

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, 2022, 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, 2022, 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Congbell, Roppold & Yuravita LLP

October 11, 2022

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,894,578	\$ 2,896,114
Accounts Receivable	171,362	259,139
Pledges Receivable, Net (Note 7)	45,500	523,435
Prepaid Expenses	49,076	49,312
Total Current Assets	5,160,516	3,728,000
INVESTMENTS (NOTE 4 and 5)	1,155,734	-
LEASEHOLD IMPROVEMENTS, EQUIPMENT, VEHICLES AND FURNISHINGS (Note 6)	89,785	105,908
Total Assets	\$ 6,406,035	\$ 3,833,908
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,491	\$ 24,058
Accrued Payroll	330,579	255,282
Current Portion of Loan Payable (Note 10)	-	691,801
Total Current Liabilities	365,070	971,141
COMMITMENTS AND CONTINGENCIES (Note 9 and 13)		
NET ASSETS:		
Without Donor Restrictions - General	736,808	1,181,962
Without Donor Restrictions - Board Designated (Note 12)	4,982,814	752,007
Invested in Equipment, Vehicles and Furnishings	89,785	105,908
Total Net Assets without Donor Restrictions	5,809,407	2,039,877
With Donor Restrictions (Note 11)	231,558	822,890
Total Net Assets	6,040,965	2,862,767
Total Liabilities and Net Assets	\$ 6,406,035	\$ 3,833,908

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, 2022

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions and Support	\$ 3,287,250	\$ 395,388	\$ 3,682,638
School District Contracts	3,065,751	-	3,065,751
Government Grants	282,242	-	282,242
United Way Agreements	1,213,539	-	1,213,539
Special Events	46,075	-	46,075
Less: Cost of Direct Benefits to Donor	(5,029)	-	(5,029)
Net Special Event Revenue	41,046	-	41,046
In-Kind Contributions			
In-Kind Advertising	20,000	-	20,000
In-Kind Professional Fees	1,000	-	1,000
In-Kind Supplies and Training	21,644	-	21,644
PPP Loan Forgiveness	552,509	-	552,509
Miscellaneous Income	42	-	42
Interest Income	1,394	-	1,394
Total Operating Support and Revenue Before Releases	8,486,417	395,388	8,881,805
Net Assets Released from Restrictions - For Operations	986,720	(986,720)	-
Total Operating Support and Revenue	9,473,137	(591,332)	8,881,805
OPERATING EXPENSES			
Program Services	4,547,138	-	4,547,138
Management and General	573,518	-	573,518
Fund Raising	438,724	-	438,724
Total Operating Expenses	5,559,380	-	5,559,380
Increase (Decrease) in Net Assets from Operations	3,913,757	(591,332)	3,322,425
NON-OPERATING REVENUE			
Investment Income	6,743	-	6,743
Net Realized and Unrealized Loss on Investments	(150,970)	-	(150,970)
Total Non-Operating Revenue	(144,227)	-	(144,227)
Increase (Decrease) in Net Assets	3,769,530	(591,332)	3,178,198
Net Assets, Beginning of Year	2,039,877	822,890	2,862,767
Net Assets, End of Year	<u>\$ 5,809,407</u>	<u>\$ 231,558</u>	<u>\$ 6,040,965</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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions and Support	\$ 374,368	\$ 388,840	\$ 763,208
School District Contracts	2,761,105	-	2,761,105
Government Grants	538,074	-	538,074
United Way Agreements	995,819	-	995,819
In-Kind Contributions			
In-Kind Professional Fees	150	-	150
In-Kind Supplies and Training	5,187	-	5,187
Miscellaneous Income	970	-	970
Interest Income	935	-	935
Total Operating Support and Revenue Before Releases	4,676,608	388,840	5,065,448
Net Assets Released from Restrictions - For Operations	458,049	(458,049)	-
Total Operating Support and Revenue	5,134,657	(69,209)	5,065,448
OPERATING EXPENSES			
Program Services	3,810,654	-	3,810,654
Management and General	407,523	-	407,523
Fund Raising	357,358	-	357,358
Total Operating 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services			Total	
	ISS	Community Schools	Other	Total Program	Management and General	Fund Raising	June 30, 2022	Sumarized June 30, 2021	
Salaries and Benefits	\$ 2,779,139	\$ 1,230,562	\$ 118,925	\$ 4,128,626	\$ 450,997	\$ 333,359	\$ 4,912,982	\$ 3,997,823	
Awards and Scholarships	1,010	447	43	1,500	-	-	1,500	1,500	
Classroom and Administrative Facilities	70,895	93,699	230	164,824	-	-	164,824	235,677	
In-Kind Supplies and Services	14,501	6,493	650	21,644	-	21,000	42,644	5,337	
Conferences and Training	2,043	904	87	3,034	2,598	275	5,907	1,656	
Computer Support	8,343	3,694	357	12,394	1,056	909	14,359	16,745	
Printing and Reproduction	5,884	2,586	228	8,698	1,008	14,424	24,130	20,114	
Depreciation	-	-	-	-	16,123	-	16,123	26,469	
Dues and Subscriptions	650	288	28	966	1,635	6,328	8,929	9,742	
Interest and Bank Fees	-	-	-	-	2,409	565	2,974	1,022	
Insurance	22,902	10,141	980	34,023	4,003	2,000	40,026	35,743	
Other	14,948	6,605	838	22,391	3,136	1,622	27,149	30,344	
Payroll Processing	-	-	-	-	26,526	-	26,526	21,619	
Professional Fees	18,250	8,081	781	27,112	48,558	242	75,912	54,567	
Public Relations	1,672	740	72	2,484	-	43,769	46,253	15,924	
Rent	35,340	15,648	1,512	52,500	6,000	4,500	63,000	63,000	
Utilities	2,129	943	91	3,163	372	185	3,720	3,155	
Maintenance and Repairs	5,202	2,303	223	7,728	909	455	9,092	6,799	
Supplies	405	389	15	809	5,821	266	6,896	7,278	
Special Event Costs	-	-	-	-	-	12,006	12,006	4,998	
Telephone and Communications	6,319	2,798	1,603	10,720	1,178	1,468	13,366	12,979	
Travel	31,513	12,638	371	44,522	1,189	380	46,091	3,044	
Total Expenses by Function	\$ 3,021,145	\$ 1,398,959	\$ 127,034	\$ 4,547,138	\$ 573,518	\$ 443,753	\$ 5,564,409	\$ 4,575,535	
Less Expenses Included With Revenue on the Statements of Activities:									
Cost of Direct Benefits to Donors	-	-	-	-	-	(5,029)	(5,029)	-	
	\$ 3,021,145	\$ 1,398,959	\$ 127,034	\$ 4,547,138	\$ 573,518	\$ 438,724	\$ 5,559,380	\$ 4,575,535	

