

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Auditor's Report**

For the Years Ended June 30, 2021 and 2020

**CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103**

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities In Schools of Eastern Pennsylvania, Inc.
Allentown, PA

Opinion

We have audited the accompanying financial statements of Communities in Schools of Eastern Pennsylvania, Inc. (A Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Eastern Pennsylvania, Inc. as of June 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Eastern Pennsylvania, Inc. 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 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 Eastern Pennsylvania, 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, including omissions, 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 Eastern Pennsylvania, 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 Eastern Pennsylvania, 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.

Report on Summarized Comparative Information

We have previously audited the Communities in Schools of Eastern Pennsylvania, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Corybell, Roppold & Yurasita LLP

September 28, 2021

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,896,114	\$ 2,447,404
Accounts Receivable	259,139	254,856
Pledge Receivable, Net (Note 5)	523,435	567,770
Prepaid Expenses	49,312	41,022
Total Current Assets	3,728,000	3,311,052
 EQUIPMENT, VEHICLES AND FURNISHINGS (Note 4)	 105,908	 132,377
Total Assets	\$ 3,833,908	\$ 3,443,429
 LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES		
Accounts Payable	\$ 24,058	\$ 10,579
Accrued Payroll	255,282	362,802
Current Portion of Loan Payable (Note 8)	691,801	311,580
Total Current Liabilities	971,141	684,961
 COMMITMENTS AND CONTINGENCIES (Note 7 and 11)	 -	 -
 LONG TERM-LOAN PAYABLE (Note 8)	 -	 385,614
Total Liabilities	971,141	1,070,575
 NET ASSETS:		
Without Donor Restrictions - General	1,181,962	1,096,407
Without Donor Restrictions - Board Designated (Note 10)	752,007	251,971
Invested in Equipment, Vehicles and Furnishings	105,908	132,377
Total Net Assets without Donor Restrictions	2,039,877	1,480,755
 With Donor Restrictions (Note 9)	 822,890	 892,099
Total Net Assets	2,862,767	2,372,854
Total Liabilities and Net Assets	\$ 3,833,908	\$ 3,443,429

See independent auditor's report and notes to the financial statements.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Support			
Individuals	\$ 187,903	\$ 50,000	\$ 237,903
Board of Directors	12,669	-	12,669
Corporations	84,228	16,940	101,168
Foundations	89,568	321,900	411,468
School District Contracts	2,761,105	-	2,761,105
Government Grants	538,074	-	538,074
United Way Agreements	995,819	-	995,819
Special Events	-	-	-
In-Kind Contributions			
In-Kind Facilities	-	-	-
In-Kind Maintenance	-	-	-
In-Kind Professional Fees	150	-	150
In-Kind Supplies and Training	5,187	-	5,187
Miscellaneous Income	970	-	970
Interest Income	935	-	935
Total Support and Revenue Before Releases	4,676,608	388,840	5,065,448
Net Assets Released from Restrictions	458,049	(458,049)	-
Total Support and Revenue	5,134,657	(69,209)	5,065,448
EXPENSES			
Program Services	3,810,654	-	3,810,654
Management and General	407,523	-	407,523
Fund Raising	357,358	-	357,358
Total Expenses	4,575,535	-	4,575,535
Increase (Decrease) in Net Assets	559,122	(69,209)	489,913
Net Assets, Beginning of Year	1,480,755	892,099	2,372,854
Net Assets, End of Year	\$ 2,039,877	\$ 822,890	\$ 2,862,767

