

MEMORANDUM

To: Mike McCorristin, Executive Vice President
From: David Cahill, YPTC
Date: July 18, 2019

Subject: **June 30, 2019 Preliminary Financial Statements**

Your preliminary financial statements for the fiscal year ended June 30, 2019 are attached.

These reports include:

- Dashboard – As of June 30, 2019
- Statements of Financial Position – As of June 30, 2019 and June 30, 2018
- Statements of Activities – Twelve Months Ended June 30, 2019
- Statement of Cash Flows – Twelve Months Ended June 30, 2019

Summary

CIS continues to be in a strong position. CIS ran a deficit in June as expected, mainly due to year-end accruals for Paid Time-Off, with a monthly deficit of \$9k, and now has a surplus of \$40k through the end of the fiscal year.

Statement of Financial Position

- 1) Liquidity – CIS continues to be in a strong liquidity position.
 - a) Current ratio = Current Assets/Current Liabilities
 - i) $1.67\text{mm}/384\text{k} = 4.4$ vs. 5.5 as of 6/30/2018
The current ratio decreased over the year due to the increase in accrued payroll compared to the prior year.
 - b) The current assets on hand are enough to support about 4.8 months of operations for the business with cash on hand to support over 3.9 months of expenses.
 - c) CIS has adopted a Board Designated Operating Reserve which is now reflected on the Statement of Financial Position. In addition, CIS paid off their loan and is considering cash management and investment policies for all funds.
- 2) Debt Coverage – CIS remains in a strong position for debt coverage.
- 3) Please note that we have now broken out Net Assets into three categories: Net Assets without Restrictions, Board Designated Operating Reserve, and Net Assets with Restrictions. The CIS budget anticipates releasing at least \$250k of assets from restrictions at year-end. These adjustments will be made during the audit review and we will provide updated information at that time relating to the breakdown of Net Assets.

Statement of Activities

- 1) Net Surplus
 - a) The Net Surplus for the year ended June 30, 2019 is \$40k compared to the prior year period Net Surplus of 73k. Excluding In-Kind Donations, revenue is up \$401k over the same period last year and expenses are up 433k over the same period last year, mostly driven by budgeted higher personnel expenses (up \$361k).
- 2) Vs. Budget – Excluding In-Kind, Revenue was in line with budget and Expenses were below budget.
 - a) Revenues: \$4.230k actual, vs \$4.236k budget
 - i) Contracted Services (-\$44k) and Corporations (-\$120k) trailed budget while Grants (+\$45k), United Way (+\$32k), and Foundations (+\$75k) exceeded budgeted revenue.
 - b) Expenses: \$4.190k vs. \$4,392k budget
 - i) Personnel Expenses (\$3,557k actual vs \$3,814k budget).
 - ii) Non-Personnel Expenses exceeded budget for the year (\$633k vs \$578k)

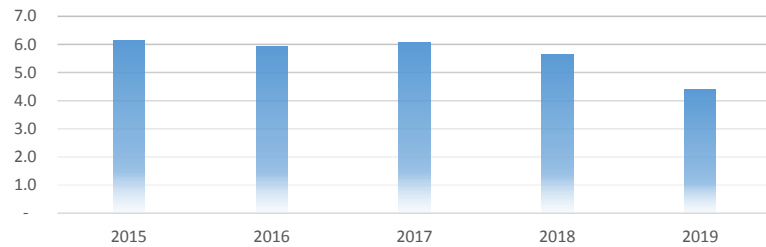
Cash Flow

- 1) Net Cash increased in FY 2019 by \$177k.
 - a) The increase is primarily due to the decrease in accounts receivable over the year of \$157k.

If you have any questions, or would like to discuss anything on these statements, please let me know.

