

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

FINANCIAL STATEMENTS

JUNE 30, 2022

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities In Schools of Atlanta, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Communities In Schools of Atlanta, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities In Schools of Atlanta, Inc.'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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 28, 2023

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	\$ 686,265	\$ 60,020
Grants and contracts receivable	99,847	124,677
Employee retention credit receivable	-	425,223
Prepaid expenses and other assets	103,373	105,138
Investments	5,359,188	3,199,905
Property and equipment, net	65,871	17,724
Total Assets	\$ 6,314,544	\$ 3,932,687
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 189,465	\$ 153,014
Accrued expenses	618,951	521,242
Deferred rent	44,392	54,699
Deferred revenue	-	141,833
Line of credit	429,005	768,765
Total liabilities	1,281,813	1,639,553
Net assets		
Without donor restrictions	4,043,906	1,782,533
With donor restrictions	988,825	510,601
Total net assets	5,032,731	2,293,134
Total Liabilities and Net Assets	\$ 6,314,544	\$ 3,932,687

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Revenues			
Government service fees revenue	\$ 4,600,376	\$ -	\$ 4,600,376
Contributions	4,664,046	1,971,367	6,635,413
In-kind contributions	175,994	-	175,994
Realized and unrealized (losses) on investments	(836,732)	-	(836,732)
Interest and dividend income	82,859	-	82,859
Other income	140,608	-	140,608
Special events revenue	318,900	-	318,900
Less: costs of direct benefits to donors	(171,579)	-	(171,579)
Total special events revenue, net	147,321	-	147,321
Net assets released from restrictions	1,493,143	(1,493,143)	-
Total revenues and other support	10,467,615	478,224	10,945,839
EXPENSES			
Program services			
Direct services	6,527,468	-	6,527,468
Supporting services			
Management and general	1,441,464	-	1,441,464
Fundraising	237,310	-	237,310
Total expenses	8,206,242	-	8,206,242
Change in net assets	2,261,373	478,224	2,739,597
Net assets at beginning of year	1,782,533	510,601	2,293,134
Net assets at end of year	\$ 4,043,906	\$ 988,825	\$ 5,032,731

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Revenues			
Government service fees revenue	\$ 3,001,511	\$ -	\$ 3,001,511
Contributions	394,021	1,317,024	1,711,045
In-kind contributions	71,912	-	71,912
Realized and unrealized gains on investments	663,270	-	663,270
Interest and dividend income	50,152	-	50,152
Paycheck protection loan forgiveness	559,838	-	559,838
Employee retention credit revenue	425,223	-	425,223
Special events revenue	340,794	-	340,794
Less: costs of direct benefits to donors	(84,789)	-	(84,789)
Total special events revenue, net	256,005	-	256,005
Net assets released from restrictions	1,158,706	(1,158,706)	-
Total revenues and other support	6,580,638	158,318	6,738,956
EXPENSES			
Program services			
Direct services	5,239,446	-	5,239,446
Supporting services			
Management and general	992,779	-	992,779
Fundraising	397,363	-	397,363
Total expenses	6,629,588	-	6,629,588
Change in net assets	(48,950)	158,318	109,368
Net assets at beginning of year	1,831,483	352,283	2,183,766
Net assets at end of year	\$ 1,782,533	\$ 510,601	\$ 2,293,134

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Direct Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 4,094,126	\$ 409,326	\$ 120,830	\$ 4,624,282	
Taxes and benefits	1,072,310	672	18,987	1,091,969	
Professional fees	254,999	345,984	68,856	669,839	
Rent	20,388	82,013	1,097	103,498	
School activities	299,137	-	2,971	302,108	
Assistance to individuals	458,580	4,078	4,954	467,612	
Office expenses	24,329	27,275	1,400	53,004	
Depreciation	24,418	13,597	407	38,422	
Other expenses	31,054	18,988	4,176	54,218	
Staff development and conferences	30,524	77,580	3,261	111,365	
Travel	17,281	13,613	331	31,225	
Advertising/branding	1,947	4,985	2,953	9,885	
Insurance	8,244	33,162	443	41,849	
Events/meetings	41,881	45,865	1,132	88,878	
Interest expense	12,024	3,408	165	15,597	
Equipment and maintenance	52,463	23,963	842	77,268	
Bad debt - ERC	83,763	336,955	4,505	425,223	
	<u>\$ 6,527,468</u>	<u>\$ 1,441,464</u>	<u>\$ 237,310</u>	<u>\$ 8,206,242</u>	
Total	<u>\$ 6,527,468</u>	<u>\$ 1,441,464</u>	<u>\$ 237,310</u>	<u>\$ 8,206,242</u>	

