

**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, 2017 and 2016

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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016, 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.

Cory Bell, Rappold & Yucasita LLP

March 20, 2018

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS:						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 222,121	\$ 546,860	\$ 768,981	\$ 90,524	\$ 323,551	\$ 414,075
Accounts Receivable	374,553	-	374,553	360,554	-	360,554
Grants Receivable	164,828	-	164,828	132,047	-	132,047
Pledges Receivable, Net (Note 3)	-	168,771	168,771	-	268,996	268,996
Prepaid Expenses	43,103	-	43,103	26,774	-	26,774
Total Current Assets	804,605	715,631	1,520,236	609,899	592,547	1,202,446
EQUIPMENT, VEHICLES AND FURNISHINGS (Note 2)	<u>87,332</u>	<u>-</u>	<u>87,332</u>	<u>97,218</u>	<u>-</u>	<u>97,218</u>
Total Assets	<u>\$ 891,937</u>	<u>\$ 715,631</u>	<u>\$ 1,607,568</u>	<u>\$ 707,117</u>	<u>\$ 592,547</u>	<u>\$ 1,299,664</u>
LIABILITIES AND NET ASSETS:						
CURRENT LIABILITIES:						
Accounts Payable	\$ 51,388	\$ -	\$ 51,388	\$ 31,191	\$ -	\$ 31,191
Accrued Payroll	193,821	-	193,821	166,911	-	166,911
Current Portion of Loan Payable (Note 6)	5,156	-	5,156	4,915	-	4,915
Total Current Liabilities	250,365	-	250,365	203,017	-	203,017
COMMITMENTS AND CONTINGENCIES (Note 5 and 8)						
LONG TERM - LOAN PAYABLE (Note 6)	<u>16,671</u>	<u>-</u>	<u>16,671</u>	<u>21,803</u>	<u>-</u>	<u>21,803</u>
Total Liabilities	<u>267,036</u>	<u>-</u>	<u>267,036</u>	<u>224,820</u>	<u>-</u>	<u>224,820</u>
NET ASSETS:						
Unrestricted - General	534,819	-	534,819	382,329	-	382,329
Unrestricted - Board Designated (Note 7)	2,750	-	2,750	2,750	-	2,750
Invested in Equipment, Vehicles and Furnishings	<u>87,332</u>	<u>-</u>	<u>87,332</u>	<u>97,218</u>	<u>-</u>	<u>97,218</u>
Total Unrestricted Net Assets	624,901	-	624,901	482,297	-	482,297
Temporarily Restricted (Note 7)	<u>-</u>	<u>715,631</u>	<u>715,631</u>	<u>-</u>	<u>592,547</u>	<u>592,547</u>
Total Net Assets	<u>624,901</u>	<u>715,631</u>	<u>1,340,532</u>	<u>482,297</u>	<u>592,547</u>	<u>1,074,844</u>
Total Liabilities and Net Assets	<u>\$ 891,937</u>	<u>\$ 715,631</u>	<u>\$ 1,607,568</u>	<u>\$ 707,117</u>	<u>\$ 592,547</u>	<u>\$ 1,299,664</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)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
UNRESTRICTED SUPPORT AND REVENUE:						
Contributions and Support						
Individuals	\$ 62,558	\$ 4,143	\$ 66,701	\$ 68,160	\$ 4,750	\$ 72,910
Corporations	155,496	118,415	273,911	117,476	68,850	186,326
Foundations	63,897	397,468	461,365	81,112	351,413	432,525
School District Contracts	1,999,179	-	1,999,179	1,339,995	-	1,339,995
Government Grants	459,882	-	459,882	227,458	-	227,458
United Way Agreements	668,368	-	668,368	387,500	-	387,500
Special Events Net of Expenses (\$21,340 and \$14,411)	56,043	-	56,043	56,377	-	56,377
In-kind Contributions						
In-kind Furniture and Equipment	-	-	-	11,292	-	11,292
In-kind Small Equipment	-	-	-	252	-	252
In-kind Facilities	682,459	-	682,459	531,801	-	531,801
In-kind Program Events	93,966	-	93,966	-	-	-
In-kind Professional Fees	2,500	-	2,500	11,000	-	11,000
In-kind Supplies and Training	2,710	-	2,710	34,134	-	34,134
Miscellaneous Income	2,739	-	2,739	7,541	-	7,541
Interest Income	786	-	786	909	-	909
Total Support and Revenue Before Releases	4,250,583	520,026	4,770,609	2,875,007	425,013	3,300,020
Net Assets Released from Restrictions	396,942	(396,942)	-	503,850	(503,850)	-
Total Support and Revenue	4,647,525	123,084	4,770,609	3,378,857	(78,837)	3,300,020
EXPENSES:						
Program Services	4,046,602	-	4,046,602	2,848,596	-	2,848,596
Management and General	253,354	-	253,354	185,199	-	185,199
Fund Raising	204,965	-	204,965	168,602	-	168,602
Total Expenses	4,504,921	-	4,504,921	3,202,397	-	3,202,397
Increase (Decrease) in Net Assets	142,604	123,084	265,688	176,460	(78,837)	97,623
Net Assets, Beginning of Year	482,297	592,547	1,074,844	305,837	671,384	977,221
Net Assets, End of Year	\$ 624,901	\$ 715,631	\$ 1,340,532	\$ 482,297	\$ 592,547	\$ 1,074,844