See independent auditor's report and notes to the financial statements.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended June 30, 2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Support			
Individuals	\$ 131,099	\$ 50,800	\$ 181,899
Board of Directors	14,120	-	14,120
Corporations	111,816	70,000	181,816
Foundations	88,767	993,000	1,081,767
School District Contracts	2,137,619	-	2,137,619
Government Grants	657,473	-	657,473
United Way Agreements	954,508	500	955,008
Special Events	16,000	-	16,000
In-Kind Contributions			
In-Kind Facilities	668,550	-	668,550
In-Kind Maintenance	3,956	-	3,956
In-Kind Professional Fees	-	-	-
In-Kind Supplies and Training	3,379	-	3,379
Miscellaneous Income	-	-	-
Interest Income	12,360	-	12,360
Total Support and Revenue Before Release	<u>4,799,647</u>	<u>1,114,300</u>	<u>5,913,947</u>
Net Assets Released from Restrictions	<u>507,059</u>	<u>(507,059)</u>	<u>-</u>
Total Support and Revenue	<u>5,306,706</u>	<u>607,241</u>	<u>5,913,947</u>
EXPENSES			
Program Services	4,306,374	-	4,306,374
Management and General	422,678	-	422,678
Fund Raising	261,614	-	261,614
Total Expenses	<u>4,990,666</u>	<u>-</u>	<u>4,990,666</u>
Increase in Net Assets	316,040	607,241	923,281
Net Assets, Beginning of Year	<u>1,164,715</u>	<u>284,858</u>	<u>1,449,573</u>
Net Assets, End of Year	<u>\$ 1,480,755</u>	<u>\$ 892,099</u>	<u>\$ 2,372,854</u>

See independent auditor's report and notes to the financial statements.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services		Total		
	In-Kind Program	ISS	Community Schools	Other	Total Program	Management and General	Fund Raising	June 30, 2021	Sumarized June 30, 2020
Salaries and Benefits	\$ -	\$ 2,126,889	\$ 900,676	\$ 370,294	\$ 3,397,859	\$ 298,024	\$ 301,940	\$ 3,997,823	\$ 3,789,886
Awards and Scholarships	-	941	395	164	1,500	-	-	1,500	-
Bad Debt	-	-	-	-	-	-	-	-	11,288
Classroom and Administrative Facilities	-	69,961	160,711	5,005	235,677	-	-	235,677	119,918
In-Kind Facilities, Supplies and Services	5,337	-	-	-	5,337	-	-	5,337	675,885
Conferences and Training	-	95	19	8	122	1,472	62	1,656	8,853
Consulting	-	-	-	-	-	-	-	-	28,650
Computer Support	-	7,448	3,130	1,300	11,878	4,326	541	16,745	14,495
Printing and Reproduction	-	3,921	1,723	737	6,381	815	12,918	20,114	18,711
Depreciation	-	-	-	-	-	26,469	-	26,469	32,678
Dues and Subscriptions	-	430	181	75	686	1,353	7,703	9,742	6,939
Interest	-	-	-	-	-	57	965	1,022	1,314
Insurance	-	19,051	8,005	3,326	30,382	3,574	1,787	35,743	29,635
Other	-	13,487	5,654	2,550	21,691	5,328	3,325	30,344	23,637
Payroll Processing	-	-	-	-	-	21,619	-	21,619	10,423
Postage	-	-	-	-	-	-	-	-	20
Professional Fees	-	15,688	6,592	2,739	25,019	28,306	1,242	54,567	39,988
Public Relations	-	6	3	1	10	550	15,364	15,924	2,955
Rent	-	32,920	13,832	5,748	52,500	6,000	4,500	63,000	63,000
Utilities	-	1,681	707	294	2,682	315	158	3,155	2,442
Maintenance and Repairs	-	3,614	1,519	631	5,764	696	339	6,799	3,943
Supplies	-	10	4	2	16	7,085	177	7,278	8,920
Special Events Expense	-	-	-	-	-	-	4,998	4,998	5,791
Telephone and Communications	-	5,730	2,408	2,222	10,360	1,473	1,146	12,979	13,221
Travel	-	2,278	376	136	2,790	61	193	3,044	78,074
	<u>\$ 5,337</u>	<u>\$ 2,304,150</u>	<u>\$ 1,105,935</u>	<u>\$ 395,232</u>	<u>\$ 3,810,654</u>	<u>\$ 407,523</u>	<u>\$ 357,358</u>	<u>\$ 4,575,535</u>	<u>\$ 4,990,666</u>

