

# **COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.**

**June 30, 2024**

**Financial Statements  
and Independent Auditors' Report**



# COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

June 30, 2024 and 2023

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Communities in Schools  
of Eastern Pennsylvania, Inc.

### Opinion

We have audited the accompanying financial statements of Communities in Schools of Eastern Pennsylvania, Inc. ("CISEPA") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Communities in Schools as of June 30, 2024 and 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities in Schools 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 opinions.

### 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 Community in Schools' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## Auditors' 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 auditors' 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 and *Government 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 and *Government 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 CISEPA'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' 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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025 on our consideration of CISEPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CISEPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CISEPA's internal control over financial reporting and compliance.

*GBB & Company, LLP*

Allentown, Pennsylvania  
March 28, 2025

**Communities in Schools of Eastern Pennsylvania, Inc.**  
**(A Not-for-Profit Corporation)**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,148,976	\$ 2,308,010
Certificates of Deposit	303,996	-
Accounts Receivable	558,791	351,062
Grants and Contributions Receivable	154,951	158,559
Pledges Receivable, Net (Note 7)	445,670	665,847
Prepaid Expenses	38,463	27,216
<b>Total Current Assets</b>	<b>3,650,847</b>	<b>3,510,694</b>
<b>INVESTMENTS (NOTES 4 and 5)</b>	<b>3,652,467</b>	<b>3,311,022</b>
<b>LEASEHOLD IMPROVEMENTS, EQUIPMENT,     VEHICLES AND FURNISHINGS (NOTE 6)</b>	<b>67,655</b>	<b>76,247</b>
<b>OPERATING LEASE RIGHT OF USE ASSET (NOTE 9 )</b>	<b>263,674</b>	<b>326,194</b>
<b>Total Assets</b>	<b><u>\$ 7,634,643</u></b>	<b><u>\$ 7,224,157</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 68,335	\$ 23,624
Accrued Payroll	266,257	264,111
Deferred Revenue	54,765	96,567
Current Portion of Operating Lease Liability (Note 9)	63,780	62,441
<b>Total Current Liabilities</b>	<b>453,137</b>	<b>446,743</b>
<b>LONG-TERM OPERATING LEASE LIABILITY (NOTE 9 )</b>	<b>219,869</b>	<b>283,649</b>
<b>Total Liabilities</b>	<b>673,006</b>	<b>730,392</b>
<b>NET ASSETS:</b>		
Without Donor Restrictions - General	674,644	548,403
Without Donor Restrictions - Board Designated (Note 12)	5,026,343	5,081,993
Invested in Equipment, Vehicles and Furnishings	67,655	76,247
<b>Total Net Assets without Donor Restrictions</b>	<b>5,768,642</b>	<b>5,706,643</b>
<b>With Donor Restrictions (Note 11)</b>	<b>1,192,995</b>	<b>787,122</b>
<b>Total Net Assets</b>	<b>6,961,637</b>	<b>6,493,765</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,634,643</u></b>	<b><u>\$ 7,224,157</u></b>

See independent auditors' report and accompanying footnotes

**Communities in Schools of Eastern Pennsylvania, Inc.**  
**(A Not-for-Profit Corporation)**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2024**

	Year Ended June 30, 2024		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING SUPPORT AND REVENUE</b>			
Contributions and Support	\$ 527,873	\$ 344,680	\$ 872,553
School District Contracts	2,848,891	-	2,848,891
Government Grants	946,113	525,000	1,471,113
Affiliate Grants	248,900	180,000	428,900
United Way Agreements	735,419	-	735,419
Special Events			
Special Events Revenue	107,519	-	107,519
Special Events In-Kind Contributions	27,500	-	27,500
Direct Benefit Costs to Donors	(49,091)	-	(49,091)
In-Kind Contributions	15,110	-	15,110
Miscellaneous Income	1,335	-	1,335
Interest Income	81,492	-	81,492
 Total Operating Support and Revenue Before Releases	 5,491,061	 1,049,680	 6,540,741
Net Assets Released from Restrictions - For Operations	643,807	(643,807)	-
 Total Operating Support and Revenue	 6,134,868	 405,873	 6,540,741
 <b>OPERATING EXPENSES</b>			
Program Services	5,331,122	-	5,331,122
Management and General	542,613	-	542,613
Fund Raising	540,579	-	540,579
 Total Operating Expenses	 6,414,314	 -	 6,414,314
(Decrease) Increase in Net Assets from Operations	(279,446)	405,873	126,427
 <b>NON-OPERATING REVENUE</b>			
Investment Income	55,750	-	55,750
Net Realized and Unrealized Gain on Investments	285,695	-	285,695
 Total Non-Operating Revenue	 341,445	 -	 341,445
 Increase in Net Assets	 61,999	 405,873	 467,872
Net Assets, Beginning of Year	5,706,643	787,122	6,493,765
Cumulative Effect Adjustment (Note 2)	-	-	-
Net Assets, End of Year	\$ 5,768,642	\$ 1,192,995	\$ 6,961,637

