

**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, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Congbell, Rappold & Yucasita LLP

January 25, 2019

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COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AT
JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Totals	
			6/30/2018	6/30/2017
ASSETS:				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 750,381	\$ 430,598	\$ 1,180,979	\$ 768,981
Accounts Receivable	261,446	-	261,446	374,553
Grants Receivable	117,493	-	117,493	164,828
Pledges Receivable, Net (Note 4)	-	65,577	65,577	168,771
Prepaid Expenses	23,280	-	23,280	43,103
Total Current Assets	1,152,600	496,175	1,648,775	1,520,236
EQUIPMENT, VEHICLES AND FURNISHINGS (Note 3)	80,015	-	80,015	87,332
Total Assets	\$ 1,232,615	\$ 496,175	\$ 1,728,790	\$ 1,607,568
LIABILITIES AND NET ASSETS:				
CURRENT LIABILITIES:				
Accounts Payable	\$ 33,785	\$ -	\$ 33,785	\$ 51,388
Accrued Payroll	265,086	-	265,086	193,821
Current Portion of Loan Payable (Note 7)	5,437	-	5,437	5,156
Total Current Liabilities	304,308	-	304,308	250,365
COMMITMENTS AND CONTINGENCIES (Note 6 and 9)				
LONG TERM - LOAN PAYABLE (Note 7)	11,235	-	11,235	16,671
Total Liabilities	315,543	-	315,543	267,036
NET ASSETS:				
Unrestricted - General	834,307	-	834,307	534,819
Unrestricted - Board Designated (Note 8)	2,750	-	2,750	2,750
Invested in Equipment, Vehicles and Furnishings	80,015	-	80,015	87,332
Total Unrestricted Net Assets	917,072	-	917,072	624,901
Temporarily Restricted (Note 8)	-	496,175	496,175	715,631
Total Net Assets	917,072	496,175	1,413,247	1,340,532
Total Liabilities and Net Assets	\$ 1,232,615	\$ 496,175	\$ 1,728,790	\$ 1,607,568

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 FINANCIAL POSITION
JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total 6/30/2017
ASSETS:			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 222,121	\$ 546,860	\$ 768,981
Accounts Receivable	374,553	-	374,553
Grants Receivable	164,828	-	164,828
Pledges Receivable, Net (Note 4)	-	168,771	168,771
Prepaid Expenses	43,103	-	43,103
Total Current Assets	804,605	715,631	1,520,236
EQUIPMENT, VEHICLES AND FURNISHINGS (Note 3)	87,332	-	87,332
Total Assets	\$ 891,937	\$ 715,631	\$ 1,607,568
LIABILITIES AND NET ASSETS:			
CURRENT LIABILITIES:			
Accounts Payable	\$ 51,388	\$ -	\$ 51,388
Accrued Payroll	193,821	-	193,821
Current Portion of Loan Payable (Note 7)	5,156	-	5,156
Total Current Liabilities	250,365	-	250,365
COMMITMENTS AND CONTINGENCIES (Note 6 and 9)			
LONG TERM - LOAN PAYABLE (Note 7)	16,671	-	16,671
Total Liabilities	267,036	-	267,036
NET ASSETS:			
Unrestricted -General	534,819	-	534,819
Unrestricted - Board Designated (Note 8)	2,750	-	2,750
Invested in Equipment, Vehicles and Furnishings	87,332	-	87,332
Total Unrestricted Net Assets	624,901	-	624,901
Temporarily Restricted (Note 8)	-	715,631	715,631
Total Net Assets	624,901	715,631	1,340,532
Total Liabilities and Net Assets	\$ 891,937	\$ 715,631	\$ 1,607,568