See independent auditor's report and notes to the financial statements.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>Year Ended</u> <u>June 30, 2021</u>	<u>Year Ended</u> <u>June 30, 2020</u>
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 489,913	\$ 923,281
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Prepaid Expenses	(8,290)	690
Decrease (Increase) in Accounts Receivable	(4,283)	(21,085)
Decrease (Increase) in Pledge Receivable	44,335	(525,419)
Increase (Decrease) in Accounts Payable	13,479	(30,785)
Increase (Decrease) in Accrued Payroll	(107,520)	28,768
Depreciation Expense	26,469	32,678
Net Cash Provided by Operating Activities:	<u>454,103</u>	<u>408,128</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of Computer/Technology Equipment	<u>-</u>	<u>(4,475)</u>
Net Cash Used by Investing Activities	<u>-</u>	<u>(4,475)</u>
<u>Cash Flows From Financing Activities:</u>		
Loan Proceeds Received	-	691,801
Decrease in Loans Payable	<u>(5,393)</u>	<u>(5,729)</u>
Net Cash Provided (Used) by Financing Activities	<u>(5,393)</u>	<u>686,072</u>
Net Increase in Cash and Cash Equipments	448,710	1,089,725
Cash and Cash Equivalents, Beginning of Year	<u>2,447,404</u>	<u>1,357,679</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,896,114</u>	<u>\$ 2,447,404</u>
<u>Supplemental Information:</u>		
Interest Paid	<u>\$ 119</u>	<u>\$ 446</u>

See independent auditor's report and notes to the financial statements.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

1. Nature of Activities

Nature of Activities

Founded in 1983, Communities In Schools of Eastern Pennsylvania, Inc. (CIS) is part of the Communities In Schools national network, which consists of independent 501(c)(3) organizations serving over 1.6 million students in 25 states and the District of Columbia. Prior to January 1, 2021, the Organization was known as Communities in Schools of the Lehigh Valley, Inc. The mission of CIS is to surround students with a community of support, empowering them to stay in school and achieve in life.

At CIS, everything we do is guided by our “Five Basics.” Developed by our national founder Bill Milliken, the Five Basics are a set of essentials that every child needs and deserves:

1. A one-on-one relationship with a caring adult
2. A safe place to learn and grow
3. A healthy start and a healthy future
4. A marketable skill to use upon graduation
5. A chance to give back to peers and community

At Communities In Schools, we see potential in every student — and we’re committed to helping them see it too. It’s not always easy. Thousands of kids across our community face overwhelming roadblocks to their academic and personal success. Learning disabilities. Homelessness. Bullying. The emotional effects of trauma. Untreated medical or dental conditions. A lack of school supplies and clothes. We’re in schools to spot and overcome the roadblocks in our students’ way. Our commitment to students brings communities together for them. We start by collaborating with school districts and schools to understand each student’s needs, and deliver resources tailored to them. But we don’t stop there. We go beyond the classroom to work with local businesses, social service agencies, healthcare providers and volunteers, to give every student the confidence to overcome life’s future roadblocks and own their success.

In addition to delivering school-wide and one-on-one supports through our evidence-based model, CIS also partners with the United Way of the Greater Lehigh Valley to serve as Lead Partner at 11 Community Schools in Allentown, Bethlehem, and Easton. We also support students in the after-school hours at four 21st Century Community Learner Centers and former out-of-school youth at our Allentown ReEngagement Center.

With team members in 41 schools in Allentown School District, Bethlehem Area School District, Brandywine Area School District, East Penn School District, Easton Area School District, Fleetwood Area School District, Kutztown Area School District, Reading School District, and Whitehall-Coplay School District, CIS connects kids to caring adults and community resources designed to help them succeed. We do whatever it takes to ensure that all kids—regardless of the challenges they may face—have what they need to realize their potential.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

1. Nature of Activities (Continued)

Services

Integrated Student Supports

Integrated Student Supports (ISS) is a shorthand for how we bring together the different kinds of resources, relationships, and services that students and their families need to come to school ready to learn. Our evidence-based model places Site Coordinators directly in each of our schools, where they form trusting relationships with students, diminishing the nonacademic barriers that keep kids from succeeding in school. Site Coordinators offer support at three different levels: school-wide, small-group, and one-on-one. Site Coordinators work together with students, family members, teachers, and guidance counselors to help students set goals to improve academics, behavior, and/or attendance.