**Communities in Schools of Eastern Pennsylvania, Inc.**  
**(A Not-for-Profit Corporation)**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2023**

	Year Ended June 30, 2023		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING SUPPORT AND REVENUE</b>			
Contributions and Support	\$ 886,812	\$ 1,050,851	\$ 1,937,663
School District Contracts	3,046,878	-	3,046,878
Government Grants	350,730	-	350,730
United Way Agreements	919,937	-	919,937
Special Events	4,957	-	4,957
In-Kind Contributions			
In-Kind Supplies and Training	17,833	-	17,833
Miscellaneous Income	1,596	-	1,596
Interest Income	32,775	-	32,775
<b>Total Operating Support and Revenue Before Releases</b>	<b>5,261,518</b>	<b>1,050,851</b>	<b>6,312,369</b>
Net Assets Released from Restrictions - For Operations	495,287	(495,287)	-
<b>Total Operating Support and Revenue</b>	<b>5,756,805</b>	<b>555,564</b>	<b>6,312,369</b>
<b>OPERATING EXPENSES</b>			
Program Services	5,126,466	-	5,126,466
Management and General	428,613	-	428,613
Fund Raising	448,028	-	448,028
<b>Total Operating Expenses</b>	<b>6,003,107</b>	<b>-</b>	<b>6,003,107</b>
(Decrease) Increase in Net Assets from Operations	(246,302)	555,564	309,262
<b>NON-OPERATING REVENUE</b>			
Investment Income	25,192	-	25,192
Net Realized and Unrealized Gain on Investments	130,096	-	130,096
<b>Total Non-Operating Revenue</b>	<b>155,288</b>	<b>-</b>	<b>155,288</b>
(Decrease) Increase in Net Assets	(91,014)	555,564	464,550
Net Assets, Beginning of Year	5,809,407	231,558	6,040,965
Cumulative Effect Adjustment (Note 2)	(11,750)	-	(11,750)
Net Assets, End of Year	<u>\$ 5,706,643</u>	<u>\$ 787,122</u>	<u>\$ 6,493,765</u>



**Communities in Schools of Eastern Pennsylvania, Inc.**  
**(A Not-for-Profit Corporation)**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2024**