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, 2017 and 2016

	<u>Yead Ended</u> <u>June 30, 2017</u>	<u>Yead Ended</u> <u>June 30, 2016</u>
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 265,688	\$ 97,623
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	27,026	28,796
Gain on Disposal of Assets	-	300
In-kind Contributions of Capital Assets	-	(11,292)
(Increase) Decrease in Accounts Receivable	(13,999)	(176,575)
(Increase) Decrease in Grants Receivable	(32,781)	136,440
(Increase) Decrease in Pledges Receivable	100,225	102,388
(Increase) Decrease in Prepaid Expenses	(16,329)	(15,592)
Increase (Decrease) in Accounts Payable	20,197	(41,902)
Increase (Decrease) in Accrued Payroll	26,910	57,715
Net Cash Provided by Operating Activities	<u>376,937</u>	<u>177,901</u>
<i><u>Cash Flows from Investing Activities:</u></i>		
Additions to Equipment, Vehicles and Furnishings	<u>(17,140)</u>	<u>(74,306)</u>
Net Cash Used by Investing Activities	<u>(17,140)</u>	<u>(74,306)</u>
<i><u>Cash Flows from Financing Activities:</u></i>		
Proceeds from Borrowing	-	27,116
Principal Payments on Borrowing	<u>(4,891)</u>	<u>(398)</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,891)</u>	<u>26,718</u>
Net Increase in Cash and Cash Equivalents	354,906	130,313
Cash and Cash Equivalents, Beginning of Year	<u>414,075</u>	<u>283,762</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 768,981</u></u>	<u><u>\$ 414,075</u></u>
Supplemental Data:		
In-kind Contributions Related to Capital Assets	<u><u>\$ -</u></u>	<u><u>\$ 11,292</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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services			Supporting Services		2017 Total
	In-Kind Program	Program	Total Program	Management and General	Fund Raising	
Salaries and Benefits	\$ -	\$ 2,844,880	\$ 2,844,880	\$ 116,913	\$ 180,232	\$ 3,142,025
Awards and Scholarships	-	1,000	1,000	-	-	1,000
Bad Debt Allowance	-	-	-	50,000	-	50,000
Classroom and Administrative Facilities	682,459	5,635	688,094	-	-	688,094
Conferences and Training	-	13,797	13,797	881	-	14,678
Consulting	2,500	156,390	158,890	-	-	158,890
Computer Support	-	2,698	2,698	9,980	809	13,487
Printing and Reproduction	-	8,630	8,630	7,551	5,394	21,575
Depreciation	-	19,999	19,999	6,216	811	27,026
Dues and Subscriptions	-	759	759	927	2,529	4,215
Interest	-	-	-	1,535	-	1,535
Insurance	-	11,192	11,192	9,793	2,331	23,316
Incentives	93,966	17,999	111,965	-	-	111,965
Other	-	81	81	86	240	407
Payroll Processing	-	-	-	6,303	-	6,303
Postage	-	218	218	457	317	992
Professional Fees	-	8,071	8,071	4,976	404	13,451
Public Relations	-	4,049	4,049	1,557	4,777	10,383
Equipment	-	38	38	1,235	-	1,273
Rent	-	24,239	24,239	21,209	5,050	50,498
Utilities	-	1,259	1,259	1,702	442	3,403
Maintenance and Repairs	-	1,058	1,058	62	125	1,245
Supplies	2,710	36,195	38,905	4,371	437	43,713
Telephone and Communications	-	7,738	7,738	4,537	1,067	13,342
Travel	-	99,042	99,042	3,063	-	102,105
	<u>\$ 781,635</u>	<u>\$ 3,264,967</u>	<u>\$ 4,046,602</u>	<u>\$ 253,354</u>	<u>\$ 204,965</u>	<u>\$ 4,504,921</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, 2016