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Totals	
			6/30/2018	6/30/2017
UNRESTRICTED SUPPORT AND REVENUE:				
Contributions and Support				
Individuals	\$ 39,748	\$ 132,950	\$ 172,698	\$ 66,701
Corporations	84,913	87,749	172,662	273,911
Foundations	107,800	356,500	464,300	461,365
School District Contracts	1,783,432	-	1,783,432	1,999,179
Government Grants	511,087	-	511,087	459,882
United Way Agreements	666,622	-	666,622	668,368
Special Events Net of Expenses (\$38,520 and \$21,340)	16,706	-	16,706	56,043
In-kind Contributions				
In-kind Facilities	519,575	-	519,575	682,459
In-kind Program Events	-	-	-	93,966
In-kind Professional Fees	-	-	-	2,500
In-kind Supplies and Training	10,386	-	10,386	2,710
Miscellaneous Income	1,440	-	1,440	2,739
Interest Income	1,126	-	1,126	786
Total Support and Revenue Before Releases	3,742,835	577,199	4,320,034	4,770,609
Net Assets Released from Restrictions	796,655	(796,655)	-	-
Total Support and Revenue	4,539,490	(219,456)	4,320,034	4,770,609
EXPENSES:				
Program Services	3,392,465	-	3,392,465	4,046,602
Management and General	495,866	-	495,866	253,354
Fund Raising	358,988	-	358,988	204,965
Total Expenses	4,247,319	-	4,247,319	4,504,921
Increase (Decrease) in Net Assets	292,171	(219,456)	72,715	265,688
Net Assets, Beginning of Year	624,901	715,631	1,340,532	1,074,844
Net Assets, End of Year	\$ 917,072	\$ 496,175	\$ 1,413,247	\$ 1,340,532

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/2017</u>
UNRESTRICTED SUPPORT AND REVENUE:			
Contributions and Support			
Individuals	\$ 62,558	\$ 4,143	\$ 66,701
Corporations	155,496	118,415	273,911
Foundations	63,897	397,468	461,365
School District Contracts	1,999,179	-	1,999,179
Government Grants	459,882	-	459,882
United Way Agreements	668,368	-	668,368
Special Events Net of Expenses (\$38,520 and \$21,340)	56,043	-	56,043
In-kind Contributions			
In-kind Facilities	682,459	-	682,459
In-kind Program Events	93,966	-	93,966
In-kind Professional Fees	2,500	-	2,500
In-kind Supplies and Training	2,710	-	2,710
Miscellaneous Income	2,739	-	2,739
Interest Income	786	-	786
Total Support and Revenue Before Releases	<u>4,250,583</u>	<u>520,026</u>	<u>4,770,609</u>
Net Assets Released from Restrictions	<u>396,942</u>	<u>(396,942)</u>	<u>-</u>
Total Support and Revenue	<u>4,647,525</u>	<u>123,084</u>	<u>4,770,609</u>
EXPENSES:			
Program Services	4,046,602	-	4,046,602
Management and General	253,354	-	253,354
Fund Raising	204,965	-	204,965
Total Expenses	<u>4,504,921</u>	<u>-</u>	<u>4,504,921</u>
Increase (Decrease) in Net Assets	142,604	123,084	265,688
Net Assets, Beginning of Year	<u>482,297</u>	<u>592,547</u>	<u>1,074,844</u>
Net Assets, End of Year	<u>\$ 624,901</u>	<u>\$ 715,631</u>	<u>\$ 1,340,532</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, 2018
WITH SUMMARIZED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services		Totals	
	In-Kind Program	Program	Total Program	Management and General	Fund Raising	6/30/18	6/30/17
Salaries and Benefits	\$ -	\$ 2,442,497	\$ 2,442,497	\$ 404,196	\$ 340,639	\$ 3,187,332	\$ 3,142,025
Awards and Scholarships	-	1,500	1,500	-	-	1,500	1,000
Bad Debt	-	-	-	1,125	-	1,125	50,000
Classroom and Administrative Facilities	519,575	125,546	645,121	-	-	645,121	688,094
Conferences and Training	-	13,831	13,831	883	-	14,714	14,678
Consulting	-	63,065	63,065	-	-	63,065	158,890
Computer Support	-	1,171	1,171	4,331	351	5,853	13,487
Printing and Reproduction	-	5,048	5,048	4,417	3,155	12,620	21,575
Depreciation	-	19,354	19,354	6,015	785	26,154	27,026
Dues and Subscriptions	-	646	646	789	2,153	3,588	4,215
Interest	-	-	-	1,969	-	1,969	1,535
Insurance	-	11,582	11,582	10,135	2,413	24,130	23,316
Incentives	3,309	-	3,309	-	-	3,309	111,965
Other	-	510	510	535	1,504	2,549	407
Payroll Processing	-	-	-	8,826	-	8,826	6,303
Postage	-	26	26	53	37	116	992
Professional Fees	-	36,183	36,183	22,313	1,809	60,305	13,451
Public Relations	-	78	78	30	92	200	10,383
Equipment	-	29	29	931	-	960	1,273
Rent	-	21,010	21,010	18,383	4,377	43,770	50,498
Utilities	-	1,347	1,347	1,820	473	3,640	3,403
Maintenance and Repairs	-	547	547	32	64	643	1,245
Supplies	7,077	10,185	17,262	1,940	194	19,396	43,713
Telephone and Communications	-	6,829	6,829	4,003	942	11,774	13,342
Travel	-	101,520	101,520	3,140	-	104,660	102,105
	<u>\$ 529,961</u>	<u>\$ 2,862,504</u>	<u>\$ 3,392,465</u>	<u>\$ 495,866</u>	<u>\$ 358,988</u>	<u>\$ 4,247,319</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, 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)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Yead Ended June 30, 2018</u>	<u>Yead Ended June 30, 2017</u>
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 72,715	\$ 265,688
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	26,154	27,026
(Increase) Decrease in Accounts Receivable	113,107	(13,999)
(Increase) Decrease in Grants Receivable	47,335	(32,781)
(Increase) Decrease in Pledges Receivable	103,194	100,225
(Increase) Decrease in Prepaid Expenses	19,823	(16,329)
Increase (Decrease) in Accounts Payable	(17,603)	20,197
Increase (Decrease) in Accrued Payroll	<u>71,265</u>	<u>26,910</u>
Net Cash Provided by Operating Activities	<u>435,990</u>	<u>376,937</u>
<i><u>Cash Flows from Investing Activities:</u></i>		
Additions to Equipment, Vehicles and Furnishings	<u>(18,837)</u>	<u>(17,140)</u>
Net Cash Used by Investing Activities	<u>(18,837)</u>	<u>(17,140)</u>
<i><u>Cash Flows from Financing Activities:</u></i>		
Principal Payments on Borrowing	<u>(5,155)</u>	<u>(4,891)</u>
Net Cash Used by Financing Activities	<u>(5,155)</u>	<u>(4,891)</u>
Net Increase in Cash and Cash Equivalents	411,998	354,906
Cash and Cash Equivalents, Beginning of Year	<u>768,981</u>	<u>414,075</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,180,979</u></u>	<u><u>\$ 768,981</u></u>