	Program Services				Supporting Services		Total	
	ISS	Community Schools	Other	Total Program	Management and General	Fund Raising	June 30, 2024	Sumarized June 30, 2023
Salaries	\$ 2,442,712	\$ 1,178,838	\$ 320,983	\$ 3,942,533	\$ 380,908	\$ 358,949	\$ 4,682,390	\$ 4,548,085
Payroll Taxes	191,012	94,202	25,274	310,488	27,652	27,338	365,478	366,836
Benefits	230,801	121,500	18,594	370,895	42,869	28,375	442,139	446,004
<b>Total Wages, Taxes, and Benefits</b>	<b>2,864,525</b>	<b>1,394,540</b>	<b>364,851</b>	<b>4,623,916</b>	<b>451,429</b>	<b>414,662</b>	<b>5,490,007</b>	<b>5,360,925</b>
Awards and Scholarships	-	-	-	-	-	-	-	8,559
Bank and Processing Fees	-	-	-	-	506	70	576	1,241
Conferences and Training	12,599	7,868	3,791	24,258	6,671	4,078	35,007	25,390
Depreciation	8,401	4,054	1,104	13,559	1,595	798	15,952	16,221
Dues and Subscriptions	1,113	622	146	1,881	12,126	5,576	19,583	10,787
IT Equipment and Services	11,495	5,547	1,511	18,553	2,372	1,093	22,018	16,674
Insurance	25,519	12,699	3,437	41,655	5,049	2,449	49,153	42,148
Maintenance and Repairs	6,575	3,173	864	10,612	1,454	604	12,670	15,116
Office Supplies	2,140	4,283	192	6,615	5,912	868	13,395	6,854
Operating Lease Expense	44,266	21,362	5,817	71,445	19,372	4,449	95,266	88,486
Other	37	18	5	60	761	276	1,097	1,340
Payroll and Benefit Fees	22,480	10,849	2,954	36,283	7,110	2,134	45,527	39,393
Professional Fees	9,211	4,445	1,210	14,866	14,199	19,579	48,644	43,121
Public Relations	-	-	-	-	2,053	47,140	49,193	37,850
Printing and Reproduction	682	720	90	1,492	3,648	10,165	15,305	22,791
Student Support	50,485	182,675	183,737	416,897	-	-	416,897	204,029
Utilities	1,658	800	218	2,676	315	157	3,148	3,128
Special Event Costs	-	-	-	-	-	72,691	72,691	12,284
Telephone and Communications	1,581	763	208	2,552	2,768	478	5,798	13,916
Travel and Transportation	12,591	13,654	17,557	43,802	5,273	2,403	51,478	32,854
<b>Total Expenses by Function</b>	<b>\$ 3,075,358</b>	<b>\$ 1,668,072</b>	<b>\$ 587,692</b>	<b>\$ 5,331,122</b>	<b>\$ 542,613</b>	<b>\$ 589,670</b>	<b>\$ 6,463,405</b>	<b>\$ 6,003,107</b>
Less expenses Included with Revenue on the Statement of Activities:								
Cost of Direct Benefits to Donors	-	-	-	-	-	(49,091)	(49,091)	-
<b>Total Expenses Reported on the Statement of Activities</b>	<b>\$ 3,075,358</b>	<b>\$ 1,668,072</b>	<b>\$ 587,692</b>	<b>\$ 5,331,122</b>	<b>\$ 542,613</b>	<b>\$ 540,579</b>	<b>\$ 6,414,314</b>	<b>\$ 6,003,107</b>

See independent auditors' report and accompanying footnotes

**Communities in Schools of Eastern Pennsylvania, Inc.**  
**(A Not-for-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	Year Ended June 30, 2024	Year Ended June 30, 2023
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 467,872	\$ 464,550
Adjustments to Reconcile Change in Net Assets to		
Realized and Unrealized (Gains) on Investments	(285,695)	(130,096)
Depreciation Expense	15,952	16,221
Net Cash Provided by Operating Activities:		
(Increase) Decrease in Prepaid Expenses	(11,247)	21,860
(Increase) in Accounts Receivable	(207,729)	(267,828)
Decrease (Increase) in Grants & Contributions Receivable	3,608	(70,431)
Decrease (Increase) in Pledge Receivable, Net	220,177	(620,347)
Decrease in Operating Lease Right of Use Asset	62,520	31,155
Increase (Decrease) in Accounts Payable	44,711	(10,867)
Increase (Decrease) in Accrued Payroll	2,146	(66,468)
(Decrease) Increase in Deferred Revenue	(41,802)	96,567
(Decrease) in Operating Lease Liability	(62,441)	(23,009)
Net Cash Provided by (Used) in Operating Activities:	<u>208,072</u>	<u>(558,693)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of Investments	(3,447,275)	(4,333,803)
Proceeds from Sale of Investments	3,391,525	2,308,611
Purchases of Certificates of Deposit	(303,996)	-
Purchase of Equipment	(7,360)	(2,683)
Net Cash (Used) in Investing Activities	<u>(367,106)</u>	<u>(2,027,875)</u>
Net (Decrease) in Cash and Cash Equivalents	(159,034)	(2,586,568)
Cash and Cash Equivalents, Beginning of Year	<u>2,308,010</u>	<u>4,894,578</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,148,976</u></u>	<u><u>\$ 2,308,010</u></u>
<u>Supplemental Information:</u>		
Non-cash activities during the years for:		
Addition to Operating Lease Right of Use Asset	<u>\$ -</u>	<u>\$ 28,742</u>
Addition to Operating Lease Liability	<u>\$ -</u>	<u>\$ 34,068</u>

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.**

**(a Not-for-Profit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

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**NOTE 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 2 million students in 32 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 the “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 support 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 three 21st Century Community Learning Centers.