	Program Services			Supporting Services		2016 Total
	In-Kind Program	Program	Total Program	Management and General	Fund Raising	
Salaries and Benefits	\$ -	\$ 2,005,366	\$ 2,005,366	\$ 120,044	\$ 137,373	\$ 2,262,783
Awards and Scholarships	-	3,975	3,975	-	-	3,975
Bad Debt	-	1,688	1,688	-	-	1,688
Classroom and Administrative Facilities	531,801	1,984	533,785	-	-	533,785
Conferences and Training	5,555	968	6,523	9,916	-	16,439
Consulting	-	107,290	107,290	325	340	107,955
Computer Support	-	432	432	7	306	745
Printing and Reproduction	-	17,018	17,018	1,023	11,190	29,231
Depreciation	-	27,356	27,356	1,440	-	28,796
Dues and Subscriptions	-	1,691	1,691	-	5,825	7,516
Interest	-	-	-	319	-	319
Insurance	-	14,664	14,664	3,676	-	18,340
Incentives	-	3,895	3,895	-	-	3,895
Other	-	935	935	129	163	1,227
Payroll Processing	-	-	-	4,024	-	4,024
Postage	-	221	221	221	662	1,104
Professional Fees	-	-	-	30,747	1,601	32,348
Public Relations	-	-	-	716	1,264	1,980
Equipment	252	595	847	-	-	847
Rent	-	34,040	34,040	2,161	4,322	40,523
Utilities	-	2,819	2,819	166	332	3,317
Supplies	28,579	8,263	36,842	7,278	1,365	45,485
Telephone and Communications	-	4,462	4,462	1,071	3,392	8,925
Travel	-	44,747	44,747	1,936	467	47,150
	<u>\$ 566,187</u>	<u>\$ 2,282,409</u>	<u>\$ 2,848,596</u>	<u>\$ 185,199</u>	<u>\$ 168,602</u>	<u>\$ 3,202,397</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, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies

Nature of Activities

Communities In Schools of the Lehigh Valley, Inc. (CIS) is part of a nationwide network of independent 501(c)(3) organizations dedicated to ending the dropout epidemic in America's public schools. Organized under the laws of the Commonwealth of Pennsylvania, CIS serves 1.5 million students each year in 25 states and the District of Columbia. Our mission is to surround students with a community of support, empowering them to stay in school and achieve in life. Communities In Schools of the Lehigh Valley is one of four CIS affiliates in Pennsylvania. CIS leverages community resources and provides an array of services that address students' academic and non-academic needs. CIS attributes success to building strong one-to-one relationships with students. While teachers teach, CIS addresses the students' needs including low academic performance, behavior and attendance and programs that address family instability, mental and physical health, and substance abuse. Parent/guardian engagement, mentoring, tutoring, case management, enrichment activities, and life skills are some of the supports we offer. CIS services significantly impact a student's quality of life and therefore school performance. The goal of CIS is to make every student a high school graduate.

Services

CIS services include three distinct departments:

Integrated Student Services - CIS provides Integrated Student Services for more than 18,000 students at twenty schools in five school districts. Integrated Student Services (ISS) utilizes a site coordinator, who leverages community resources while also providing support services, life skills, targeted interventions, after school programs, parent engagement and basic needs. The site coordinators bring together many partners to offer a range of supports and opportunities for children, youth, families, and communities.

Five of these CIS schools also participate in the United Way Community Schools. CIS is the lead partner in this initiative that leverages vital resources from the community for use in the schools. While Community Schools' goal is to drive school wide performance, there is a special focus on increasing attendance and third grade reading scores.

Three of the ISS sites specifically target students in alternative education. Following the guidelines for Alternative Education for Disruptive Youth (AEDY), these programs are designed to support students with significant behavioral problems as well as attendance and academic concerns. CIS provides case management, truancy intervention, behavior modification, parent engagement activities, and at least 2.5 hours of counseling per week. Alternative Education services help students succeed and often return to their home schools.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies (Continued)

Outside of school programming - CIS provides intensive afterschool programming for 1,058 elementary and middle school students at eleven 21st Century Community Learning Center (21st Century CLC) sites. The programs meet four days per week for three hours a day and target low income students with documented academic needs. Students are provided with academic intervention focused on math and reading and enrichment activities that build on core instructional learning, each delivered by certified teachers. Students also benefit from homework help and tutoring. Free afternoon snacks and dinners are also available daily. Additionally, CIS and partner school districts ensure that students with need are transported home after the program. Parent engagement activities include literacy classes, newsletters, and ESL classes. Activities with families are integral components of the programs. Collaboration with the DaVinci Science Center provides students with a STEM (Science, Technology, Engineering, and Math) curriculum and college students from DeSales University, Lafayette College, and Muhlenberg College assist students as mentors.