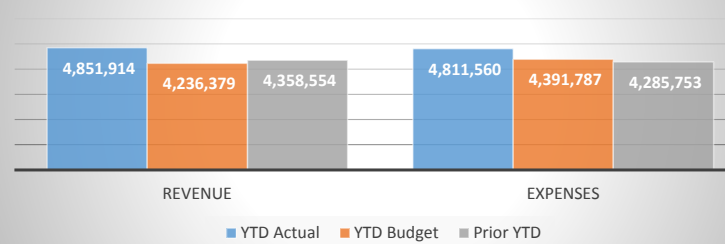
Communities in Schools of the Lehigh Valley Financial Dashboard as of June 30, 2019

CURRENT RATIO



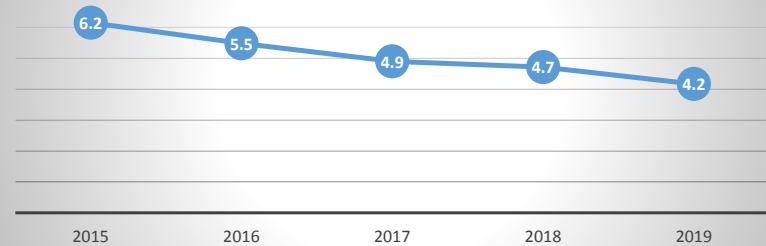
A ratio of 1.0 to 2.0 is considered healthy. A ratio over 3 indicates an opportunity for investment. CIS moved \$600,000 into an Investment Account in 2018. If these funds may be held over 12 months, an investment strategy should be developed and implemented. Decrease in Current Ratio is temporary due to accrued payroll expense at fiscal year-end.

YTD Budget to Actual



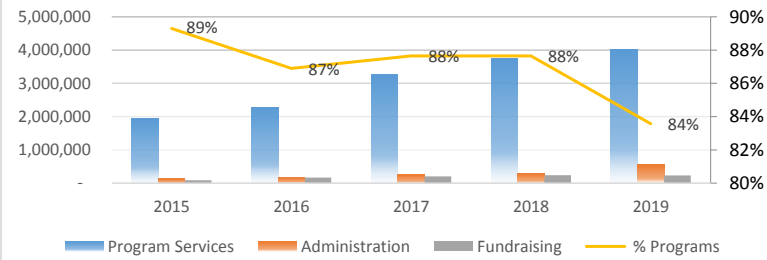
Excluding In-Kind Donations (\$621k), Revenue is in line with budget and exceeds prior year revenue by \$401k and Expense is below budget and higher than prior year. FY 19 surplus is \$196k above budget and \$33k below last year's surplus.

Months Expenses on Hand



The recommended benchmark is 3-6 months. CIS is in a strong position and should look to maintain this level of Expenses on Hand.

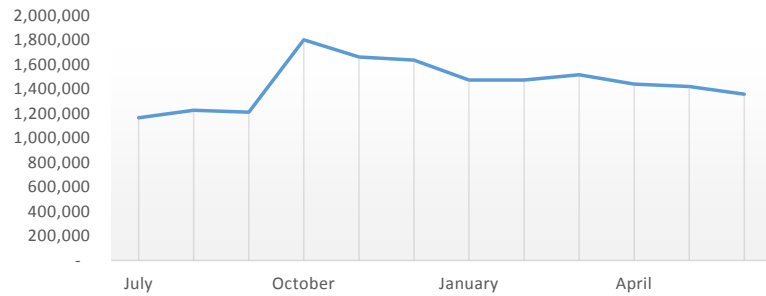
PROGRAM EFFICIENCY



The percentage of expenses spent on programs remains strong. Amount decreased in current fiscal year as administrative support was increased to position CIS for growth.

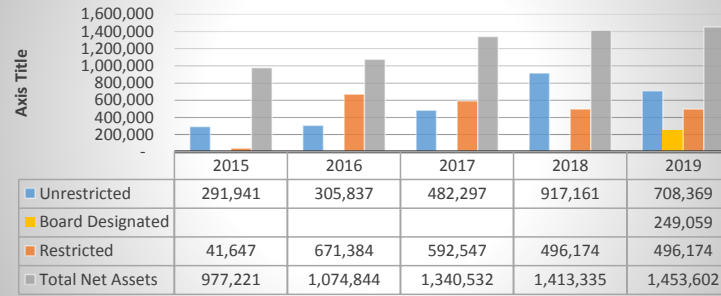
Communities in Schools of the Lehigh Valley Financial Dashboard as of June 30, 2019

Cash Balances - YTD



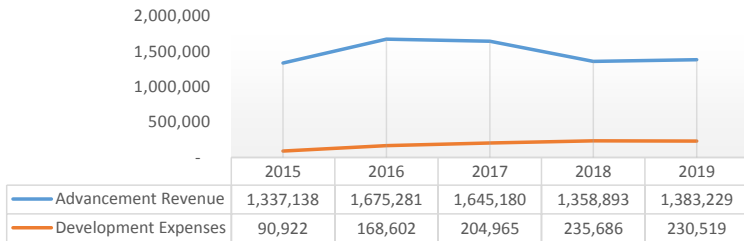
Cash increased in October due to early payment from Allentown School District. As indicated above, large cash balances are an opportunity for investment.