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, 2022 AND 2021

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended</u> <u>June 30, 2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 3,178,198	\$ 489,913
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Prepaid Expenses	236	(8,290)
Decrease (Increase) in Accounts Receivable	87,777	(4,283)
Decrease (Increase) in Pledge Receivable	477,935	44,335
Increase in Accounts Payable	10,433	13,479
Increase (Decrease) in Accrued Payroll	75,297	(107,520)
Extinguishment of Debt - PPP Loan Forgiveness	(552,509)	-
Depreciation Expense	16,123	26,469
Realized and Unrealized Loss on Investments	<u>150,957</u>	<u>-</u>
Net Cash Provided by Operating Activities:	<u>3,444,447</u>	<u>454,103</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of Investments	<u>(1,306,691)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(1,306,691)</u>	<u>-</u>
<u>Cash Flows From Financing Activities:</u>		
Payments of Loans Payable	<u>(139,292)</u>	<u>(5,393)</u>
Net Cash Used by Financing Activities	<u>(139,292)</u>	<u>(5,393)</u>
Net Increase in Cash and Cash Equivalents	1,998,464	448,710
Cash and Cash Equivalents, Beginning of Year	<u>2,896,114</u>	<u>2,447,404</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,894,578</u>	<u>\$ 2,896,114</u>
<u>Supplemental Information:</u>		
Interest Paid	<u>\$ 1,993</u>	<u>\$ 119</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, 2022 and 2021

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. 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 13 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, 2022 and 2021

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, 2022 and 2021

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 13 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, 2022 and 2021

1. Nature of Activities (Continued)

Services (Continued)

Outcomes

CIS reported the following metrics on 1,542 students receiving case-management through Integrated Student Supports in the 2021-2022 school year.

- 88% graduation rate
- 90% promotion rate
- 60% made progress toward attendance goals
- 58% made progress toward behavior goals
- 75% made progress toward academic goals
- 78% made progress toward social emotional learning goals

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.

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.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

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, unless held within the investment account for investment purposes.

