

Communities In Schools of Eastern Pennsylvania, Inc.



Financial Statements and Independent Auditors' Report

June 30, 2023

Communities In Schools of Eastern Pennsylvania, Inc.

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communities In Schools of Eastern Pennsylvania, Inc.
Allentown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Communities In Schools of Eastern Pennsylvania, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Eastern Pennsylvania, Inc. as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities In Schools of Eastern Pennsylvania, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

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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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities in Schools of Eastern Pennsylvania, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Communities In Schools of Eastern Pennsylvania, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities In Schools of Eastern Pennsylvania, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Communities In Schools of Eastern Pennsylvania, Inc. as of June 30, 2022 were audited by other auditors whose report dated October 11, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GBB & Company, LLP

Allentown, Pennsylvania
February 27, 2024

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,308,010	\$ 4,894,578
Accounts Receivable	509,621	171,362
Pledges Receivable, Net (Note 7)	665,847	45,500
Prepaid Expenses	<u>27,216</u>	<u>49,076</u>
Total Current Assets	3,510,694	5,160,516
INVESTMENTS (NOTES 4 and 5)	3,311,022	1,155,734
LEASEHOLD IMPROVEMENTS, EQUIPMENT, VEHICLES AND FURNISHINGS (Note 6)	76,247	89,785
OPERATING LEASE RIGHT OF USE ASSET (NOTE 9)	<u>326,194</u>	<u>-</u>
Total Assets	<u><u>\$ 7,224,157</u></u>	<u><u>\$ 6,406,035</u></u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES		
Accounts Payable	\$ 23,624	\$ 34,491
Accrued Payroll	264,111	330,579
Deferred Revenue	96,567	-
Current Portion of Operating Lease Liability (Note 9)	<u>62,441</u>	<u>-</u>
Total Current Liabilities	<u>446,743</u>	<u>365,070</u>
LONG-TERM OPERATING LEASE LIABILITIES (NOTE 9)	<u>283,649</u>	<u>-</u>
Total Liabilities	<u>730,392</u>	<u>365,070</u>
NET ASSETS:		
Without Donor Restrictions - General	548,403	736,808
Without Donor Restrictions - Board Designated (Note 12)	5,081,993	4,982,814
Invested in Equipment, Vehicles and Furnishings	<u>76,247</u>	<u>89,785</u>
Total Net Assets without Donor Restrictions	5,706,643	5,809,407
With Donor Restrictions (Note 11)	<u>787,122</u>	<u>231,558</u>
Total Net Assets	<u>6,493,765</u>	<u>6,040,965</u>
Total Liabilities and Net Assets	<u><u>\$ 7,224,157</u></u>	<u><u>\$ 6,406,035</u></u>

See independent auditors' report and accompanying footnotes

COMMUNITIES IN SCHOOLS OF THE LEHIGH VALLEY, INC
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions and Support	\$ 886,812	\$ 1,050,851	\$ 1,937,663
School District Contracts	3,046,878	-	3,046,878
Government Grants	350,730	-	350,730
United Way Agreements	919,937	-	919,937
Special Events	4,957	-	4,957
In-Kind Contributions			
In-Kind Supplies and Training	17,833	-	17,833
Miscellaneous Income	1,596	-	1,596
Interest Income	32,775	-	32,775
	5,261,518	1,050,851	6,312,369
Total Operating Support and Revenue Before Releases			
Net Assets Released from Restrictions - For Operations	495,287	(495,287)	-
	5,756,805	555,564	6,312,369
Total Operating Support and Revenue			
OPERATING EXPENSES			
Program Services	5,126,466	-	5,126,466
Management and General	428,613	-	428,613
Fund Raising	448,028	-	448,028
	6,003,107	-	6,003,107
Total Operating Expenses			
(Decrease) Increase in Net Assets from Operations	(246,302)	555,564	309,262
NON-OPERATING REVENUE			
Investment Income	25,192	-	25,192
Net Realized and Unrealized Gain on Investments	130,096	-	130,096
	155,288	-	155,288
Total Non-Operating Revenue			
(Decrease) Increase in Net Assets	(91,014)	555,564	464,550
Net Assets, Beginning of Year	5,809,407	231,558	6,040,965
Cummulative Effect Adjustment (Note 2)	(11,750)	-	(11,750)
Net Assets, End of Year	\$ 5,706,643	\$ 787,122	\$ 6,493,765