The model of ISS follows a continued cycle of assessment, planning, support, monitoring, and evaluation:

1. Needs Assessment: Site Coordinator analyzes multiple sources of data to identify key needs of school and individual students.
2. Planning: Site Coordinators lead their support team in developing a site plan that prioritizes supports for academic and non-academic needs.
3. Integrated Students Supports: Site Coordinator and partners deliver support to school, students, and families through three different tiers. Tier I supports target school-wide goals (Tier I example: Clothing drive, family engagement night). Tier II supports target small groups of at-risk students who share a common need (Tier II example: tutoring, grief counseling group). Tier III supports target a smaller population of referred, high-need students who receive intensive one-on-one case-management.
4. Monitoring and Adjusting: Site Coordinator continuously monitors student and school progress and adjusts supports to optimize results.
5. Evaluation: Site Coordinator continues assessment of partners and student supports to demonstrate results and improve practice.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

1. Nature of Activities (Continued)

Services (Continued)

Community Schools

CIS has served as a founding partner in the Community School work in the Lehigh Valley since 2006. CIS serves as lead partner at 11 community schools in the Lehigh Valley in partnership with United Way of the Greater Lehigh Valley.

A community school is both a physical place and a network of partnerships among school, family, and community. The community school model is an innovative strategy designed to open the doors of a school in a way that transforms the school into a central hub for learning, family engagement, and community impact. Through its integrated focus on academics, health, social services, and family – paired with a foundation of resources and programs provided by community partners – the community school model empowers all stakeholders in the shared school community to bring about total school transformation. With this strategy for school and community wide engagement also comes a critical focus on accountability and measurement. Most important to the community school model is its data-driven programs, decisions, and strategies.

Community School Coordinators leverage relationships and resources that connect students and families to engagement events and various forms of support. Coordinators also connect school leadership, volunteers, community partners, and parents in ways that guide positive change and buy-in from all stakeholders. The Community School vision as a whole focuses on programs that target chronic absenteeism and low reading proficiency.

General Youth Services

CIS provides intensive afterschool programming to students in four schools that serve as 21st Century Community Learning Centers. These programs serve students four days per week for three hours each day, and they target low-income students with documented academic needs. A Program Manager at these sites leads teams of teachers, support staff, and community partners in coordinating and delivering academic assistance and enrichment programming in the after-school hours. Students receive free afternoon snacks and dinners with transportation home after programs if needed. During the summer, students attend programs and weekly field trips for academic enrichment at no cost to them.

The Allentown ReEngagement Center (AREC) is a collaborative initiative in the city of Allentown that targets 16-24-year-olds who have dropped out of high school. CIS recognizes that students who have already dropped out of school are also at risk for life-altering setbacks without a high school diploma. Through consistent outreach, our AREC staff empower young adults to re-enroll in a school learning pathway (in classroom or online) toward their high school diploma or GED. Since the program's inception in 2015, the AREC has reengaged 500 former high school dropouts, while over 200 of these students have graduated with their high school diploma or GED.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

1. Nature of Activities (Continued)

Services (Continued)

Outcomes

CIS reported the following metrics on students receiving case-management through Integrated Student Supports in the 2020-2021 school year*.

- 89% graduation rate
- 87% promotion rate
- 56% made progress toward attendance goals
- 86% made progress toward behavior goals
- 77% made progress toward academic goals
- 78% made progress toward social emotional learning goals

**The 2020-2021 school year was significantly impacted by the Coronavirus pandemic. Our network of schools adopted virtual and hybrid learning models, which often shifted throughout the school year. As a result, our end of year results have been impacted. As schools adjusted to new learning formats, student behavior and academic goals may reflect more significant increases than on average because of reduced time in school and changes to academic grading.*

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America and reflect all receivables and payables. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restriction amounts represent all net assets that are not subject to donor-imposed stipulations. They may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor or certain 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.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

2. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recorded in the period earned. Contributions, including unconditional pledges, are recognized in the period the commitment is made. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of gift. Pledges receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the contribution to a specific use or a stipulated time period. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Gifts of property and equipment are reported as support without restrictions unless donor stipulations specify how the assets are to be used. Gifts of long-lived assets with restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with restrictions. CIS reports expirations of donor restricted when the donated or acquired long-lived assets are placed in service.