With team members in 52 schools in the school districts of Allentown Antietam, Avon Grove, Bethlehem Area, East Penn, Easton Area, Fleetwood Area, Octorara Area, Pocono Mountain Area, Reading, Whitehall-Coplay, Wilson (Berks), and Wilson Area (Northampton), CIS connects students to caring adults and community resources designed to help them succeed. We do whatever it takes to ensure that all students - 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, 2024 and 2023

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**NOTE 1      Nature of Activities (continued)**

Services

**Integrated Student Supports:**

Integrated Student Supports (ISS) is 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 support 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, targets 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 support to optimize results.
5. Evaluation: Site Coordinator continues assessment of partners and student supports to demonstrate results and improve practice.

**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

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.**

**(a Not-for-Profit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

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**NOTE 1      Nature of Activities (continued)**

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 three schools that serve as 21<sup>st</sup> 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.

**Outcomes:**

CIS reported the following metrics on 1,977 students receiving case-management through Integrated Student Supports in the 2023-2024 school year:

- 92% graduation rate
- 96% promotion rate
- 82% made progress in social emotional goals
- 79% made progress toward academic goals
- 78% made progress toward behavior goals
- 63% made progress toward attendance goals

**NOTE 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 with the passage of time, or other events specified by the donor.

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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**NOTE 2      Summary of Significant Accounting Policies (continued)**

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those 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.

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. 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.

Governmental grant revenue is recognized as a contribution in the period that CIS meets the conditions for revenue recognition, namely when it incurs reimbursable program expenditures. Amounts received prior to incurring qualified reimbursable program expenditures are reported as deferred revenue in the Statements of Financial Position.

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 contract agreements is recognized as it is earned through performance of service in accordance with the agreement. Contract revenue received in advance of the service being performed is deferred until completion of the service as described in the contract.

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**NOTE 2      Summary of Significant Accounting Policies (continued)**

Revenue from special fundraising events is recognized when the event occurs, and all significant event-related obligations have been fulfilled. Amounts received in advance of the event are reported as deferred revenue on the Statement of Financial Position.

*In-Kind Contributions*

Contributed nonfinancial assets include donated professional services, donated supplies, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. CIS does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by the generally accepted accounting principles.

*Cash and Cash Equivalents*

CIS considers cash held in checking accounts, savings accounts, money market 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.

*Certificates of Deposit*

CIS investments in certificates of deposit, with original maturities greater than ninety days, which are valued at cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments—Debt and Equity Securities*, thus fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, for the certificates of deposit are not provided.

*Concentrations of Credit Risk*

CIS' 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 \$1,164,623 and \$795,228 in excess of federally insured limits at June 30, 2024 and 2023, respectively.

CIS has investments in mutual funds, government obligations, and exchange traded funds. Investments are made and monitored by the management of CIS pursuant to an investment policy adopted by the Board. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of CIS.

*Accounts Receivable*

Accounts receivable is primarily comprised of receivables for contracted services with various school districts, reported at net realizable value. Allowances for doubtful accounts reflect the expected future credit losses over the life of the financial asset. The allowance

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**NOTE 2      Summary of Significant Accounting Policies (continued)**

for doubtful accounts is established based on prior and forecasted collection experience, as well as current and future economic factors that, in management's judgement, could influence the ability of account receivable debtors to repay the amounts per their contract. Management believes all amounts are fully collectible and accordingly has not recorded an allowance for the years ended June 30, 2024 and 2023. CIS recorded \$0 in credit loss expense for the years ended June 30, 2024 and 2023.

Grants and Contributions Receivable

Grants and contributions receivable represent uncollected federal and state government grants and other grants and contributions. Grants and contributions receivable are expected to be collected in less than one year and are reported at net realizable value. Management estimates an allowance for uncollectable grants and contributions receivable based on current economic conditions, historical trends and past experience with their grantors and donors. The balance of grants and contributions receivable at June 30, 2024 and 2023, was deemed by management to be fully collectible. As such, CIS has not recorded an allowance for grants and contributions receivable as of June 30, 2024 and 2023.

