

**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, 2019 and 2018

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Congbell, Rappold & Yasuta LLP

October 22, 2019

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,357,679	\$ 1,180,979
Accounts Receivable	233,771	378,939
Pledges Receivable, Net (Note 5)	42,351	65,577
Prepaid Expenses	41,712	23,280
	<u>1,675,513</u>	<u>1,648,775</u>
Total Current Assets		
EQUIPMENT, VEHICLES AND FURNISHINGS (Note 4)	<u>160,580</u>	<u>80,015</u>
Total Assets	<u>\$ 1,836,093</u>	<u>\$ 1,728,790</u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts Payable	\$ 41,364	\$ 33,785
Accrued Payroll	334,034	265,086
Current Portion of Loan Payable (Note 8)	5,728	5,437
	<u>381,126</u>	<u>304,308</u>
Total Current Liabilities		
COMMITMENTS AND CONTINGENCIES (Note 7 and 11)		
LONG TERM-LOAN PAYABLE (Note 8)	<u>5,394</u>	<u>11,235</u>
Total Liabilities	<u>386,520</u>	<u>315,543</u>
NET ASSETS:		
Without Donor Restrictions		
Undesignated	754,026	834,307
Invested in Equipment, Vehicles and Furnishings	160,580	80,015
Board Designated (Note 10)	250,109	2,750
	<u>1,164,715</u>	<u>917,072</u>
Total Net Assets Without Donor Restrictions		
With Donor Restrictions (Note 9)	<u>284,858</u>	<u>496,175</u>
Total Net Assets	<u>1,449,573</u>	<u>1,413,247</u>
Total Liabilities and Net Assets	<u>\$ 1,836,093</u>	<u>\$ 1,728,790</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, 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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions and Support:			
Individuals	\$ 29,995	\$ 132,950	\$ 162,945
Board of Directors	9,753	-	9,753
Corporations	84,913	87,749	172,662
Foundations	107,800	356,500	464,300
School District Contracts	1,783,432	-	1,783,432
Government Grants	511,087	-	511,087
United Way Agreements	666,622	-	666,622
Special Events	55,226	-	55,226
Less Cost of Direct Benefit to Donors	<u>(6,974)</u>	<u>-</u>	<u>(6,974)</u>
Net Special Events Revenue	48,252	-	48,252
In-Kind Contributions			
In-Kind Facilities	519,575	-	519,575
In-Kind Professional Fees	-	-	-
In-Kind Supplies and Training	10,386	-	10,386
Miscellaneous Income	1,440	-	1,440
Interest Income	<u>1,126</u>	<u>-</u>	<u>1,126</u>
Total Support and Revenue Before Releases	3,774,381	577,199	4,351,580
Net Assets Released from Restrictions	<u>796,655</u>	<u>(796,655)</u>	<u>-</u>
Total Support and Revenue	<u>4,571,036</u>	<u>(219,456)</u>	<u>4,351,580</u>
EXPENSES			
Program Services	3,392,465	-	3,392,465
Management and General	495,866	-	495,866
Fund Raising	<u>390,534</u>	<u>-</u>	<u>390,534</u>
Total Expenses	<u>4,278,865</u>	<u>-</u>	<u>4,278,865</u>
Increase (Decrease) in Net Assets	292,171	(219,456)	72,715
Net Assets, Beginning of Year	<u>624,901</u>	<u>715,631</u>	<u>1,340,532</u>
Net Assets, End of Year	<u>\$ 917,072</u>	<u>\$ 496,175</u>	<u>\$ 1,413,247</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, 2019
WITH SUMMARIZED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Total Program	Supporting Services		Total	
	ISS	Community Schools	Other		Management and General	Fund Raising	June 30, 2019	Summarized June 30, 2018
Salaries and Benefits	\$ 1,591,073	\$ 879,487	\$ 501,799	\$ 2,972,359	\$ 413,187	\$ 173,717	\$ 3,559,263	\$ 3,190,670
Awards and Scholarships	908	503	288	1,699	-	-	1,699	1,500
Bad Debt	-	-	-	-	10,000	-	10,000	1,125
Classroom and Administrative Facilities	29,438	125,857	1,894	157,189	-	-	157,189	124,672
In-Kind Facilities, Supplies, and Services	319,015	153,853	148,917	621,785	-	-	621,785	529,961
Conferences and Training	4,280	2,379	1,306	7,965	8,049	559	16,573	14,714
Consulting	20,069	15,606	-	35,675	-	-	35,675	59,726
Computer Support	4,583	2,540	1,455	8,578	8,125	505	17,208	5,853
Printing and Reproduction	3,569	1,993	1,037	6,599	1,683	2,803	11,085	8,592
Depreciation	-	-	-	-	36,314	-	36,314	26,154
Dues and Subscriptions	24	13	8	45	1,825	3,283	5,153	3,390
Interest and Fees	335	186	106	627	2,591	704	3,922	3,350
Insurance	11,367	6,300	3,608	21,275	2,503	1,251	25,029	24,130
Other	8,433	4,674	2,827	15,934	8,323	1,898	26,155	4,453
Payroll Processing	-	-	-	-	9,037	-	9,037	8,826
Postage	-	-	-	-	13	50	63	454
Professional Fees	8,871	4,917	2,816	16,604	30,932	16,342	63,878	57,896
Public Relations	1,197	663	380	2,240	60	255	2,555	3,889
Equipment	-	-	-	-	1,163	-	1,163	90
Rent	26,696	14,796	8,474	49,966	7,691	2,943	60,600	43,770
Utilities	1,664	922	528	3,114	432	173	3,719	3,640
Maintenance and Repairs	3,419	1,895	1,085	6,399	2,670	328	9,397	1,465
Supplies	996	627	174	1,797	23,929	199	25,925	12,517
Special Events Expense	-	-	-	-	-	24,349	24,349	31,546
Cost of Direct Benefit to Donors	-	-	-	-	-	711	711	6,974
Telephone and Communications	4,710	2,610	3,473	10,793	1,933	984	13,710	11,774
Travel and Transportation	49,799	27,811	3,743	81,353	6,393	72	87,818	104,708
Total Expense by Function	2,090,446	1,247,632	683,918	4,021,996	576,853	231,126	4,829,975	4,285,839
Less: Expenses Included with Revenues on the Statement of Activities								
Cost of Direct Benefit to Donors	-	-	-	-	-	(711)	(711)	(6,974)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,090,446	\$ 1,247,632	\$ 683,918	\$ 4,021,996	\$ 576,853	\$ 230,415	\$ 4,829,264	\$ 4,278,865