College and Career Readiness - The Education Leading to Employment and Career Training (ELECT) Initiative was created to expand the services provided to teen fathers who meet the income eligibility requirements. The program is voluntary and all ELECT students receive intensive case management, home visits, parenting skills and career readiness training and assistance. CIS has collaborated with ELECT since 2001 and serves 15-25 fathers each year.

CIS provides career services at five high schools and six middle schools. Serving more than 90 students, these programs provide career readiness, career interest inventories and assessment tools, job shadowing, employment assistance, interview skills and creation of resume, cover letter and thank you letter. Students in the program gain valuable career knowledge and direction.

The Allentown ReEngagement Center is a collaborative venture that provides outreach to high school dropouts and offers diploma and GED pathways with case managed supports and career services. Young people age 16-24 take a second chance on their education and benefit from flexible academic pathways that meet their needs.

The College Bound program helps high school graduates from Allentown high schools to have an opportunity to be successful at the local community college. CIS helps these students overcome barriers, navigate a college campus and develop skills to be successful in college.

Through a one to one relationship with a caring adult, CIS works intensely with students to empower them to achieve goals and stay in school.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies (Continued)

Services (continued)

In the Lehigh Valley, CIS recorded the following statistics on Students in the 2016-17 school year.

- 99% remained in school
- 94% at risk seniors graduated on time
- 78% were promoted to the next grade level
- 74% improved academics
- 64% improved attendance
- 71% improved behavior

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:

Unrestricted Net Assets – Unrestricted 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.

Temporarily Restricted Net Assets – Temporarily restricted amounts represent gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. When the restriction expires (either by spending in accordance with the donor's restriction or by the passage of time), the net assets of this fund are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Permanently restricted amounts are subject to donor-imposed stipulations that they be maintained permanently by CIS. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. CIS does not have any permanently restricted net assets.

Use of Estimates

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

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue is recorded in the period earned. Contributions, including unconditional pledges, are recognized in the period the commitment is made. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of gift. Pledges receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the contribution to a specific use or a stipulated time period. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support 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 temporarily restricted revenue. 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 is recognized as it is 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. Amounts on deposit at various time through the year exceeded the federally insured limit. The Organization had cash balances totaling \$543,435 and \$214,042 in excess of federally insured limits at June 30, 2017 and 2016, respectively.

Accounts Receivable

Accounts receivable primarily consists of amounts due from school district contracts and nongovernmental grants. CIS considers accounts receivable as of June 30, 2017 and 2016 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Grants Receivable

Grants receivable consists of grant revenue receivable from governmental agencies. CIS has determined that an uncollectible allowance is not required, and the balance is expected to be fully collectible within one year.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies (Continued)

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 \$250 are expenses 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>
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 did not receive any donated services during 2017 or 2016 that meet those requirements.

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 facilities are recorded at fair value in the statement of activities as donations and the corresponding expenses are summarized in program services as follows:

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ -	\$ 11,292
Classroom Facilities	682,459	531,801
Small Equipment	-	252
Professional Fees	-	11,000
Consulting	2,500	-
Program Events	93,966	-
Supplies and Training	2,710	34,134
	<u>\$ 781,635</u>	<u>\$ 588,479</u>

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.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Operations and Summary of Significant Accounting Policies (Continued)

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. 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 2017 and 2016.

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 2014.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

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2. Equipment, Vehicles and Furnishings

Equipment, Vehicles and Furnishings consist of the following:

	<u>2017</u>	<u>2016</u>
Computer Equipment	\$ 99,974	\$ 89,422
Furniture and Equipment	37,273	37,273
Building Improvements	18,491	11,901
Vehicles	<u>81,505</u>	<u>81,505</u>
	237,243	220,101
Accumulated Depreciation	<u>(149,911)</u>	<u>(122,883)</u>
	<u><u>\$ 87,332</u></u>	<u><u>\$ 97,218</u></u>

Depreciation and amortization charged to expense was \$27,026 and \$28,796 for 2017 and 2016, respectively.

3. Pledges Receivable

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

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 148,694	\$ 261,677
One to five years	32,352	24,189
Over five years	-	-
Total	<u>181,046</u>	<u>285,866</u>
Less: Unamortized Discount (5%)	(1,973)	(2,577)
Less: Allowance for Uncollectible Pledges (5%)	<u>(10,302)</u>	<u>(14,293)</u>
	<u><u>\$ 168,771</u></u>	<u><u>\$ 268,996</u></u>

4. Line of Credit

CIS has a \$250,000 unsecured line of credit with an interest rate of 5.75% at June 30, 2017. There was no outstanding balance at June 30, 2017 and 2016. The line was not utilized during the fiscal years ended June 30, 2017 and 2016. There was no interest expense incurred during the periods presented.