Pledges Receivable

Pledges receivable consist of unconditional pledges received from individuals and foundations and are recognized as contributions when the promise is received. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using CIS's short term borrowing rate at the time of calculation. Discount rates used for the years ended June 30 2024 and 2023, were 9.75% and 9.5%, respectively. Amortization of the discount is included in contribution income on the Statement of Activities. Management estimates an allowance for uncollectible pledges receivable based on current economic conditions, historical trends, and current and past experience with their donor base. At June 30, 2024 and 2023, management determined that no allowance was necessary.

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



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**NOTE 2      Summary of Significant Accounting Policies (continued)**

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 in 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

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 2024 and 2023.

CIS files its 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2021.

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**NOTE 2      Summary of Significant Accounting Policies (continued)**

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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. This update replaced the incurred impairment loss methodology with a methodology that reflects the expected credit losses using a wide range of reasonable and supportable information to inform credit loss estimates. The amendment affects trade receivables. CIS adopted the new standard effective July 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on the financial statements.

Reclassification

Certain prior period amounts have been reclassified to conform to current year presentation.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2023, from which the summarized information was derived.

**NOTE 3      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>2024</u>	<u>2023</u>
Financial Assets		
Cash and Cash equivalents	\$ 2,148,976	\$ 2,308,010
Certificate of Deposit	303,996	-
Investments	3,652,467	3,311,022
Accounts Receivable	713,742	509,621
Pledges Receivable	<u>445,670</u>	<u>665,847</u>
Financial Assets, at year end	7,264,851	6,794,500
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(1,192,995)	(787,122)

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.****(a Not-for-Profit Corporation)****NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023**

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**NOTE 3      Liquidity and Availability (continued)**

Board designations	<u>(5,026,343)</u>	<u>(5,081,993)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 1,045,513</u>	<u>\$ 925,385</u>

As part of CIS's liquidity management plan, cash in excess of daily requirements is invested in money market accounts.

The Board Designated Reserve Fund of \$5,026,343 (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.

**NOTE 4      Investments**

Investments at fair value consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 418,979	\$ 21,538
U.S. Government Obligations	593,011	1,426,580
Mutual Funds	2,097,159	1,265,396
Exchange Traded Funds	<u>543,318</u>	<u>597,508</u>
Total Investments	<u>\$ 3,652,467</u>	<u>\$ 3,311,022</u>

A summary of earnings on investments for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Interest and Dividends	\$ 72,471	\$ 35,539
Unrealized Gains (Losses)	210,830	158,312
Realized (Losses)	78,865	(28,216)
Investment fees	<u>(16,721)</u>	<u>(10,347)</u>
	<u>\$ 341,445</u>	<u>\$ 155,288</u>

In addition to earnings from investments, CIS earned interest income from various cash accounts in the amount of \$81,492 and \$32,775 for the years ended June 30, 2024 and 2023, respectively.

**NOTE 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) and the lowest priority to unobservable inputs (Level 3 measurements).

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NOTES TO FINANCIAL STATEMENTS

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**NOTE 5 Fair Value Measurements (continued)**

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 observed 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, 2024.

*U.S. Government Obligations:* Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

*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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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, CIS's investment assets at fair value as of June 30, 2024 and 2023, respectively:

<b>Assets at Fair Value as of June 30, 2024</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 418,979	\$ -	\$ -	\$ 418,979
U.S. Government Obligations	593,011	-	-	593,011
Mutual Funds	2,097,159	-	-	2,097,159
Exchange Traded Funds	<u>543,318</u>	<u>-</u>	<u>-</u>	<u>543,318</u>
Total Assets at Fair Value	<u>\$3,652,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,652,467</u>

<b>Assets at Fair Value as of June 30, 2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 21,538	\$ -	\$ -	\$ 21,538
U.S. Government Obligations	1,426,580	-	-	1,426,580
Mutual Funds	1,265,396	-	-	1,265,396
Exchange Traded Funds	<u>597,508</u>	<u>-</u>	<u>-</u>	<u>597,508</u>
Total Assets at Fair Value	<u>\$3,311,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,311,022</u>

**NOTE 6 Leasehold Improvements, Equipment, Vehicles and Furnishings**

Leasehold improvements, equipment, vehicles, and furnishings consist of the following:

	<b>2024</b>	<b>2023</b>
Computer equipment	\$ 11,906	\$ 11,906
Furniture and equipment	28,005	28,005
Building improvements	159,338	151,978
Vehicles	<u>81,805</u>	<u>81,805</u>
	281,054	273,694
Accumulated Depreciation	<u>(213,399)</u>	<u>(197,447)</u>
	<u>\$ 67,655</u>	<u>\$ 76,247</u>

Depreciation and amortization charged to expense was \$15,952 and \$16,221 for 2024 and 2023, respectively.