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Supporting Services		Total
	Direct Services	Management and General	Fundraising		
Salaries	\$ 3,183,830	\$ 623,850	\$ 228,815	\$ 4,036,495	
Taxes and benefits	844,611	147,868	30,784	1,023,263	
Professional fees	147,278	139,542	134,216	421,036	
Rent	80,156	17,635	1,959	99,750	
School activities	310,182	1,700	-	311,882	
Assistance to individuals	449,993	36	-	450,029	
Office expenses	36,991	6,554	622	44,167	
Depreciation	12,805	4,044	-	16,849	
Other expenses	58,048	16,913	-	74,961	
Staff development and conferences	19,168	1,288	143	20,599	
Travel	45,229	5,496	10	50,735	
Advertising/branding	10,902	2,665	-	13,567	
Insurance	29,933	6,586	732	37,251	
Events/meetings	8,784	1,494	-	10,278	
Equipment and maintenance	1,536	6,100	82	7,718	
Interest expense	-	11,008	-	11,008	
Total	\$ 5,239,446	\$ 992,779	\$ 397,363	\$ 6,629,588	

See Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,739,597	\$ 109,368
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	38,422	16,849
Realized and unrealized loss/(gain) on investments	836,732	(663,270)
Paycheck protection loan forgiveness	-	(559,838)
Bad debt - employee retention credit (ERC)	425,223	-
Change in assets and liabilities		
Decrease in grants and contracts receivable	24,830	267,947
Decrease (increase) in employee retention credit receivable	-	(425,223)
Decrease (increase) in prepaid expenses and other assets	1,765	(63,233)
Increase in accounts payable and accrued expenses	134,160	25,584
(Decrease) in deferred rent	(10,307)	-
(Decrease) increase (decrease) in deferred revenue	(141,833)	118,670
Net cash provided by (used in) operating activities	<u>4,048,589</u>	<u>(1,173,146)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(86,569)	(10,955)
Purchases of investments and reinvested earnings	(3,346,835)	-
Proceeds from sale of investments	350,820	275,458
Net cash (used in) provided by investing activities	<u>(3,082,584)</u>	<u>264,503</u>
FINANCING ACTIVITIES		
Borrowings on line of credit	5,758,055	1,840,000
Repayments on line of credit	(6,097,815)	(1,071,235)
Net cash (used in) provided by financing activities	<u>(339,760)</u>	<u>768,765</u>
Net increase (decrease) in cash	<u>626,245</u>	<u>(139,878)</u>
Cash at beginning of year	<u>60,020</u>	<u>199,898</u>
Cash at end of year	<u>\$ 686,265</u>	<u>\$ 60,020</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 15,597</u>	<u>\$ 11,008</u>
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Paycheck protection loan forgiveness	<u>\$ -</u>	<u>\$ 559,838</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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. It is the policy of the board of directors to review their financial standing from time to time and to designate sums of net assets without donor restrictions for specific efforts.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounts Receivable

Grants and contracts receivable represent 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 management's evaluation of the collectability of grants and contracts receivable. At June 30, 2022 and 2021, the Organization considers all grants and contracts receivable fully collectible. Therefore, no allowance for doubtful accounts 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.

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, 2022 and 2021, contributed materials of \$101,122 and \$-, 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, 2022 and 2021, contributed services of \$74,872 and \$71,912, respectively, have been included in contributions and expenses in the accompanying statements of activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, professional fees, office expenses, and equipment and maintenance, which are allocated on the basis of estimates of time and effort and facility usage.

Income Taxes

The Organization formed as a non-profit corporation under the laws of the state of Georgia in 1971 and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not required to pay federal taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Management is not aware of any circumstances or transactions that would jeopardize its tax exempt status.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. For the year ended June 30, 2022, the Organization adopted ASU 2020-07 and has adjusted the presentation in these financial statements accordingly. This adjustment did not have an effect on total net assets or the change in net assets for the years ended June 30, 2022 and 2021.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021. The Organization is assessing the impact the new guidance will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 686,265	\$ 60,020
Investments	5,359,188	3,199,905
Grants and contracts receivable	99,847	124,677
Less:		
Assets held for net assets with donor restriction	<u>(988,825)</u>	<u>(510,601)</u>
Financial assets available for general expenditures	<u>\$ 5,156,475</u>	<u>\$ 2,874,001</u>
Funds available – line of credit	<u>\$ 3,339,056</u>	<u>\$ 1,175,343</u>

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in order to meet its liabilities and other obligations as they become due.

NOTE 3. FAIR VALUE MEASUREMENTS

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, 2022 and 2021, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments.