CIS's cash balances are deposited in two banks guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times through the year exceeded the federally insured limit. CIS had cash balances totaling \$4,411,995 and \$1,666,924 in excess of federally insured limits at June 30, 2022 and 2021, respectively.

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, 2022 and 2021 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Leasehold Improvements, 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>
Leasehold 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.

Contributed supplies were used in ISS, Community Schools and Other School programs. CIS values contributed supplies based on the estimated fair value to purchase similar products in the United States.

Contributed advertising and professional fees comprises professional services from multimedia companies as well as the donation of advertising space for fundraising activities. Contributed advertising services are valued at the estimated fair value in the financial statements based on current rates for similar advertising services.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Donated Services and Assets (Continued)

In-Kind contributions are as follows:

	2022	2021
Advertising	\$ 20,000	\$ -
Professional Fees	1,000	150
Supplies and Training	21,644	5,187
	\$ 42,644	\$ 5,337

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 2022 and 2021.

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2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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 2019.

Operating Measure

CIS includes all changes in net assets in its "operating income" on the Statement of Activities except:

Net Realized and Unrealized Gains/(Losses) on Investments
Investment Income

Adoption of New Accounting Standards

In September, 2020, the FASB issued Accounting Standards Update No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, effective for annual periods beginning after June 15, 2021. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the readers of the financial statements with a clearer understanding of the type of nonfinancial assets received, how they are used, if there are donor restrictions, and the valuation methods and principal markets used to determine the fair market value of the nonfinancial assets. CIS adopted ASU No. 2020-07 for the year ended June 30, 2022.

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:

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 4,894,578	\$ 2,896,114
Investments	1,155,734	-
Accounts receivable	171,362	259,139
Pledges receivable	45,500	523,435
Financial Assets, at year end	6,267,174	3,678,688
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(231,558)	(822,890)
Board designations	(4,982,814)	(752,007)
Financial Assets available to meet cash needs for general expenditures, within one year	\$ 1,052,802	\$ 2,103,791

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3. Liquidity and Availability (Continued)

As part of CIS's liquidity management plan, excess cash is invested in a Charles Schwab Investment Account.

The Board Designated Reserve fund of \$4,982,814 (Note 12) 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. Investments

During the year ended June 30, 2022, CIS opened two investment accounts. Funds were transferred into these accounts halfway through the fiscal year.

Investments consist of the following, at fair value:

	2022	2021
Cash and Cash Equivalents	\$ 234,051	\$ -
Mutual Funds	736,711	-
Exchange Traded Funds	184,972	-
Total Investments	\$ 1,155,734	\$ -

A summary of earnings on investments for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Interest and Dividends	\$ 11,743	\$ -
Unrealized Losses	(66,515)	-
Realized Losses	(84,455)	-
Investment Fees	(5,000)	-
	\$ (144,227)	\$ -

In addition to earnings from investments, CIS earned interest income from various cash accounts in the amount of \$1,394 and \$935 for the years ended June 30, 2022 and 2021, respectively.

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5. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CIS has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Exchange traded funds (ETF): Valued at the closing price reported on the active market on which the individual funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CIS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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5. Fair Value Measurements (Continued)

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

Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 234,051	\$ -	\$ -	\$ 234,051
Mutual Funds	736,711	-	-	736,711
Exchange Traded Funds	184,972	-	-	184,972
Total Assets at Fair Value	\$ 1,155,734	\$ -	\$ -	\$ 1,155,734

6. Leasehold Improvements, Equipment, Vehicles and Furnishings

Leasehold Improvements, Equipment, Vehicles and Furnishings consist of the following:

	2022	2021
Computer Equipment	\$ 93,761	\$ 93,761
Furniture and Equipment	40,324	40,324
Building Improvements	151,978	151,978
Vehicles	81,505	81,505
	367,568	367,568
Accumulated Depreciation	(277,783)	(261,660)
	\$ 89,785	\$ 105,908

Depreciation and amortization charged to expense was \$16,123 and \$26,469 for 2022 and 2021, respectively.

7. Pledges Receivable

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

	2022	2021
Less than one year	\$ 45,500	\$ 43,245
One to five years	-	487,255
Over five years	-	-
Total	45,500	530,500
Less: Unamortized Discount (1.45%)	-	(7,065)
Less: Allowance for Uncollectible Pledges (0%)	-	-
	\$ 45,500	\$ 523,435

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8. Line of Credit

CIS has a \$450,000 unsecured line of credit with an interest rate of 5.75% at June 30, 2022. There was no outstanding balance at June 30, 2022 and 2021. The line was not utilized during the fiscal years ended June 30, 2022 and 2021. There was no interest expense incurred during the periods presented.