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, 2019 AND 2018

	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2018</u>
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 36,326	\$ 72,715
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	36,314	26,154
Decrease (Increase) in Accounts Receivable	145,168	160,442
Decrease (Increase) in Pledge Receivable	23,226	103,194
Decrease (Increase) in Prepaid Expenses	(18,432)	19,823
Increase (Decrease) in Accounts Payable	7,579	(17,603)
Increase (Decrease) in Accrued Payroll	<u>68,948</u>	<u>71,265</u>
Net Cash Provided by Operating Activities	<u>299,129</u>	<u>435,990</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of Computer/Technology Equipment	-	(807)
Purchases of Building Improvements	<u>(116,879)</u>	<u>(18,030)</u>
Net Cash (Used) for Investing Activities	<u>(116,879)</u>	<u>(18,837)</u>
<u>Cash Flows From Financing Activities:</u>		
(Decrease) in Loans Payable	<u>(5,550)</u>	<u>(5,155)</u>
Net Cash (Used) for Financing Activities	<u>(5,550)</u>	<u>(5,155)</u>
Net Increase in Cash and Cash Equivalents	176,700	411,998
Cash and Cash Equivalents, Beginning of Year	<u>1,180,979</u>	<u>768,981</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,357,679</u>	<u>\$ 1,180,979</u>
<u>Supplemental Information:</u>		
Interest Paid	<u>\$ 2,751</u>	<u>\$ 1,021</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, 2019 and 2018

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 1.5 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.