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. Nature of Activities

Nature of Activities

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 1.5 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. CIS Lehigh Valley was founded in 1983 and is one of four CIS affiliates in the Commonwealth of Pennsylvania.

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

In schools throughout the greater Lehigh Valley, students struggle with under-performance, behavioral/emotional issues, and truancy. Beneath these school-related issues lies a systemic inequity that drags our community's youth down with nonacademic hurdles like unstable housing, drug and alcohol addiction, insufficient health care, mental health challenges, lack of healthy relationships, food insecurity, and many more. Oftentimes school districts are not fully equipped to meet the varying needs of all students, and while private and public assistance may be readily available in the greater Lehigh Valley, many students and their families struggle to navigate this maze of resources on their own.

When students juggle adult-sized challenges, they cannot succeed at their full potential . some drop out of school . and families and communities crumble.

These gaps in student equity call for a tailored and strategic approach that targets the needs of all students . that is where Communities In Schools steps in. Filling a void as both educational nonprofit and human service agency, CIS does whatever it takes to connect students and families to what they need . oftentimes through relationships with community partners and service providers. Bringing over 100 partner organizations to the forefront of efficient service delivery, CIS creates wraparound supports for school and student. As a result, students, schools, and communities benefit from a collaborative approach that connects and empowers all key stakeholders.

Through powerful one-on-one relationships, CIS empowers students in kindergarten through 12th grade to overcome academic and non-academic barriers on their paths to high school graduation. Offering supports that address mental health, basic needs, health, housing, tutoring, mentoring, summer and after-school programs, behavior and truancy interventions, family engagement, career services, service learning, social-emotional learning, and more - CIS diminishes the hurdles that keep kids from succeeding in school.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. Nature of Activities (Continued)

Services

Integrated Student Supports

Through its evidence-based model of Integrated Student Supports (ISS), CIS connects students and families to human, financial, and community resources in a way that ensures quality of life and equity in education. The successful implementation of ISS begins with the placement of a school-based, single point of contact: the Site Coordinator. Site Coordinators are skilled professionals who leverage relationships with the school, businesses, and community partners in order to address the needs of students, doing whatever it takes to eliminate barriers to success. Unique to the model of ISS is its dual role in not only integrating services into a student's individual success plan, but also integrating services into the school's preexisting delivery system. Site Coordinators eliminate unnecessary duplication of services, create efficiency in existing service delivery, and initiate new services where resources may be lacking.

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. Working with students' parents, teachers and guidance counselors, the Site Coordinator completes a comprehensive student support plan for each student receiving Tier III supports.
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.