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5. Lease Commitments

On April 1, 2016 CIS entered into a new lease agreement for office space on Lehigh Street. The term of the lease is five years. On August 1, 2015 CIS entered into a lease for a second office space on Lehigh Street, with a three year term expiring July 31, 2018 with the option of a two year extension. Additionally, CIS maintains a copier equipment lease with a monthly obligation of \$223 until May, 2020.

Future minimum lease payments for years subsequent to June 30, 2017 are as follows:

Year Ending June 30,

2018	\$	37,836
2019		22,457
2020		19,847
2021		14,268

Rent expense, including amounts paid for utilities, taxes, and common area maintenance fees and expenses, was \$50,498 and \$40,523 for 2017 and 2016, respectively.

6. Loan 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.

	<u>2017</u>	<u>2016</u>
Loan Balance	\$ 21,827	\$ 26,718
Less: Current Portion	<u>(5,156)</u>	<u>(4,915)</u>
	<u>\$ 16,671</u>	<u>\$ 21,803</u>

Interest expense on the loan was \$1,283 and \$127 in 2017 and 2016, respectively.

Long-term loan maturities are as follows:

Years ending June 30,

2018	\$	5,156
2019		5,432
2020		5,723
2021		5,516

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7. Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Art of Relaxation	\$ 8,340	\$ 6,840
Aspiring Professionals	10,000	10,000
Central ES - Family Activities	5,000	-
College Bound	60,060	38,759
Field Trips	357	908
GED Testing	1,174	1,370
Graduate Allentown	486,482	471,661
ISS Services - Easton	22,000	11,000
ISS Services - Whitehall	10,000	5,000
ISS Services - LCTI	41,050	-
Lincoln Books	55	55
Lincoln Elementary	271	923
Cleveland ES	10,000	-
Project Mustard Seed	200	-
Re-engagement	7,293	-
Roosevelt ES - Summer Learning	2,528	-
Roosevelt ES - STEM Project	9,433	-
Student Scholarships	8,750	2,500
Student Scholarships - Fuller	9,235	10,235
Vehicle Debt Service	22,895	27,788
Winter Clothing	508	508
Youth Build	-	5,000
	<u>\$ 715,631</u>	<u>\$ 592,547</u>

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7. Net Assets (Continued)

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

	<u>2017</u>	<u>2016</u>
Adopt a Family	\$ -	\$ 157
College Bound	53,699	70,099
Cops and Community	-	3,100
Field Trips	551	342
GED Testing	196	30
Graduate Allentown	197,679	241,686
Holiday Gifts	900	-
ISS Services	34,000	82,500
ISS Services - Easton	-	65,610
ISS Services - Reading	30,000	-
ISS Services - LCTI	18,950	-
Lincoln Books	-	234
Lincoln Elementary	1,852	77
Marketing	-	1,000
McKinley ES - Uniforms	515	-
Program Support	20,000	-
Quality of Life	-	2,000
Re-engagement	20,873	-
Student Scholarships - Fuller	1,000	1,500
Vehicles	4,893	25,515
Youth Build	11,834	
Youth Mentoring	-	10,000
	<u>\$ 396,942</u>	<u>\$ 503,850</u>

Board Designated net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Student Scholarships - Fuller	<u>\$ 2,750</u>	<u>\$ 2,750</u>

8. 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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9. Concentrations

CIS operates in Lehigh, Northampton, and Berks Counties in Pennsylvania. Two local school districts account for 70% and 80% of the accounts receivable balances at June 30, 2017 and 2016, respectively. CIS recognized \$2,393,709 and \$1,756,055 for the years ended June 30, 2017 and 2016, respectively, of its total revenue including in-kind and contributed services and facilities from these two school districts.

10. Employee Benefit Plans

CIS offers its employees the opportunity to participate in a Section 408(p) Simple IRA Retirement Plan (Retirement Plan). The Retirement Plan allows for employee and employer contributions. 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 Plan were \$28,194 and \$24,063 for the years ended June 30, 2017 and 2016, respectively.

11. Subsequent Events

Management has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued, and has determined that with the exception of the establishment of the 401(k) defined contribution plan and entering into a lease for new office space, no subsequent events have occurred that require recognition or disclosure in the financial statements.

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.

CIS entered into a lease agreement for office space located at 739 North 12th Street Allentown, PA commencing June 1, 2018. The lease is a triple net lease with base rental payments of \$5,000 for five years terminating on May 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.