**NOTE 7 Pledges Receivable**

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

	<b>2024</b>	<b>2023</b>
Less than one year	\$ 387,416	\$ 392,667
One to five years	70,167	333,333
Over five years	<u>-</u>	<u>-</u>
Total	<u>457,583</u>	<u>726,000</u>

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

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**NOTE 7      Pledges Receivable (continued)**

Less: Unamortized Discount (9.5%)	(11,913)	(60,153)
Less: Allowance for Uncollectible Pledges (0%)	<u>-</u>	<u>-</u>
	<u>\$ 445,670</u>	<u>\$ 665,847</u>

**NOTE 8      Line of Credit**

CIS has a \$450,000 line of credit with an interest rate of 9.75% at June 30, 2024. There was no outstanding balance at June 30, 2024 and 2023. The line was not utilized during the fiscal years ended June 30, 2024 and 2023. There was no interest expense incurred during the periods presented.

**NOTE 9      Lease Commitments**

CIS leases office space located at 739 North 12<sup>th</sup> Street, Allentown, PA and copiers under long-term non-cancelable operating lease agreements. The leases expire at varying dates through 2028 and provide for renewal options ranging from month-to-month to five years. CIS includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. CIS has not included the option for the five-year renewal available at the end of the lease for office space. The operating lease for office space provides for increases in future minimum annual rental payments and requires CIS to pay real estate taxes and repairs.

In addition, CIS has a short-term month-to-month lease for office space at 2 Woodland Drive, Wyomissing, PA. The lease may be terminated with 30 days' notice of either party. CIS does not recognize an asset or liability for any short-term leases with a term of 12 months or less and as such, none has been recorded for this lease. Lease payments are recognized on the straight-line basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. When the implicit rate is not readily determinable, CIS uses the risk-free rate for a period comparable to the lease terms. The risk-free rate has been applied to the lease for office space and the copier leases.

Total lease costs for the years ended June 30, 2024 and 2023 were:

	<u>2024</u>	<u>2023</u>
Operating Lease Cost:		
Long-Term, Non-cancelable	\$ 73,561	\$ 70,760
Variable Lease Payments	18,705	14,726
Short-Term Lease Payments	<u>3,000</u>	<u>3,000</u>
	<u>\$ 95,266</u>	<u>\$ 88,486</u>

CIS does not have any financing leases.

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.****(a Not-for-Profit Corporation)****NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023**

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**NOTE 9 Lease Commitments (continued)**

The following table summarizes the supplemental cash flow information for the year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 71,944	\$ 68,031
Right of Use Assets obtained in exchange for lease liabilities		
Operating leases	-	28,742

The weighted-average remaining lease term and weighted-average discount rate are as follows:

	<u>2024</u>	<u>2023</u>
Weighted-Average Lease Term in Years:		
Operating Leases	4.05%	5.02%
Weighted-Average Discount Term:		
Operating Leases	3.06%	3.06%

The future minimum lease payments under non-cancelable operating leases with terms greater than one year are listed below as of June 30, 2024:

Year Ending June 30,

2025	\$ 71,378
2026	73,381
2027	75,385
2028	69,830
2029	<u>5,833</u>
Total Operating Lease Payments	295,807
Less Amount Representing Interest	<u>(12,158)</u>
Present Value of Lease Liabilities	<u>\$ 283,649</u>

**NOTE 10 Self-Funded Health Insurance**

Beginning December 2022, CIS switched from a fully funded insurance plan for employee group medical benefits to a self-insured plan. CIS established the Communities In Schools of Eastern Pennsylvania, Inc. Trust, a welfare benefit plan for the benefit of eligible employees of CIS and their dependents. The Trust Fund consists of employer and employees participant contributions, increased by the income and gains thereon and decreased by expenses and losses incurred. CIS purchases stop-loss insurance coverage to protect against catastrophic and high-cost claims. Employer contributions to the plan and

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**June 30, 2024 and 2023**

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**NOTE 10      Self-Funded Health Insurance (continued)**

payments for stop-loss insurance coverage were \$257,354 and \$126,792 for the years ended June 30, 2024 and 2023.