Revenue from government grant and contract agreements are recognized as they are earned through expenditure or service delivery in accordance with the agreement.

Cash and Cash Equivalents

CIS considers cash held in checking accounts, savings accounts, and other investments purchased with original maturities of less than 90 days to be cash and cash equivalents.

CIS's cash balances are deposited in two banks guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and a sweep account up to \$750,000. Amounts on deposit at various time through the year exceeded the federally insured limit. The Organization had cash balances totaling \$1,666,924 and \$1,201,649 in excess of federally insured limits at June 30, 2021 and 2020, respectively.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of amounts due from school district contracts, governmental grants, and nongovernmental grants. CIS considers accounts receivable as of June 30, 2021 and 2020 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Equipment, Vehicles and Furnishings

Purchased equipment, vehicles and furnishings are reported at cost and donated assets are reported at their estimated fair value on the date donated. All assets are depreciated over estimated useful lives on a straight-line basis. Repairs and maintenance and equipment purchases less than \$2,500 are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the Statement of Activities.

Estimated useful lives are as follows:

	<u>Years</u>
Building Improvements	5 – 10
Furniture and Equipment	3 – 10
Computer Equipment	3 – 5
Vehicles	5

Donated Services and Assets

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet all of the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

CIS also receives donated facilities in the form of classroom space, office space, parking, and other support for use in providing its program services and its operations. Due to distance learning during the 2020-2021 school year as a result of the pandemic, CIS was not onsite at the schools. Therefore, no in-kind classroom facilities amount is recorded for the fiscal year ended June 30, 2021.

These donated amounts are recorded at fair value in the Statement of Activities as donations and the corresponding expenses are summarized in program services as follows:

	2021	2020
Classroom Facilities	\$ -	\$ 668,550
Professional Fees	150	-
Maintenance	-	3,956
Supplies and Training	5,187	3,379
	\$ 5,337	\$ 675,885

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2. Summary of Significant Accounting Policies (Continued)

Donated Services and Assets (Continued)

In addition, a substantial number of volunteers have made significant contributions of their time and resources to develop CIS's educational programs within the local high schools and middle schools. The value of such services is not recognized in the financial statements because they did not meet the criteria for recognition under Financial Accounting Standards Board ASC 958-605.

Functional Allocation of Expenses

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

CIS's method for allocating expenses among functional reporting classifications, which cannot be specifically identified as program or supporting services are based on estimates made for time spent by personnel between functions, use of space, and other objective bases.

Income Taxes

CIS is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, CIS may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of CIS and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal years 2021 and 2020.

CIS files its 990 with the United State Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

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3. Liquidity and Availability

Financial assets available for general expenditure, this is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 2,896,114	\$ 2,447,404
Accounts receivable	259,139	254,856
Pledges receivable	<u>523,435</u>	<u>567,770</u>
Financial Assets, at year end	3,678,688	3,270,030
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(822,890)	(892,099)
Board designations	<u>(752,007)</u>	<u>(251,971)</u>
Financial Assets available to meet cash needs for general expenditures, within one year	<u>\$ 2,103,791</u>	<u>\$ 2,125,960</u>

As part of CIS's liquidity management plan, excess cash is invested in the sweep money market account.

The Board Designated Reserve fund of \$752,007 (Note 10) is available, if necessary, with Board approval but is not intended to be used within one year of the Statement of Financial Position date.

Additionally, CIS has a \$450,000 line of credit available.

4. Equipment, Vehicles and Furnishings

Equipment, Vehicles and Furnishings consist of the following:

	<u>2021</u>	<u>2020</u>
Computer Equipment	\$ 93,761	\$ 102,204
Furniture and Equipment	40,324	40,324
Building Improvements	151,978	151,978
Vehicles	<u>81,505</u>	<u>81,505</u>
	367,568	376,011
Accumulated Depreciation	<u>(261,660)</u>	<u>(243,634)</u>
	<u>\$ 105,908</u>	<u>\$ 132,377</u>

Depreciation and amortization charged to expense was \$26,469 and \$32,678 for 2021 and 2020, respectively.