Net Assets



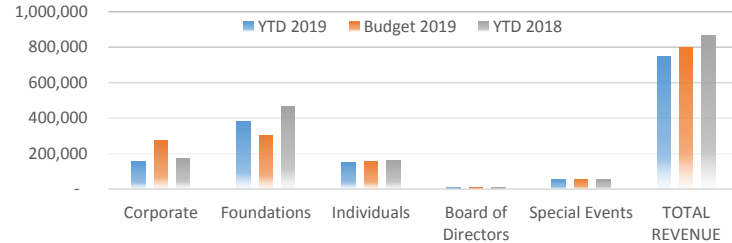
Net Assets consistently growing. YTD decrease in Unrestricted Net Assets as no Releases from Restrictions have been made. Anticipating ~\$250k at Year-End.

Fundraising Efficiency



Effectiveness of fundraising decreased last year and not reaching budget so far year-to-date.

FY 19 - ADVANCEMENT REVENUE



Advancement revenue is trailing both prior year and budget year to date. YTD, contributed revenue is only 17% of total revenue, down from 31% in 2018.

Debt/Asset Ratio

	2015	2016	2017	2018	2019
Debt	\$ 65,000	\$ 224,820	\$ 267,036	\$ 308,624	\$ 384,663
Assets	\$ 545,789	\$ 1,299,664	\$ 1,607,569	\$ 1,763,889	\$ 1,838,265
Debt/Asset Ratio	12%	17%	17%	17%	21%

Debt/Asset Ratio increased this year due to the an increase in accrued in payroll at year-end compared to last year.

Special Event Analysis

	2015	2016	2017	2018	2019
Revenue	\$ -	\$ 70,788	\$ 77,383	\$ 55,226	\$ 55,503
Expenses	\$ -	\$ 14,411	\$ 21,340	\$ 38,520	\$ 25,061
Margin		80%	72%	30%	55%

Special Event efficacy increased over prior year. Current year events are complete and net revenue was \$5k below budget.

Better than average or exceeding expectations

Equal to expectations or trending in the wrong direction

Areas of concern

**Communities in Schools of the Lehigh Valley
Statements of Financial Position
As Of June 30, 2019 and June 30, 2018**

	<u>Jun-2019</u>	<u>Jun-2018</u>	<u>Variance</u>
Assets			
Current Assets			
Cash and Cash Equivalents	1,357,678	1,180,980	\$ 176,698
Accounts Receivable	271,739	444,516	(172,777)
Other Current Assets	41,712	23,280	18,432
Total Current Assets	<u>\$ 1,671,129</u>	<u>\$ 1,648,775</u>	<u>\$ 22,353</u>
Long Term Assets			
Fixed Assets	379,440	254,657	124,783
Accumulated Depreciation	(212,304)	(174,642)	(37,662)
Total Long Term Assets	<u>\$ 167,137</u>	<u>\$ 80,015</u>	<u>\$ 87,122</u>
Total Assets	<u>\$ 1,838,265</u>	<u>\$ 1,728,790</u>	<u>\$ 109,475</u>
Liabilities and Fund Balance			
Liabilities			
Current Liabilities	379,269	304,308	74,962
Long Term Liabilities	5,394	11,235	(5,840)
Total Liabilities	<u>\$ 384,663</u>	<u>\$ 315,542</u>	<u>\$ 69,121</u>
Fund Balance			
Net Assets Without Restrictions	708,369	689,913	18,456
Board-Designated Operating Reserve	249,059	-	249,059
Net Assets With Restrictions	496,174	723,422	(227,248)
Total Fund Balance	<u>\$ 1,453,602</u>	<u>\$ 1,413,335</u>	<u>\$ 40,267</u>
Total Liabilities and Fund Balance	<u>\$ 1,838,265</u>	<u>\$ 1,728,877</u>	<u>\$ 109,388</u>
Beginning Balance	1,413,335	1,340,533	72,802
Net Surplus/(Deficit)	40,354	72,802	(32,448)
Ending Fund Balance	<u>\$ 1,453,689</u>	<u>\$ 1,413,335</u>	<u>\$ 40,354</u>

