

**COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)**

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

For the Years Ended June 30, 2020 and 2019

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

To the Board of Directors
Communities In Schools of the Lehigh Valley, Inc.
Allentown, PA

We have audited the accompanying financial statements of Communities In Schools of the Lehigh Valley, Inc. (a Not-for-Profit Corporation) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of the Lehigh Valley, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Communities in Schools of the Lehigh Valley, Inc's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Congbell, Rappold & Yunesita LLP

October 22, 2020

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,447,404	\$ 1,357,679
Accounts Receivable	254,856	233,771
Pledges Receivable, Net (Note 5)	567,770	42,351
Prepaid Expenses	<u>41,022</u>	<u>41,712</u>
Total Current Assets	3,311,052	1,675,513
EQUIPMENT, VEHICLES AND FURNISHINGS (Note 4)	<u>132,377</u>	<u>160,580</u>
Total Assets	<u><u>\$ 3,443,429</u></u>	<u><u>\$ 1,836,093</u></u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts Payable	\$ 10,579	\$ 41,364
Accrued Payroll	362,802	334,034
Current Portion of Loan Payable (Note 8)	<u>311,580</u>	<u>5,728</u>
Total Current Liabilities	684,961	381,126
COMMITMENTS AND CONTINGENCIES (Note 7 and 11)		
LONG TERM-LOAN PAYABLE (Note 8)	<u>385,614</u>	<u>5,394</u>
Total Liabilities	<u>1,070,575</u>	<u>386,520</u>
NET ASSETS:		
Without Donor Restrictions		
Undesignated	1,096,407	754,026
Invested in Equipment, Vehicles and Furnishings	132,377	160,580
Board Designated (Note 10)	<u>251,971</u>	<u>250,109</u>
Total Net Assets Without Donor Restrictions	1,480,755	1,164,715
With Donor Restrictions (Note 9)	<u>892,099</u>	<u>284,858</u>
Total Net Assets	<u>2,372,854</u>	<u>1,449,573</u>
Total Liabilities and Net Assets	<u><u>\$ 3,443,429</u></u>	<u><u>\$ 1,836,093</u></u>

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

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

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

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

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions and Support:			
Individuals	\$ 137,036	\$ 16,500	\$ 153,536
Board of Directors	8,131	-	8,131
Corporations	90,133	63,033	153,166
Foundations	56,700	327,000	383,700
School District Contracts	1,940,278	-	1,940,278
Government Grants	524,814	-	524,814
United Way Agreements	1,000,359	10,000	1,010,359
Special Events	55,503	-	55,503
Less Cost of Direct Benefit to Donors	(711)	-	(711)
Net Special Events Revenue	54,792	-	54,792
In-Kind Contributions			
In-Kind Facilities	614,517	-	614,517
In-Kind Professional Fees	625	-	625
In-Kind Supplies and Training	6,643	-	6,643
Miscellaneous Income	1,449	-	1,449
Interest Income	13,580	-	13,580
Total Support and Revenue Before Releases	4,449,057	416,533	4,865,590
Net Assets Released from Restrictions	627,850	(627,850)	-
Total Support and Revenue	5,076,907	(211,317)	4,865,590
EXPENSES			
Program Services	4,021,996	-	4,021,996
Management and General	576,853	-	576,853
Fund Raising	230,415	-	230,415
Total Expenses	4,829,264	-	4,829,264
Increase (Decrease) in Net Assets	247,643	(211,317)	36,326
Net Assets, Beginning of Year	917,072	496,175	1,413,247
Net Assets, End of Year	<u>\$ 1,164,715</u>	<u>\$ 284,858</u>	<u>\$ 1,449,573</u>