Communities in Schools of the Lehigh Valley
(A Not-for-Profit Corporation)
Statements of Activities
FOR THE YEAR ENDED JUNE 30, 2022

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions and Support	\$ 3,287,250	\$ 395,388	\$ 3,682,638
School District Contracts	3,065,751	-	3,065,751
Government Grants	282,242	-	282,242
United Way Agreements	1,213,539	-	1,213,539
Special Events, Net	41,046	-	41,046
In-Kind Contributions			
In-Kind Advertising	20,000	-	20,000
In-Kind Professional Fees	1,000	-	1,000
In-Kind Supplies and Training	21,644	-	21,644
PPP Loan Forgiveness	552,509	-	552,509
Miscellaneous Income	42	-	42
Interest Income	1,394	-	1,394
	8,486,417	395,388	8,881,805
Total Operating Support and Revenue Before Releases			
Net Assets Released from Restrictions - For Operations	986,720	(986,720)	-
	9,473,137	(591,332)	8,881,805
Total Operating Support and Revenue			
OPERATING EXPENSES			
Program Services	4,547,138	-	4,547,138
Management and General	573,518	-	573,518
Fund Raising	438,724	-	438,724
	5,559,380	-	5,559,380
Total Operating Expenses			
NON-OPERATING REVENUE			
Investment Income	6,743	-	6,743
Net Realized and Unrealized (Loss) on Investments	(150,970)	-	(150,970)
	(144,227)	-	(144,227)
Total Non-Operating Revenue			
Increase (Decrease) in Net Assets from Operations	3,769,530	(591,332)	3,178,198
Net Assets, Beginning of Year	2,039,877	822,890	2,862,767
Net Assets, End of Year	\$ 5,809,407	\$ 231,558	\$ 6,040,965

Communities in Schools of the Lehigh Valley
(A Not-for-Profit Corporation)
Statement of Functional Expenses Activities
For the Year Ended June 30, 2023

	Program Services			Supporting Services		Total		
	ISS	Community Schools	Other	Total Program	Management and General	Fund Raising	June 30, 2023	Sumarized June 30, 2022
Salaries	\$ 2,604,512	\$ 1,059,708	\$ 293,507	\$ 3,957,727	\$ 280,491	\$ 309,867	\$ 4,548,085	\$ 4,162,465
Payroll Taxes	210,858	84,468	23,448	318,774	23,193	24,869	366,836	350,520
Benefits	241,782	117,256	8,574	367,612	52,367	26,025	446,004	389,475
Total Wages, Taxes, and Benefits	3,057,152	1,261,432	325,529	4,644,113	356,051	360,761	5,360,925	4,902,460
Awards and Scholarships	-	-	8,559	8,559	-	-	8,559	1,500
Bank and Processing Fees	-	-	-	-	598	643	1,241	2,974
Conferences and Training	14,726	5,832	1,660	22,218	2,243	929	25,390	5,907
Depreciation	9,172	3,582	1,034	13,788	1,622	811	16,221	16,123
Dues and Subscriptions	1,036	405	117	1,558	2,099	7,130	10,787	8,929
IT Equipment and Services	7,709	5,506	869	14,084	1,294	1,296	16,674	14,359
Insurance	23,833	9,307	2,686	35,826	4,215	2,107	42,148	40,026
Maintenance and Repairs	7,083	2,766	798	10,647	3,843	626	15,116	14,916
Office Supplies	1,104	565	75	1,744	4,527	583	6,854	7,430
Operating Lease Expense	49,143	19,191	5,538	73,872	8,857	5,757	88,486	87,657
Other	505	108	31	644	524	172	1,340	2,278
Payroll and Retirement Plan Fees	22,559	9,179	2,542	34,280	2,429	2,684	39,393	37,048
Professional Fees	9,163	3,579	1,033	13,775	29,165	181	43,121	75,912
Public Relations	2,120	828	239	3,187	-	34,663	37,850	46,253
Printing and Reproduction	2,719	1,109	296	4,124	4,426	14,241	22,791	38,986
Student Support	36,444	124,674	42,911	204,029	-	-	204,029	186,468
Utilities	1,769	691	199	2,659	313	156	3,128	3,720
Special Event Costs	-	-	-	-	-	12,284	12,284	12,006
Telephone and Communications	5,346	2,088	603	8,037	4,354	1,525	13,916	13,366
Travel	14,603	7,722	6,997	29,322	2,053	1,479	32,854	46,091
Total Expenses by Function	\$ 3,266,186	\$ 1,458,564	\$ 401,716	\$ 5,126,466	\$ 428,613	\$ 448,028	\$ 6,003,107	\$ 5,564,409
Less expenses Included with Revenue on the Statement of Activities:								
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(5,029)
Total Expenses Reported on the Statement of Activities	\$ 3,266,186	\$ 1,458,564	\$ 401,716	\$ 5,126,466	\$ 428,613	\$ 448,028	\$ 6,003,107	\$ 5,559,380