**Communities in Schools of the Lehigh Valley
Statements of Activities
12 Months Ended June 30, 2019**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue			
Contracted Services	\$ 1,940,278	\$ 1,983,963	\$ (43,686)
Grants	518,048	473,553	44,495
United Way	1,010,359	978,500	31,859
Corporate	153,166	272,771	(119,605)
Foundations	378,700	304,051	74,649
Individuals	150,918	156,588	(5,670)
Board of Directors	8,131	11,156	(3,025)
In-Kind Donations	621,785	-	621,785
Special Events	55,503	55,797	(294)
Other	15,026	-	15,026
Total Revenue	<u>\$ 4,851,914</u>	<u>\$ 4,236,379</u>	<u>\$ 615,535</u>
	4,230,129		
Expense			
Personnel Expense			
Salaries	3,069,030	3,213,204	(144,174)
Payroll Taxes & Benefits	488,375	600,699	(112,324)
Total Personnel Expense	<u>\$ 3,557,405</u>	<u>\$ 3,813,903</u>	<u>\$ (256,498)</u>
Non-Personnel Expense			
Rent	60,600	84,000	(23,400)
Utilities/Occupancy Cost	60,516	23,073	37,443
Insurance	25,028	24,880	148
Transportation & Travel	87,818	90,121	(2,303)
Printing & Supplies	37,073	25,039	12,034
Contracted Services & Fees	118,510	156,795	(38,285)
Special Event Expenses	25,061	20,000	5,061
Depreciation Expense	37,662	-	37,662
Scholarships	-	1,500	(1,500)
Other	801,888	152,476	649,412
Total Non-Personnel Expense	<u>\$ 1,254,154</u>	<u>\$ 577,884</u>	<u>\$ 676,270</u>
Total Expense	<u>\$ 4,811,560</u>	<u>\$ 4,391,787</u>	<u>\$ 419,773</u>
Beginning Fund Balance	1,413,335	1,413,335	-
Net Surplus/(Deficit)	40,354	(155,408)	195,762
Ending Fund Balance	<u>\$ 1,453,689</u>	<u>\$ 1,257,927</u>	<u>\$ 195,762</u>

**Communities in Schools of the Lehigh Valley
Statement of Cash Flows
12 Months Ended June 30, 2019**

	Actual
Cash Flows From Operating Activities	
Net Surplus/(Deficit) For Period	\$ 40,354
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities	
Decrease (Increase) in Prepaid Expenses	(18,432)
Decrease (Increase) in Accounts Receivable	156,934
Decrease (Increase) in Pledge Receivable	15,843
Increase (Decrease) in Accounts Payable	5,721
Increase (Decrease) in Short-Term Debt	292
Increase (Decrease) in Deferred Revenue	-
Increase (Decrease) in Accrued Payroll	67,624
Increase (Decrease) in Accrued Payroll Taxes	3,759
Increase (Decrease) in Accrued Expenses	(2,434)
Increase (Decrease) in Depreciation Expense	37,662
Net Cash Provided (Used) by Operating Activities	\$ 307,322
Cash Flows from Investing Activities	
Purchases of Computer/Technology Equipment	(7,903)
Purchases of Building Improvements	(116,880)
Net Cash Provided (Used) by Investing Activities	\$ (124,783)
Cash Flows from Financing Activities	
Increase (Decrease) in Loans Payable	(5,840)
Net Cash Provided (Used) by Financing Activities	\$ (5,840)
Net Increase/(Decrease) in Cash	176,698
Cash and Cash Equivalents as of June 30, 2018	1,180,980
Cash and Cash Equivalents as of June 30, 2019	\$ 1,357,678