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

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services		Total	
	ISS	Community Schools	Other	Total Program	Management and General	Fund Raising	June 30, 2020	Summarized June 30, 2019
Salaries and Benefits	\$ 1,963,460	\$ 1,050,924	\$ 253,056	\$ 3,267,440	\$ 286,194	\$ 236,252	\$ 3,789,886	\$ 3,559,263
Awards and Scholarships	-	-	-	-	-	-	-	1,699
Bad Debt	-	-	-	-	11,288	-	11,288	10,000
Classroom and Administrative Facilities	29,285	90,061	553	119,899	19	-	119,918	157,189
In-Kind Facilities, Supplies, and Services	365,075	187,809	119,005	671,889	3,996	-	675,885	621,785
Conferences and Training	1,051	566	134	1,751	6,818	284	8,853	16,573
Consulting	16,960	11,690	-	28,650	-	-	28,650	35,675
Computer Support	5,399	2,906	686	8,991	4,975	529	14,495	17,208
Printing and Reproduction	5,565	2,915	644	9,124	8,007	1,580	18,711	11,085
Depreciation	-	-	-	-	32,678	-	32,678	36,314
Dues and Subscriptions	74	40	9	123	1,499	5,317	6,939	5,153
Interest and Fees	268	144	34	446	399	469	1,314	3,922
Insurance	15,126	8,142	1,922	25,190	2,963	1,482	29,635	25,029
Other	11,533	6,191	1,661	19,385	3,042	1,210	23,637	26,155
Payroll Processing	-	-	-	-	10,423	-	10,423	9,037
Postage	-	-	-	-	8	12	20	63
Professional Fees	4,131	2,224	525	6,880	32,861	247	39,988	63,878
Public Relations	277	150	35	462	-	2,493	2,955	2,555
Equipment	-	-	-	-	-	-	-	1,163
Rent	31,527	16,968	4,005	52,500	6,000	4,500	63,000	60,600
Utilities	1,247	671	158	2,076	244	122	2,442	3,719
Maintenance and Repairs	1,753	944	223	2,920	851	172	3,943	9,397
Supplies	825	316	84	1,225	7,430	265	8,920	25,925
Special Events Expense	-	-	-	-	-	5,791	5,791	24,349
Cost of Direct Benefit to Donors	-	-	-	-	-	-	-	711
Telephone and Communications	5,469	2,944	2,587	11,000	1,439	782	13,221	13,710
Travel and Transportation	50,684	24,531	1,208	76,423	1,544	107	78,074	87,818
Total Expense by Function	2,509,709	1,410,136	386,529	4,306,374	422,678	261,614	4,990,666	4,829,975
Less: Expenses Included with Revenues on the Statement of Activities								
Cost of Direct Benefit to Donors	-	-	-	-	-	-	-	(711)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,509,709	\$ 1,410,136	\$ 386,529	\$ 4,306,374	\$ 422,678	\$ 261,614	\$ 4,990,666	\$ 4,829,264

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

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 923,281	\$ 36,326
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	32,678	36,314
Decrease (Increase) in Accounts Receivable	(21,085)	145,168
Decrease (Increase) in Pledge Receivable	(525,419)	23,226
Decrease (Increase) in Prepaid Expenses	690	(18,432)
Increase (Decrease) in Accounts Payable	(30,785)	7,579
Increase in Accrued Payroll	<u>28,768</u>	<u>68,948</u>
Net Cash Provided by Operating Activities	<u>408,128</u>	<u>299,129</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of Computer/Technology Equipment	(4,475)	-
Purchases of Building Improvements	<u>-</u>	<u>(116,879)</u>
Net Cash Used by Investing Activities	<u>(4,475)</u>	<u>(116,879)</u>
<u>Cash Flows From Financing Activities:</u>		
Loan Proceeds Received	691,801	-
Payments Made on Loans Payable	<u>(5,729)</u>	<u>(5,550)</u>
Net Cash Provided (Used) by Financing Activities	<u>686,072</u>	<u>(5,550)</u>
Net Increase in Cash and Cash Equivalents	1,089,725	176,700
Cash and Cash Equivalents, Beginning of Year	<u>1,357,679</u>	<u>1,180,979</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,447,404</u></u>	<u><u>\$ 1,357,679</u></u>
<u>Supplemental Information:</u>		
Interest Paid	<u><u>\$ 446</u></u>	<u><u>\$ 2,751</u></u>

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

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

1. Nature of Activities

Nature of Activities

Founded in 1983, Communities In Schools of the Lehigh Valley, 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 11 Community Schools in Allentown, Bethlehem, and Easton. We also support students in the after-school hours at four 21st Century Community Learner Centers and former out-of-school youth at our Allentown ReEngagement Center.

With team members in 35 schools in Allentown School District, Bethlehem Area School District, East Penn School District, Easton 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 THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

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 THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

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 ten 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 THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

1. Nature of Activities (Continued)

Services (Continued)

Outcomes

CIS reported the following metrics on students receiving case-management through Integrated Student Supports in the 2019-2020 school year*.

