinvested earnings	(243,669)	(1,700,203)
Proceeds from sale of investments	210,634	1,668,156
Net cash (used in) investing activities	(52,019)	(70,064)
Net increase in cash and cash equivalents	96,467	298,747
Cash and cash equivalents at beginning of year	449,999	151,252
Cash and cash equivalents at end of year	\$ 546,466	\$ 449,999
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>		
Interest paid	\$ -	\$ 2,712

**See Notes to Financial Statements.**

# COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2017 and 2016, 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

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### 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, 2017 and 2016, 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, 2017 and 2016, 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 \$27,592 and \$32,545 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, contributed materials of \$71,780 and \$51,182, 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, 2017 and 2016, contributed services of \$46,371 and \$39,407, respectively, have been included in contributions and expenses in the accompanying Statements of Activities and Net Assets.

#### 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

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### 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, 2017 and 2016, 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, 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>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and ETFs	\$ 1,324,818	\$ -	\$ -	\$ 1,324,818
Mutual funds	229,101	-	-	229,101
Corporate bonds	-	298,395	-	298,395
U.S. government securities	-	246,602	-	246,602
Cash and money markets	145,613	-	-	145,613
Foreign bonds	-	12,073	-	12,073
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total investments	<u>\$ 1,699,532</u>	<u>\$ 557,070</u>	<u>\$ -</u>	<u>\$ 2,256,602</u>

### NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Computers and software	\$ 306,259	\$ 288,263
Furniture, fixtures, and equipment	204,804	211,104
Vehicles	69,041	69,041
Improvements	25,519	25,519
	<u>          </u>	<u>          </u>
Total	605,623	593,927
Less accumulated depreciation	<u>(547,990)</u>	<u>(527,489)</u>
Total property and equipment, net	<u>\$ 57,633</u>	<u>\$ 66,438</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. LINE 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, 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 3.012 percentage points over LIBOR. The agreement matures on March 25, 2018 and requires monthly interest payments on the outstanding principal balance. As of June 30, 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>2017</u>	<u>2016</u>
Miscellaneous program services	\$ 38,403	\$ 56,692
Social emotional learning program	50,000	-
Emergency funds	-	1,071
Scholarships	-	2,062
Total	<u>\$ 88,403</u>	<u>\$ 59,825</u>

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

	<u>2017</u>	<u>2016</u>
Cash	\$ 77,653	\$ 49,325
Promises to give	10,750	10,500
Total	<u>\$ 88,403</u>	<u>\$ 59,825</u>

Temporarily restricted net assets totaling \$751,554 and \$921,077 were released from restrictions during the years ended June 30, 2017 and 2016, respectively, for program services.

### NOTE 6. CONCENTRATIONS

During the year ended June 30, 2017, the Organization received contributions from two donors representing approximately 24% of total contributions. During the year ended June 30, 2016, the Organization received contributions from two donors representing approximately 40% of total contributions.

At June 30, 2016, one donor represented approximately 95% of promises to give.

During the year ended June 30, 2017, the Organization received funding from two government agencies representing approximately 86% of total government funding. During the year ended June 30, 2016, the Organization received funding from one government agency representing approximately 78% of total government funding.

At June 30, 2017 and 2016, two government agencies represented approximately 76% and 84%, respectively, of grants and contracts receivable.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, the Organization received grants and subgrants totaling \$40,512 and \$38,000, 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, 2017 and 2016, the Organization received grants of \$215,260 and \$279,350, respectively, from Communities In Schools, the national affiliate. At June 30, 2017 and 2016, the Organization's grants and contracts receivable included \$11,400 and \$14,400, 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 \$24,790 and \$37,774 for the years ended June 30, 2017 and 2016, 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 \$86,643 and \$94,536 for the years ended June 30, 2017 and 2016, respectively. The future minimum lease payments under these non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 91,168
2019	81,064
2020	80,838
2021	82,855
2022	84,914
Thereafter	203,258
Total	<u>\$ 624,097</u>

### NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2017, the date these financial statements were available to be issued.