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 10 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 30 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, 2019 and 2018

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, 2019 and 2018

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. 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 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, 2019 and 2018

1. Nature of Activities (Continued)

Services (Continued)

Outcomes

CIS reported the following metrics on students receiving case-management through Integrated Student Supports in the 2018-2019 school year.

- 86% graduation rate
- 85% promotion rate
- 62% made progress toward attendance goals
- 74% made progress toward behavior goals
- 77% made progress toward 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, 2019 and 2018

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 \$113,039 and \$194,940 in excess of federally insured limits at June 30, 2019 and 2018, respectively.

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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, 2019 and 2018 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:

	2019	2018
Classroom Facilities	\$ 614,517	\$ 519,575
Professional Fees	625	-
Supplies and Training	6,643	10,386
	\$ 621,785	\$ 529,961

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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 2019 and 2018.

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 2016.

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2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update 2016-14 *Not-for-Profit Entities (Topic 958)*, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification, enhances disclosure on liquidity and availability of resources, and includes several other less significant reporting enhancements. CIS elected to adopt ASU 2016-14 for the year ending June 30, 2019 and it was applied retrospectively to the year ending June 30, 2018.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format.

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 balance sheet date, comprise the following:

Financial Assets	
Cash and Cash Equivalents	\$ 1,357,679
Accounts Receivable	233,771
Pledges Receivable	<u>42,351</u>
Financial Assets, at year end	1,633,801
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	(284,858)
Board Designations	<u>(250,109)</u>
Financial Assets available to meet cash needs for general expenditures, within one year	<u><u>\$ 1,098,834</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 \$249,059 (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.

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4. Equipment, Vehicles and Furnishings

Equipment, Vehicles and Furnishings consist of the following:

	2019	2018
Computer Equipment	\$ 102,204	\$ 102,204
Furniture and Equipment	35,850	35,850
Building Improvements	151,977	35,098
Vehicles	81,505	81,505
	<u>371,536</u>	<u>254,657</u>
Accumulated Depreciation	<u>(210,956)</u>	<u>(174,642)</u>
	<u>\$ 160,580</u>	<u>\$ 80,015</u>

Depreciation and amortization charged to expense was \$36,314 and \$26,154 for 2019 and 2018, respectively.

5. Pledges Receivable

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

	2019	2018
Less than one year	\$ 36,175	\$ 62,852
One to five years	6,176	6,176
Over five years	-	-
Total	<u>42,351</u>	<u>69,028</u>
Less: Unamortized Discount (5%)	-	-
Less: Allowance for Uncollectible Pledges (5%)	<u>-</u>	<u>(3,451)</u>
	<u>\$ 42,351</u>	<u>\$ 65,577</u>

6. Line of Credit

CIS has a \$450,000 unsecured line of credit with an interest rate of 6% at June 30, 2019. There was no outstanding balance at June 30, 2019 and 2018. The line was not utilized during the fiscal years ended June 30, 2019 and 2018. There was no interest expense incurred during the periods presented.

7. Lease Commitments

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

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7. Lease Commitments (Continued)

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, 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 is expired the lease shall become a month to month lease with 30 days' notice required for termination. The monthly rent expense is \$250.

Future minimum lease payments for years subsequent to June 30, 2019 are as follows:

Years Ending June 30,		
2020	\$	69,597
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 \$60,600 and \$43,700 for 2019 and 2018, 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.

In June 2018, CIS signed a secured loan agreement for \$130,000 with an interest rate of 4.75% and a 5-year repayment term. In July 2018, \$94,000 was drawn on the loan and subsequently repaid in February 2019.