- 93% graduation rate
- 95% promotion rate
- 63% made progress toward attendance goals
- 81% made progress toward behavior goals
- 86% made progress toward academic goals

**The 2019-2020 school year was significantly impacted by the Coronavirus pandemic. Our network of schools were abruptly closed and traditional learning shifted to virtual instruction. As a result, our end of year results have been impacted. Our attendance progress is a reflection of students' progress up until schools were closed. As schools adjusted to new learning formats, student behavior and academic goals may reflect more significant increases than on average because of reduced time in school and changes to academic grading during the school closure. At the time of school closure, 77% of students were making progress towards behavior goals and 72% of students were making progress towards academic 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.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

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

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

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

Cash and Cash Equivalents

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

CIS's cash balances are deposited in two banks guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and a sweep account up to \$750,000. Amounts on deposit at various time through the year exceeded the federally insured limit. The Organization had cash balances totaling \$1,201,649 and \$113,039 in excess of federally insured limits at June 30, 2020 and 2019, respectively.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of amounts due from school district contracts, governmental grants, and nongovernmental grants. CIS considers accounts receivable as of June 30, 2020 and 2019 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Equipment, Vehicles and Furnishings

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

Estimated useful lives are as follows:

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

Donated Services and Assets

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

CIS also receives donated facilities in the form of classroom space, office space, parking, and other support for use in providing its program services and its operations.

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

	<u>2020</u>	<u>2019</u>
Classroom Facilities	\$ 668,550	\$ 614,517
Professional Fees	-	625
Supplies and Training	3,379	6,643
Maintenance	<u>3,956</u>	<u>-</u>
	<u>\$ 675,885</u>	<u>\$ 621,785</u>

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Donated Services and Assets (Continued)

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

Functional Allocation of Expenses

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

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

Income Taxes

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

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, CIS may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of CIS and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal years 2020 and 2019.

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 2017.

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2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that affect the Organization's revenue recognition, as noted below.

On July 1, 2019, the Organization adopted Accounting Standards Update 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

On July 1, 2019, the Organization adopted Accounting Standards Update 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

The Organization has determined that the implementation of the accounting standards updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

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3. Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and Cash Equivalents	\$ 2,447,404	\$ 1,357,679
Accounts Receivable	254,856	233,771
Pledges Receivable	<u>567,770</u>	<u>42,351</u>
Financial Assets, at year end	3,270,030	1,633,801
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(892,099)	(284,848)
Board Designations	<u>(251,971)</u>	<u>(250,109)</u>
Financial Assets available to meet cash needs for general expenditures, within one year	<u><u>\$ 2,125,960</u></u>	<u><u>\$ 1,098,844</u></u>

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

The Board Designated Reserve fund of \$250,921 (Note 10) is available if necessary, with Board approval but is not intended to be used within one year of the Statement of Financial Position date.

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

4. Equipment, Vehicles and Furnishings

Equipment, Vehicles and Furnishings consist of the following:

	<u>2020</u>	<u>2019</u>
Computer Equipment	\$ 102,204	\$ 102,204
Furniture and Equipment	40,324	35,850
Building Improvements	151,978	151,977
Vehicles	<u>81,505</u>	<u>81,505</u>
	376,011	371,536
Accumulated Depreciation	<u>(243,634)</u>	<u>(210,956)</u>
	<u><u>\$ 132,377</u></u>	<u><u>\$ 160,580</u></u>

Depreciation and amortization charged to expense was \$32,678 and \$36,314 for 2020 and 2019, respectively.

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5. Pledges Receivable

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

	2020	2019
Less than one year	\$ 299,552	\$ 36,175
One to five years	270,000	6,176
Over five years	-	-
Total	569,552	42,351
Less: Unamortized Discount (0.066% and 0%)	(1,782)	-
Less: Allowance for Uncollectible Pledges (0%)	-	-
	<u>\$ 567,770</u>	<u>\$ 42,351</u>

6. Line of Credit

CIS has a \$450,000 unsecured line of credit with an interest rate of 6% at June 30, 2020. There was no outstanding balance at June 30, 2020 and 2019. The line was not utilized during the fiscal years ended June 30, 2020 and 2019. There was no interest expense incurred during the periods presented.

7. Lease Commitments

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

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

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

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7. Lease Commitments (Continued)

Future minimum lease payments for years subsequent to June 30, 2020 are as follows:

Years Ending June 30,

2021	\$	66,144
2022		66,144
2023		61,024
2024		5,000

Rent expense, including amounts paid for utilities, taxes, and common area maintenance fees and expenses, was \$63,000 and \$60,600 for 2020 and 2019, respectively.

8. Loans Payable

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

Interest expense on the loan was \$446 and \$627 in 2020 and 2019, respectively.

On April 27, 2020, the Organization received \$691,801 under the Paycheck Protection Program. The Organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, Debt, or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of June 30, 2020, management has not evaluated whether the Organization will meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Organization has elected the debt method. Under this method, the Organization recorded a debt liability on the Statement of Financial Position and will subsequently recognize revenue from the extinguishment of debt once forgiveness has been determined by the Small Business Administration. Terms of the loan if not forgiven are as follows: 1% interest rate, with eighteen monthly payments of \$38,931.78, with the first payment due November 27, 2020. Maturity is April, 2022.