A focus on measurement of student goals and outcomes throughout the school year creates data-driven supports that contribute to overall success. CIS serves more than 25,000 students through Integrated Student Supports.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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 eight community schools in the Lehigh Valley in partnership with United Way of the Greater Lehigh Valley. CIS also provides network leadership to the fourteen United Way Community Schools across four Lehigh Valley school districts.

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 secure resources that connect students and families to support and engagement events. 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 network 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.

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 130 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, 2018 and 2017

1. Nature of Activities (Continued)

Services (Continued)

General Youth Services (Continued)

CIS also offers College and Career Services at various school sites through programs that focus on career readiness, job shadowing opportunities, interview and resume skills, STEAM activities, and more. Many of these programs are supported by partnerships with local employers and corporations in the community.

Outcomes

CIS reported the following metrics on students receiving case-management through Integrated Student Supports in the 2017-2018 school year.

- 98% stay in school rate
- 92% graduation rate
- 83% promotion rate
- 59% attendance goal progress rate
- 70% behavior goal progress rate
- 74% academic goal progress rate

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:

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.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
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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, 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 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. Amounts on deposit at various times through the year exceeded the federally insured limit. The Organization had cash balances totaling \$194,940 and \$543,435 in excess of federally insured limits at June 30, 2018 and 2017, 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, 2018 and 2017 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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2. Summary of Significant Accounting Policies (Continued)

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.

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:

	Years
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 did not receive any donated services during 2018 or 2017 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:

	2018	2017
Classroom Facilities	\$ 519,575	\$ 682,459
Professional Fees	-	2,500
Program Events	-	93,966
Supplies and Training	10,386	2,710
Total	\$ 529,961	\$ 781,635

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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2. Summary of Significant Accounting Policies (Continued)

Donated Services and Assets (Continued)

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

Functional Allocation of Expenses

The costs of providing CIS's various programs and supporting services have been summarized on a functional basis in the statements of activities. 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 2018 and 2017.

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 2015.

Reclassifications

Certain reclassifications have been made to the 2017 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.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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JUNE 30, 2018 and 2017

3. Equipment, Vehicles and Furnishings

Equipment, Vehicles and Furnishings consist of the following:

	<u>2018</u>	<u>2017</u>
Computer Equipment	\$ 102,204	\$ 99,974
Furniture and Equipment	35,850	37,273
Building Improvements	35,098	18,491
Vehicles	<u>81,505</u>	<u>81,505</u>
	254,657	237,243
Accumulated Depreciation	<u>(174,642)</u>	<u>(149,911)</u>
	<u>\$ 80,015</u>	<u>\$ 87,332</u>

Depreciation and amortization charged to expense was \$26,154 and \$27,026 for 2018 and 2017, respectively.

4. Pledges Receivable

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

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 62,852	\$ 156,857
One to five years	6,176	24,189
Over five years	-	-
Total	<u>69,028</u>	<u>181,046</u>
Less: Unamortized Discount (5%)	-	(1,973)
Less: Allowance for Uncollectible Pledges (5%)	<u>(3,451)</u>	<u>(10,302)</u>
	<u>\$ 65,577</u>	<u>\$ 168,771</u>

5. Line of Credit

CIS has a \$450,000 unsecured line of credit with an interest rate of 6% at June 30, 2018. There was no outstanding balance at June 30, 2018 and 2017. The line was not utilized during the fiscal years ended June 30, 2018 and 2017. There was no interest expense incurred during the periods presented.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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6. Lease Commitments

On April 1, 2016 CIS entered into a lease agreement for additional 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. The landlord has agreed to terminate the leases early because CIS entered into a lease for a new space.

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 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, CIS maintains a copier equipment lease with a monthly obligation of \$223 until May, 2020.

Effective September 2018 the Organization entered into a lease agreement for an additional copier. The terms of the lease provide for monthly payments of \$512 for 60 months.

Future minimum lease payments for years subsequent to June 30, 2018 are as follows:

Year Ending June 30,		
2019	\$	57,673
2020		61,114
2021		60,000
2022		60,000
2023		60,000
Thereafter		5,000

Rent expense, including amounts paid for utilities, taxes, and common area maintenance fees and expenses, was \$43,770 and \$50,498 for 2018 and 2017, respectively.

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7. 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.