Interest expense on the loan was \$2,751 and \$1,021 in 2019 and 2018, respectively.

Long-term loan maturities are as follows:

Years Ending June 30,		
2020	\$	5,728
2021		5,394

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9. Net Assets with Donor Restriction

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

	2019	2018
Art of Relaxation	\$ 7,680	\$ 7,680
Aspiring Prof. Program	17,421	17,762
Central ES - Family Activities	1,584	1,126
Central ES - Uniforms	2	-
Cheston - Recess Equipment and Cheston Families	277	-
Cheston - Food Pantry	1,100	-
CIS Intranet	1,600	-
College Bound	15,223	15,223
GED testing	1,174	1,174
Graduate Allentown	87,956	284,677
ISS Services - Easton SD	16,243	11,000
ISS Services - LCTI	-	2,238
Lincoln Elementry	1,162	162
Mosser Elementary School	41,155	41,302
Moving Expenses	-	17,696
Project Mustard Seed	200	200
Re-engagement	46,757	57,293
Roosevelt ES - Summer Learning	-	3,818
Roosevelt ES - STEM Project	-	131
Scholarships - Fuller	7,735	7,735
Scholarships - Other	9,250	9,250
Summer Programs	4,000	-
Vehicles - Van	12,351	16,720
Winter Clothing	508	508
Washing Machine and Related Supplies	10,480	480
Yoga and Karate programs	1,000	-
	\$ 284,858	\$ 496,175

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9. Net Assets With Donor Restrictions (Continued)

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

	2019	2018
Art of Relaxation	\$ -	\$ 660
Aspiring Prof. Program	341	2,238
Attendance Campaign	1,200	-
Bikes and Helmets	-	1,000
Central ES - Family Activities	5,542	4,074
Central ES - Uniforms	248	-
Cheston - Recess Equipment and Cheston Families	1,223	-
Cheston - Food Pantry	150	-
CIS Intranet	8,400	-
Cleveland ES	-	10,000
College Bound	-	69,837
Community Program	-	52,500
Field Trips	-	357
Graduate Allentown	221,721	276,805
Harrison Morton Elementary School	2,500	-
ISS services - Whitehall SD	-	10,000
ISS Services	54,000	52,000
ISS Services - ASD	-	100,000
ISS Services - Easton SD	4,757	22,000
ISS Services - LCTI	20,238	58,812
Lehigh Valley Community Schools	-	35,000
Lincoln Books	-	55
Lincoln Elementry	-	109
McKinley Family Engagement	-	200
Mosser Elementary School	50,147	8,698
Moving Expenses	17,696	2,804
Pen Pal Program	-	110
Program Support	200,000	40,000
Re-engagement	10,536	-
Roosevelt ES - Bear Camp	-	339
Roosevelt ES - Summer Learning	12,152	6,710
Roosevelt ES - STEM Project	131	9,302
Site Coordinator - WAHS	-	12,500
Scholarships - Fuller	-	1,500
Tier II Supports	-	10,000
Uniforms - Central	-	100
Unify T Shirts	-	2,250
Vehicles - Van	4,368	6,175
WAHS Site Coordination	12,500	-
Washing Machine and Related Supplies	-	520
	\$ 627,850	\$ 796,655

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10. Net Assets Without Donor Restriction

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

	2019	2018
Board Designated Reserve Fund	\$ 249,059	\$ -
Scholarships - Fuller	1,050	2,750
	\$ 250,109	\$ 2,750

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 24% and 17% of total revenue excluding in-kind donations for the years ended June 30, 2019 and 2018, 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 \$42,998 and \$33,383 for the years ended June 30, 2019 and 2018, respectively.

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14. Subsequent Events

Management has evaluated subsequent events through October 22, 2019, which is the date the financial statements were available to be issued and has determined that no subsequent events have occurred that require recognition or disclosure in the financial statements.