Loan maturities are as follows:

Year Ending June 30,

2021	\$	316,973
2022		385,614

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9. Net Assets with Donor Restrictions

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

	2020	2019
Art of Relaxation	\$ 7,680	\$ 7,680
Aspiring Prof. Program	6,940	17,421
Central ES - Family Activities	4,637	1,584
Central ES - Uniforms	2	2
Challenge Schools	20,000	-
Cheston - Recess Equipment and Cheston Families	277	277
Cheston - Food Pantry	1,100	1,100
CIS Intranet	8,750	1,600
CIS on the Go	6,652	-
Cleveland ES	150	-
College Bound	15,223	15,223
GED Testing	1,174	1,174
Graduate Allentown	-	87,956
ISS Services	16,217	-
ISS Services - Easton SD	-	16,243
Lincoln Elementry	1,162	1,162
Leadership in Restorative Practices	680,000	-
Mosser Elementary School	32,766	41,155
Project Mustard Seed	200	200
Re-engagement	46,757	46,757
Roosevelt ES - Summer Learning	1,000	-
Scholarships - Fuller	7,735	7,735
Scholarships - Other	9,250	9,250
Student Lunch Accounts	1,000	-
Summer Programs	4,000	4,000
Vehicles - Van	6,639	12,351
Winter Clothing	508	508
Washing Machine and Related Supplies	11,280	10,480
Yoga and Karate programs	1,000	1,000
	<u>\$ 892,099</u>	<u>\$ 284,858</u>

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9. Net Assets with Donor Restrictions (Continued)

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

	<u>2020</u>	<u>2019</u>
Allentown School District Programs	\$ 10,000	\$ -
Aspiring Prof. Program	10,481	341
Attendance Campaign	-	1,200
Central ES - Family Activities	447	5,542
Central ES - Uniforms	-	248
Cheston - Recess Equipment and Cheston Families	-	1,223
Cheston - Food Pantry	-	150
CIS Intranet	2,850	8,400
CIS on the Go	848	-
Cleveland ES	3,850	-
Graduate Allentown	87,956	221,721
Harrison Morton Elementary School	50,000	2,500
ISS Services	146,283	54,000
ISS Services - Easton SD	25,243	4,757
ISS Services - LCTI	-	20,238
ISS Services - Trexler MS	50,000	-
Mosser Elementary School	58,389	50,147
Moving Expenses	-	17,696
Program Support	50,000	200,000
Re-engagement	-	10,536
Roosevelt ES	2,500	-
Roosevelt ES - Summer Learning	-	12,152
Roosevelt ES - STEM Project	-	131
SMMS	2,500	-
Vehicles - Van	5,712	4,368
WAHS Site Coordination	-	12,500
	<u>\$ 507,059</u>	<u>\$ 627,850</u>

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10. Net Assets Without Donor Restriction

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

	<u>2020</u>	<u>2019</u>
Board Designated Reserve Fund	\$ 250,921	\$ 249,059
Scholarships - Fuller	<u>1,050</u>	<u>1,050</u>
	<u>\$ 251,971</u>	<u>\$ 250,109</u>

11. Contingencies

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

12. Concentrations

The Community Schools program is funded through one source which represents 18% and 24% of total revenue excluding in-kind donations for the years ended June 30, 2020 and 2019, respectively. If that source of revenue were lost, the program would almost entirely be eliminated.

13. Retirement Plans

Effective January 1, 2018 the Organization established a 401(k) defined contribution retirement plan for the benefit of individuals considered to be employees that are not members of a union collective bargaining unit with an exclusion from coverage under this plan as part of the union's negotiated agreement. Employees must reach 21 years of age and complete two consecutive months of service with the Organization in order to participate. Participating employees may elect to contribute a portion of their pay as a pre-tax deferral or a Roth deferral, in accordance with Section 401(k) of the Internal Revenue Code. The Plan allows for matching contributions and profit-sharing contributions at the discretion of management. Employer contributions consist of a match of employee contributions up to a maximum limit of 3% of employee compensation for all eligible employees. Employer contributions to the retirement plans totaled \$46,510 and \$42,998 for the years ended June 30, 2020 and 2019, respectively.

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14. Subsequent Events

The Organization's management has evaluated events subsequent to June 30, 2020 that affect the Organization through October 22, 2020, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require disclosure.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.