See independent auditors' report and accompanying footnotes

**Communities in Schools of the Lehigh Valley
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022**

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
<u>Cash Flows From Operating Activities:</u>		
Change in Net Assets	\$ 464,550	\$ 3,178,198
Adjustments to Reconcile Change in Net Assets to		
Realized and Unrealized (Gain) Loss on Investments	(130,096)	150,957
Depreciation Expense	16,221	16,123
Extinguishment of Debt - PPP Loan Forgiveness	-	(552,509)
Net Cash Provided by Operating Activities:		
Decrease (Increase) in Prepaid Expenses	21,860	236
Decrease (Increase) in Accounts Receivable	(338,259)	87,777
Decrease (Increase) in Pledge Receivable, Net	(620,347)	477,935
Decrease (Increase) in Operating Lease Right of Use Asset	31,155	-
Increase (Decrease) in Accounts Payable	(10,867)	10,433
Increase (Decrease) in Accrued Payroll	(66,468)	75,297
Increase (Decrease) in Deferred Revenue	96,567	-
Increase (Decrease) in Operating Lease Liability	(23,009)	-
Net Cash (Used) Provided by Operating Activities:	<u>(558,693)</u>	<u>3,444,447</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of Investments	(4,333,803)	(1,306,691)
Proceeds from Sale of Investments	2,308,611	-
Purchase of Equipment	(2,683)	-
Net Cash (Used) by Investing Activities	<u>(2,027,875)</u>	<u>(1,306,691)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments of Loans Payable	-	(139,292)
Net Cash (Used) by Financing Activities	<u>-</u>	<u>(139,292)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,586,568)	1,998,464
Cash and Cash Equivalents, Beginning of Year	<u>4,894,578</u>	<u>2,896,114</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,308,010</u></u>	<u><u>\$ 4,894,578</u></u>
<u>Supplemental Information:</u>		
Cash paid during the years for:		
Interest Paid	<u><u>\$ -</u></u>	<u><u>\$ 1,993</u></u>
Non-cash activities during the years for:		
Addition to Operating Lease Right of Use Asset	<u><u>\$ 28,742</u></u>	<u><u>\$ -</u></u>
Addition to Operating Lease Liability	<u><u>\$ 34,068</u></u>	<u><u>\$ -</u></u>

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 Nature of Activities

Nature of Activities

Founded in 1983, Communities In Schools of Eastern Pennsylvania, Inc. (CIS) is part of the Communities In Schools national network, which consists of independent 501(c)(3) organizations serving over 1.6 million students in 25 states and the District of Columbia. The mission of CIS is to surround students with a community of support, empowering them to stay in school and achieve in life.

At CIS, everything we do is guided by the “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 13 Community Schools in Allentown, Bethlehem, and Easton. We also support students in the after-school hours at three 21st Century Community Learning Centers.

With team members in 45 schools in the school districts of Allentown Antietam, Avon Grove, Bethlehem Area, East Penn, Easton Area, Fleetwood Area, Governor Mifflin, Kutztown Area, Reading, Whitehall-Coplay, Wilson (Berks), and Wilson (Northampton), 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 EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 Nature of Activities (continued)

Services

Integrated Student Supports:

Integrated Student Supports (ISS) is 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 support 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 of 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.

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 13 community schools in the Lehigh Valley in partnership with United Way of the Greater Lehigh Valley.

A community school is both a physical place and a network of partnerships among school, family, and community. The community school model is an innovative strategy designed

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 Nature of Activities (continued)

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 three 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.