**NOTE 11      Net Assets with Donor Restrictions**

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

	<u>2024</u>	<u>2023</u>
Purpose Restricted:		
Art of Relaxation	\$ 7,680	\$ 7,680
Aspiring Professionals	6,125	-
Central ES – Programs and Family Engagements	7,083	1,454
Cheston - Recess Equipment and Families	277	277
Cheston - Food Pantry	1,100	1,100
CIS Intranet	2,961	2,961
CIS on the Go	4,040	4,040
College Bound	15,223	15,223
GED testing	1,174	1,174
ISS Services – Allentown	83,703	-
ISS Services – Easton	6,000	-
Northeast MS	764	-
Paxinosa ES	1,000	-
Project Mustard Seed	200	200
Re-engagement	46,757	46,757
Roosevelt ES - Summer Learning	578	578
Salaries	525,000	-
Scholarships - Fuller	4,735	4,735
Scholarships - Other	11,250	11,250
Scholarships - Chandler-Barnes	17,941	17,941
Sheridan Winter Wonderland	721	-
Sheridan Block Party	76	-
Sheridan Attendance Incentives	2,532	-
Student Lunch Accounts	235	235
Summer Programs - FS	4,604	4,604
Washing Machine and Related Supplies	1,066	1,066
Washington ES Block Party	500	-
Time Restricted:		
Pledges	<u>439,670</u>	<u>665,847</u>
	<u><u>\$ 1,192,995</u></u>	<u><u>\$ 787,122</u></u>



**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.****(a Not-for-Profit Corporation)****NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023****NOTE 11 Net Assets with Donor Restrictions (continued)**

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

	<u>2024</u>	<u>2023</u>
Allentown School District Programs	\$ -	\$ 190,000
Central ES - Programs and Family Engagement	9,417	12,756
Cheston	-	5,000
Community Schools	25,000	-
Fiscal Year 2024 Programs	350,177	-
ISS Services	95,833	73,500
ISS Services – Allentown	96,297	-
ISS Services - Easton	6,000	6,000
Lehigh County Programs and Services	-	40,000
Leadership in Restorative Practices	-	104,647
Northeast MS	486	-
Mosser Elementary School	50,520	50,000
Scholarships - Fuller	-	1,500
Scholarships - Chandler-Barnes	-	7,059
School Supplies	250	-
Sheridan ES Programs	9,670	-
Southwest Middle School	100	-
Summer Programs – FS	-	4,825
Whitehall-Coplay School District	<u>57</u>	<u>-</u>
	<u>\$ 643,807</u>	<u>\$ 495,287</u>

**NOTE 12 Net Assets Without Donor Restrictions**

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

	<u>2024</u>	<u>2023</u>
Operating Reserve	\$ 1,372,826	\$ 1,769,921
Long Term Investments	3,652,467	3,311,022
Scholarships – Fuller	<u>1,050</u>	<u>1,050</u>
	<u>\$ 5,026,343</u>	<u>\$ 5,081,993</u>

**NOTE 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.

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**NOTE 14      Concentrations**

The Community Schools Program is funded through one source which represents 11.0% and 14.6% of total operating revenue excluding in-kind donations for the years ended June 30, 2024 and 2023, respectively. If that source of revenue is lost, the program would almost entirely be eliminated, however this program has no meaningful contribution to overall net profit, so elimination of it would not have a financial impact.

**NOTE 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 \$106,292 and \$125,446 for the years ended June 30, 2024 and 2023, respectively.

**NOTE 16      In-Kind Donations**

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>2024</u>	<u>2023</u>
Advertising	\$ 15,000	\$ -
Professional Fees	5,500	-
Supplies and Training	<u>22,110</u>	<u>17,833</u>
	<u>\$ 42,610</u>	<u>\$ 17,833</u>

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

Contributed supplies were used for Special Events, ISS, Community Schools, and Other

**COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.**

**(a Not-for-Profit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

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**NOTE 16      In-Kind Donations (continued)**

School Programs. CIS values contributed supplies based on the estimated retail value to purchase similar products in the United States.

All gifts-in-kind received during the years ended June 30, 2024 and 2023 were unrestricted.

**NOTE 17      Subsequent Events**

CIS has evaluated subsequent events occurring after the statement of financial position date through the date March 28, 2025, the date the financial statements were available to be issued. Based upon this evaluation, CIS has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements with the exception of the two listed below.