The 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 3. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Common stock and ETFs	\$ 1,752,082	\$ -	\$ -	\$ 1,752,082
Mutual funds	3,355,546	-	-	3,355,546
Corporate bonds	-	89,472	-	89,472
U.S. government securities	-	72,628	-	72,628
Cash and money markets	89,460	-	-	89,460
Total investments	\$ 5,197,088	\$ 162,100	\$ -	\$ 5,359,188

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Common stock and ETFs	\$ 1,225,426	\$ -	\$ -	\$ 1,225,426
Mutual funds	1,826,406	-	-	1,826,406
Corporate bonds	-	45,036	-	45,036
U.S. government securities	-	49,656	-	49,656
Cash and money markets	53,381	-	-	53,381
Total investments	\$ 3,105,213	\$ 94,692	\$ -	\$ 3,199,905

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2022	2021
Computers and software	\$ 233,781	\$ 361,156
Furniture, fixtures, and equipment	210,299	205,791
Vehicles	69,041	69,041
Improvements	25,519	25,519
Total	538,640	661,507
Less accumulated depreciation	(472,769)	(643,783)
Total property and equipment, net	\$ 65,871	\$ 17,724

Depreciation expense was \$38,422 and \$16,849 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LINE OF CREDIT

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 (3.500% at June 30, 2022). As of June 30, 2022 and 2021, the outstanding balance on the line of credit was \$429,005 and \$768,765, respectively. Interest expense related to this line of credit was \$15,597 and \$11,008 for the years ended June 30, 2022 and 2021, respectively.

NOTE 6. 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 \$103,498 and \$99,750 for the years ended June 30, 2022 and 2021, respectively. The Organization also entered into an operating lease through February 2022 for office equipment.

The future minimum lease payments under these non-cancelable operating leases are as follows:

Year Ending June 30,	Amount
2023	\$ 91,258
2024	89,231
2025	26,982
Total	\$ 207,471

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for specified purpose:		
Traditional programs	\$ 251,437	\$ 319,493
Specific program services	691,678	127,811
21 st century program	-	2,768
Family literacy	45,710	60,529
Total	\$ 988,825	\$ 510,601

Net assets with donor restrictions consist of cash and investments at June 30, 2022 and 2021.

Net assets with donor restrictions totaling \$1,493,143 and \$1,158,706 were released from restrictions during the years ended June 30, 2022 and 2021, respectively, by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE RETENTION CREDIT

The Organization was eligible for and participated in the Employee Retention Credit program initially established under the CARES Act. This credit is based on qualifying wages paid to employees and is received through a reduction of federal employment tax.

During the year ended June 30, 2021, the Organization claimed through the original and amended quarterly Form 941 returns credits totaling \$425,223. In November 2021, the Organization claimed additional \$1,077,954 for qualifying wages paid to employees.

Due to uncertainties related to the collectability of credits, management did not recognize revenue for credits claimed in fiscal year 2022 and incurred bad debt expense related to credits claimed in fiscal year 2021.

NOTE 9. CONTRIBUTED SERVICES AND MATERIALS

For the years ended June 30, 2022 and 2021, nonfinancial contributions recognized included:

	<u>2022</u>	<u>2021</u>
Pro bono legal services	\$ 74,872	\$ 71,912
Program materials	85,255	-
Personal protective equipment	15,867	-
	<u>\$ 175,994</u>	<u>\$ 71,912</u>

The Organization recognized nonfinancial contributions within revenue, including contributed program materials and equipment. Unless otherwise noted, nonfinancial contributions were used for programmatic purposes and did not have donor-imposed restrictions.

In valuing contributed materials, the Organization estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. In valuing contributed services, the Organization estimated fair value based on current rates for similar services.

NOTE 10. CONCENTRATIONS

During the year ended June 30, 2022, the Organization received funding from four government agencies representing approximately 85% of total government service fees revenue. During the year ended June 30, 2021, the Organization received funding from three government agencies representing approximately 66% of total government service fees revenue.

During the year ended June 30, 2022, the Organization received contributions from eleven donors representing approximately 81% of total contributions revenue. During the year ended June 30, 2021, the Organization received contributions from nine donors representing approximately 63% of total contributions revenue.

At June 30, 2022, three agencies represented approximately 76% of grants and contracts receivable. At June 30, 2021, two agencies represented approximately 92% of grants and contracts receivable.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RELATED PARTY TRANSACTIONS

The Organization receives grants and subgrants 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, and from Communities In Schools, the national affiliate.

During the years ended June 30, 2022 and 2021, the Organization received \$248,290 and \$256,477, respectively, from these related parties.

NOTE 12. 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 \$85,066 and \$66,854 for the years ended June 30, 2022 and 2021, respectively.

NOTE 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2023, the date these financial statements were available to be issued.