9. Lease Commitments

CIS leases a copier under an operating lease agreement. The 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.

Future minimum lease payments for years subsequent to June 30, 2022 are as follows:

Year Ending June 30,			
	2023	\$	66,144
	2024		6,024

Rent expense, including amounts paid for utilities, taxes, and common area maintenance fees and expenses, was \$63,000 and \$63,000 for 2022 and 2021, respectively.

10. Paycheck Protection Program Loan

On April 27, 2020, CIS received \$691,801 under the Paycheck Protection Program. An 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. At June 30, 2021, Management had determined that CIS would not meet the eligibility criteria for full forgiveness of the loan, and therefore chose the debt method. Under this method, CIS recorded a debt liability on the Statement of Financial Position and subsequently recognized revenue from the extinguishment of the debt once forgiveness had been determined by the Small Business Administration.

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10. Paycheck Protection Program Loan (Continued)

On September 15, 2021, CIS was notified that the PPP Loan was forgiven in the amount of \$552,509 and payments on the remaining balance of \$139,292 would begin October 2021 and go through April 2022. CIS chose to pay off the loan balance and \$1,993 of interest expense in September 2021.

11. Net Assets with Donor Restrictions

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

	2022	2021
Art of Relaxation	\$ 7,680	\$ 7,680
Central ES - Uniforms	-	1,224
Challenge Schools	-	20,000
Cheston - Recess Equipment and Families	277	277
Cheston - Food Pantry	1,100	1,100
CIS Intranet	2,961	2,961
CIS on the Go	1,445	508
College Bound	15,223	15,223
GED testing	1,174	1,174
ISS Services	-	39,933
ISS Services - Kutztown Strong	-	30,000
Leadership in Restorative Practices	104,647	614,647
Mosser Elementary School	-	15,053
Project Mustard Seed	200	200
Re-engagement	46,757	46,757
Roosevelt ES - Summer Learning	578	578
Scholarships - Fuller	6,235	6,235
Scholarships - Other	11,250	9,250
Scholarships - Chandler-Barnes	25,000	-
Student Lunch Accounts	235	235
Summer Programs - FS	5,730	8,789
Washing Machine and Related Supplies	1,066	1,066
	\$ 231,558	\$ 822,890

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11. Net Assets with Donor Restrictions (Continued)

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

	2022	2021
Allentown School District Programs	\$ 150,000	\$ -
Central ES - Family Activities	-	10,255
Central ES - Chrome Books	-	2,600
Central ES - Uniforms	1,224	-
Challenge Schools	20,000	-
CIS Intranet	-	5,789
CIS on the Go	4,326	6,144
Cleveland ES	-	150
Community Schools	68,500	50,000
Harrison Morton Elementary School	-	50,000
ISS Services	59,933	64,284
ISS Services - Easton SD	61,000	11,000
ISS Services - Kutztown/Brandywine/Fleetwood SD's	37,500	-
Lehigh County Programs and Services	-	50,400
Lincoln Elementry	-	1,162
Leadership in Restorative Practices	510,000	65,353
Mosser Elementary School	65,053	67,713
Program Support	-	50,000
Roosevelt ES - Summer Learning	-	422
Scholarships - Fuller	-	1,500
Student Lunch Accounts	-	765
Summer Programs - FS	9,184	2,151
Vehicles - Van	-	6,639
Winter Clothing	-	508
Washing Machine and Related Supplies	-	10,214
Yoga and Karate programs	-	1,000
	\$ 986,720	\$ 458,049

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12. Net Assets Without Donor Restriction

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

	2022	2021
Operating Reserve	\$ 4,051,032	750,957
Long Term Investments	930,732	-
Scholarships - Fuller	1,050	1,050
	\$ 4,982,814	\$ 752,007

13. 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.

14. Concentrations

The Community Schools program is funded through one source which represents 13% and 19% of total revenue excluding in-kind donations for the years ended June 30, 2022 and 2021, respectively. If that source of revenue is lost, the program would almost entirely be eliminated.

15. Retirement Plans

Effective January 1, 2018, CIS 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 CIS 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 who have a year of service and are eligible for the plan 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 \$96,306 and \$62,333 for the years ended June 30, 2022 and 2021, respectively.

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16. Subsequent Events

CIS management has evaluated events subsequent to June 30, 2022 that affect CIS through October 11, 2022, the date the financial statements were available to be issued.