CIS ended its month-to-month lease for space at 2 Woodland Drive, Wyomissing, PA on October 31, 2024. On January 30, 2025, CIS signed a lease for a new space at 1800 East High Street, Suite 375, Pottstown PA. The lease is for 5 years and provides an option to renew it at the end of the 5 years. The monthly lease expense is \$1,700 a month plus variable costs for utilities and taxes and will increase by \$100 a month annually.

In February 2025, CIS entered into an operating lease agreement for a copier that provides for monthly payments of \$159 a month for 60 months and has a limit on the number of color and black and white copies that can be made in a month. Overages for additional copies will be billed quarterly.

**Communities In Schools of Eastern Pennsylvania, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Pass-Through Grantor's Number	Federal AL Number	Grant Period Beginning - Ending	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
Passed through Pennsylvania Department of Education					
Twenty First Century Community Learning Centers	I	4100093298	84.287	10/1/2022-09/30/2023	\$ 91,333
Twenty First Century Community Learning Centers	I	4100093298	84.287	10/1/2023-09/30/2024	170,606
Total Twenty First Century Community Learning Centers					<u>261,939</u>
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects	D	N/A	84.215J	01/01/2023-12/31/2027	<u>430,595</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<b><u>692,534</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
Passed through Pennsylvania Commission on Crime and Delinquency					
Opiod STR	I	6H79TI085783-01M001	93.788	07/01/2023-09/29/2024	<u>141,873</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<b><u>141,873</u></b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>					
Passed through Lehigh County					
Community Development Block Grants/Special Purpose Grants/Insular Areas	I	N/A	14.225	10/01/2023-09/30/2024	<u>22,043</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<b><u>22,043</u></b>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>					
Passed through Lehigh County					
Coronavirus State and Local Fiscal Recovery Funds	I	N/A	21.027	01/01/2023-12/31/2024	<u>25,000</u>
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>					<b><u>25,000</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b><u><u>\$ 881,450</u></u></b>

I - Indirect Source of Funding

D - Direct Source of Funding

**Communities in Schools  
of Eastern Pennsylvania, Inc.  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024**

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**NOTE 1      BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity Communities In Schools of Eastern Pennsylvania, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Communities in Schools of Eastern Pennsylvania, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Communities in Schools of Eastern Pennsylvania, Inc.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement.

**NOTE 3      AWARDS PASSED THROUGH TO SUB-RECIPIENTS**

No awards were passed through to sub-recipients during the year ended June 30, 2024.

**NOTE 4      INDIRECT COST RATE**

Communities In Schools of Eastern Pennsylvania, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance for all federal grants with the exception of those from the Department of Education which only allow for an 8% indirect cost rate.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Communities in Schools  
of Eastern Pennsylvania, Inc.  
Allentown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities in Schools of Eastern Pennsylvania, Inc. (Communities in Schools"), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Communities in Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Communities in Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Communities In Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Communities in Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Communities in Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*GBB & Company, LLP*

Allentown, Pennsylvania  
March 28, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Communities in Schools  
of Eastern Pennsylvania, Inc.  
Allentown, Pennsylvania

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Communities in Schools of Eastern Pennsylvania, Inc.'s ("Communities in Schools") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Community in Schools' major federal programs for the year ended June 30, 2024. Communities in Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Communities in Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Communities in Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Communities in Schools' compliance with the compliance requirements referred to above.

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## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, and rules and provisions of contracts or grant agreements applicable to Communities in Schools' federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Communities in Schools' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Communities in Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance 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 Communities in Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Communities in Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Communities In Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*GBB & Company, LLP*

Allentown, Pennsylvania  
March 28, 2025

**Communities in Schools of Eastern Pennsylvania, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Communities in Schools of Eastern Pennsylvania, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Communities in Schools of Eastern Pennsylvania, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditors' report on compliance for the major federal award programs for Communities in Schools of Eastern Pennsylvania, Inc. expresses an unmodified opinion on all major federal programs.
6. No audit findings are disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:

Federal AL Number  
84.215J

Name of Federal Program or Cluster  
Innovative Approaches to Literacy;  
Promise Neighborhoods; Full-Service  
Community Schools; and Congressionally  
Directed Spending for Elementary and  
Secondary Education Community Projects

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Communities in Schools of Eastern Pennsylvania, Inc. was not determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None