In June 2018, CIS signed a secured loan agreement for \$130,000. The proceeds were not disbursed as of June 30, 2018. Subsequent to June 30, 2018, \$94,000 was drawn on the loan. The loan provides for a 5 year repayment with an interest rate of 4.75%.

This loan was not included in the debt maturity schedule.

	2018	2017
Loan Balance	\$ 16,672	\$ 21,827
Less: Current Portion	(5,437)	(5,156)
	\$ 11,235	\$ 16,671

Interest expense on the loan was \$1,021 and \$1,283 in 2018 and 2017, respectively.

Long-term loan maturities are as follows:

Years ending June 30,

2019	\$	5,437
2020		5,729
2021		5,506

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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8. Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Art of Relaxation	\$ 7,680	\$ 8,340
Aspiring Professionals	17,762	10,000
Central ES - Family Activities	1,126	5,000
Cleveland ES	-	10,000
College Bound	15,223	60,060
Field Trips	-	357
GED Testing	1,174	1,174
Graduate Allentown	284,677	486,482
ISS Services - Easton	11,000	22,000
ISS Services - Whitehall	-	10,000
ISS Services - LCTI	2,238	41,050
Lincoln Books	-	55
Lincoln Elementary	162	271
Mosser Elementary	41,302	-
Moving Costs	17,696	-
Project Mustard Seed	200	200
Re-engagement	57,293	7,293
Roosevelt ES - Summer Learning	3,818	2,528
Roosevelt ES - STEM Project	131	9,433
Student Scholarships	9,250	8,750
Student Scholarships - Fuller	7,735	9,235
Vehicle Debt Service	16,720	22,895
Winter Clothing	508	508
Washing Machine	480	-
	<u>\$ 496,175</u>	<u>\$ 715,631</u>

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS
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8. Net Assets (Continued)

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

	<u>2018</u>	<u>2017</u>
Art of Relaxation	\$ 660	\$ -
Aspiring Professionals	2,238	-
Bikes and Helmets	1,000	-
Central ES - Family Activities	4,074	-
Cleveland ES	10,000	-
College Bound	69,837	53,699
Community Program	52,500	-
Field Trips	357	551
GED Testing	-	196
Graduate Allentown	276,805	197,679
Holiday Gifts	-	900
ISS Services	52,000	34,000
ISS Services - ASD	100,000	-
ISS Services - Whitehall	10,000	-
ISS Services - Easton	22,000	-
ISS Services - Reading	-	30,000
ISS Services - LCTI	58,812	18,950
Lehigh Valley Community Schools	35,000	-
Lincoln Books	55	-
Lincoln Elementary	109	1,852
McKinley Family Engagement	200	-
Mosser Elementary	8,698	-
Moving Costs	2,804	-
Pen Pal Program	110	-
Program Support	40,000	20,000
Re-engagement	-	20,873
Roosevelt ES - Bear Camp	339	-
Roosevelt ES - Summer Learning	6,710	-
Roosevelt ES - STEM Project	9,302	-
Site Cordinator - WAHS	12,500	-
Student Scholarships - Fuller	1,500	1,000
Tier II Supports	10,000	-
Uniforms - Central	100	-
Uniforms - McKinley	-	515
Unity T Shirts	2,250	-
Vehicles	6,175	4,893
Youth Build	-	11,834
Washing Machine	520	-
	<u>\$ 796,655</u>	<u>\$ 396,942</u>

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
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8. Net Assets (Continued)

Board Designated net assets are available for the following purposes:

	2018	2017
Student Scholarships - Fuller	\$ 2,750	\$ 2,750

9. 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.

10. Concentrations

CIS operates in Lehigh, Northampton, and Berks Counties in Pennsylvania. Two local school districts account for 52% and 70% of the accounts receivable balances at June 30, 2018 and 2017, respectively. CIS recognized \$1,227,363 and \$2,393,709 for the years ended June 30, 2018 and 2017, respectively, of its total revenue including in-kind and contributed services and facilities from these two school districts.

11. 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. Previously, through December 31, 2017, CIS offered its employees the opportunity to participate in a Section 408(p) Simple IRA Retirement Plan which allowed for employee and employer contributions. Employer contributions to the retirement plans totaled \$33,383 and \$28,194 for the years ended June 30, 2018 and 2017, respectively.

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12. Subsequent Events

Management has evaluated subsequent events through January 25, 2019, which is the date the financial statements were available to be issued, and has determined that, with the exception of the draw down on the loan referenced in note 7 and the new copier lease referenced in note 6, no subsequent events have occurred that require recognition or disclosure in the financial statements.