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5. Pledges Receivable

Pledges receivable, net of allowance for uncollectible pledges and unamortized discount, are summarized as follows:

	2021	2020
Less than one year	\$ 43,245	\$ 299,552
One to five years	487,255	270,000
Over five years	-	-
Total	530,500	569,552
Less: Unamortized Discount (1.45% and 0.066%)	(7,065)	(1,782)
Less: Allowance for Uncollectible Pledges (0%)	-	-
	\$ 523,435	\$ 567,770

6. Line of Credit

CIS has a \$450,000 unsecured line of credit with an interest rate of 4.25% at June 30, 2021. There was no outstanding balance at June 30, 2021 and 2020. The line was not utilized during the fiscal years ended June 30, 2021 and 2020. There was no interest expense incurred during the periods presented.

7. Lease Commitments

CIS leases two copiers under separate lease agreements. The first agreement was effective through May 2020 and provided for monthly lease payments of \$223. The second agreement is effective through September 2023 and provides for monthly lease obligations of \$512.

CIS entered into a lease agreement for office space located at 739 North 12th Street Allentown, PA commencing August 1, 2018. The lease is a triple net lease with base rental payments of \$5,000 a month for five years terminating on July 31, 2023. Triple net costs shall have an initial approximate cost of \$3/square foot, subject to an annual increase based on actual operating costs for the previous year. The space rented is 8,000 square feet. The lease provides an option for the lease to be renewed for another five years at which time monthly lease payments would progressively increase every year

Additionally, in May 2019 CIS entered into a six-month lease agreement to rent a single office at 2 Woodland Drive Wyomissing, PA. After the six-month period, the lease became a month-to month lease with 30 days' notice required for termination. The monthly rent expense is \$250.

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7. Lease Commitments (Continued)

Future minimum lease payments for years subsequent to June 30, 2021 are as follows:

Year Ending June 30,			
	2022	\$	66,144
	2023		61,024
	2024		5,000

Rent expense, including amounts paid for utilities, taxes, and common area maintenance fees and expenses, was \$63,000 and \$63,000 for 2021 and 2020, respectively.

8. Loans Payable

In May 2016, CIS entered into a loan agreement for the purchase of a vehicle. The loan has a fixed 5.15% interest rate and is collateralized by the vehicle. Monthly principal and interest payments are \$515 over the term of the 5-year loan.

Interest expense on the loan was \$119 and \$446 in 2021 and 2020, respectively.

On April 27, 2020, the Organization received \$691,801 under the Paycheck Protection Program. The Organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, Debt, or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. Management has determined that the Organization will not meet the eligibility criteria for full forgiveness of the loan. For this reason the Organization elected the debt method. Under this method, the Organization recorded a debt liability on the Statement of Financial Position and will subsequently recognize revenue from the extinguishment of the debt once forgiveness has been determined by the Small Business Administration.

On September 15, 2021, the Organization was notified that the PPP Loan was forgiven in the amount of \$552,508.65 and payments on the remaining balance of \$139,292 would begin October 2021 and go through April 2022. The Organization chose to pay off the loan balance in September 2021.

Loan maturities are as follows:

Year Ending June 30,			
	2022	\$	691,801

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9. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions are restricted for the following purposes:

	2021	2020
Art of Relaxation	\$ 7,680	\$ 7,680
Central ES - Programs and Family Activities	-	4,637
Central ES - Uniforms	1,224	2
Challenge Schools	20,000	20,000
Cheston - Recess Equipment and Families	277	277
Cheston - Food Pantry	1,100	1,100
CIS Intranet	2,961	8,750
CIS on the Go	508	6,652
Cleveland ES	-	150
College Bound	15,223	15,223
GED testing	1,174	1,174
ISS Services	39,933	16,217
ISS Services - Kutztown Strong	30,000	-
Lincoln Elementry	-	1,162
Leadership in Restorative Practices	614,647	680,000
Mosser Elementary School	15,053	32,766
Project Mustard Seed	200	200
Re-engagement	46,757	46,757
Roosevelt ES - Summer Learning	578	1,000
Scholarships - Fuller	6,235	7,735
Scholarships - Other	9,250	9,250
Student Lunch Accounts	235	1,000
Summer Programs - FS	8,789	10,940
Vehicles - Van	-	6,639
Winter Clothing	-	508
Washing Machine and Related Supplies	1,066	11,280
Yoga and Karate programs	-	1,000
	\$ 822,890	\$ 892,099

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9. Net Assets with Donor Restrictions (Continued)

Net assets were released from restrictions related to the following purposes:

	<u>2021</u>	<u>2020</u>
Allentown School District Programs	\$ -	\$ 10,000
Aspiring Prof. Program	-	10,481
Central ES - Family Activities	10,255	447
Central ES - Chrome Books	2,600	-
CIS Intranet	5,789	2,850
CIS on the Go	6,144	848
Cleveland ES	150	3,850
Community Schools - Lehigh and Northampton	50,000	-
Graduate Allentown	-	87,956
Harrison Morton Elementary School	50,000	50,000
ISS Services	64,284	146,283
ISS Services - Easton SD	11,000	25,243
ISS Services - Trexler MS	-	50,000
Lehigh County Programs and Services	50,400	-
Lincoln Elementry	1,162	-
Leadership in Restorative Practices	65,353	-
Mosser Elementary School	67,713	58,389
Program Support	50,000	50,000
Roosevelt ES	-	2,500
Roosevelt ES - Summer Learning	422	-
Scholarships - Fuller	1,500	-
SMMS	-	2,500
Student Lunch Accounts	765	-
Summer Programs - FS	2,151	-
Vehicles - Van	6,639	5,712
Winter Clothing	508	-
Washing Machine and Related Supplies	10,214	-
Yoga amd Karate programs	1,000	-
	<u>\$ 458,049</u>	<u>\$ 507,059</u>

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10. Net Assets Without Donor Restriction

The Board has designated net assets without donor restrictions for the following purposes:

	2021	2020
Board Designated Reserve Fund	\$ 750,957	\$ 250,921
Scholarships - Fuller	1,050	1,050
	\$ 752,007	\$ 251,971

11. Contingencies

CIS participates in various government assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. CIS is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

12. Concentrations

The Community Schools program is funded through one source which represents 19% and 18% of total revenue excluding in-kind donations for the years ended June 30, 2021 and 2020, respectively. If that source of revenue were lost, the program would almost entirely be eliminated.

13. Retirement Plans

Effective January 1, 2018 the Organization established a 401(k) defined contribution retirement plan for the benefit of individuals considered to be employees that are not members of a union collective bargaining unit with an exclusion from coverage under this plan as part of the union's negotiated agreement. Employees must reach 21 years of age and complete two consecutive months of service with the Organization in order to participate. Participating employees may elect to contribute a portion of their pay as a pre-tax deferral or a Roth deferral, in accordance with Section 401(k) of the Internal Revenue Code. The Plan allows for matching contributions and profit-sharing contributions at the discretion of management. Employer contributions consist of a match of employee contributions up to a maximum limit of 3% of employee compensation for all eligible employees. Effective January 1, 2021 the 401(k) plan was changed to a safe harbor plan in which all employees that are not members of a union collective bargaining unit with an exclusion from coverage under this plan as part of the union's negotiated agreement receive a 3% retirement contribution. Employer contributions to the retirement plans totaled \$62,333 and \$46,510 for the years ended June 30, 2021 and 2020, respectively.

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14. Subsequent Events

The Organization's management has evaluated events subsequent to June 30, 2021 that affect the Organization through September 28, 2021 the date the financial statements were available to be issued.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2022 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing.

In September 2021, the Organization received partial Paycheck Protection Program Loan forgiveness in the amount of \$552,508.65 and paid off the balance of the loan, as described in Note 8.