Outcomes:

CIS reported the following metrics on 1,647 students receiving case-management through Integrated Student Supports in the 2022-2023 school year:

- 88% graduation rate
- 89% promotion rate
- 59% made progress toward attendance goals
- 70% made progress toward behavior goals
- 83% made progress toward academic goals
- 80% made progress in social emotional goals

NOTE 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

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 Summary of Significant Accounting Policies (continued)

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 with the passage of time, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those 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.

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. 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.

Governmental grant revenue is recognized as a contribution in the period that CIS meets the conditions for revenue recognition, namely when it incurs reimbursable program expenditures. Amounts received prior to incurring qualified reimbursable program expenditures are reported as deferred revenue in the Statements of Financial Position.

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

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 Summary of Significant Accounting Policies (continued)

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 contract agreements is recognized as it is earned through performance of service in accordance with the agreement. Contract revenue received in advance of the service being performed is deferred until completion of the service as described in the contract.

Revenue from special fundraising events is recognized when the event occurs, and all significant event-related obligations have been fulfilled. Amounts received in advance of the event are reported as deferred revenue on the Statement of Financial Position.

In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated supplies, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. CIS does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by the generally accepted accounting principles.

Cash and Cash Equivalents

CIS considers cash held in checking accounts, savings accounts, money market accounts, and other investments purchased with original maturities of less than 90 days to be cash and cash equivalents, unless held within the investment account for investment purposes.

CIS' 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. CIS had cash balances totaling \$795,228 and \$4,411,995 in excess of federally insured limits at June 30, 2023 and 2022, respectively.

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, 2023 and 2022 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 Summary of Significant Accounting Policies (continued)

Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Leasehold Improvements, 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 in the Statement of Activities.

Estimated useful lives are as follows:

	<u>Years</u>
Leasehold Improvements	5 - 10
Furniture and Equipment	3 - 10
Computer Equipment	3 - 5
Vehicles	5

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

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NOTE 2 Summary of Significant Accounting Policies (continued)

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 2023 and 2022.

CIS files its 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Operating Measure

CIS includes all changes in net assets in its “operating income” on the Statement of Activities except:

Net Realized and Unrealized Gains/(Losses) on Investments
Investment Income

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Lessors – Discount Rate for Lessees That Are Not Public Business Entities*, which upon adoption provides nonpublic business entity lessees with a practical expedient to elect, as an accounting policy, to use a risk-free rate as the discount rate by class of underlying asset. ASU 2021-09 requires the use of the rate implicit in the lease when readily determinable regardless of the election to otherwise use a risk-free rate for a class of underlying asset.

CIS adopted both accounting standards effective July 1, 2022, and elected to apply the provisions of this standard to the beginning of the adoption period using a cumulative-effect adjustment. The comparative financial information for the year ended June 30, 2022, is presented under (*ASC 840*), the prior accounting standard.

CIS has elected to adopt the following practical expedients in relation to the adoption of (*ASC 842*):

- The package of practical expedients to not reassess whether any existing or expired contracts are or contain leases, the classification of existing or expired leases, and the initial direct cost for any existing leases.

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NOTE 2 Summary of Significant Accounting Policies (continued)

- The hindsight practical expedient which permits for the use of hindsight with respect to determining the lease term.
- The short-term lease accounting election, which permits a lease that at commencement has a term of 12 months or less and does not include an option to purchase the underlying asset to not apply the recognition requirements of *ASC 842*.

As a result of implementing the standard, CIS reported a cumulative-effect adjustment of \$11,750 to beginning net assets for July 1, 2022 on the Statement of Activities.

Reclassification

Certain prior period amounts have been reclassified to conform to current year presentation.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 3 Liquidity and Availability

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

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and Cash equivalents	\$ 2,308,010	\$ 4,894,578
Investments	3,311,022	1,155,734
Accounts Receivable	509,621	171,362
Pledges Receivable	<u>665,847</u>	<u>45,500</u>
Financial Assets, at year end	6,794,500	6,267,174
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(787,122)	(231,558)
Board designations	<u>(5,081,993)</u>	<u>(4,982,814)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 925,385</u>	<u>\$ 1,052,802</u>

COMMUNITIES IN SCHOOLS OF EASTERN PENNSYLVANIA, INC.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 Liquidity and Availability (continued)

As part of CIS's liquidity management plan, excess cash is held in money market accounts or invested.

The Board Designated Reserve Fund of \$5,081,993 (Note 12) 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.

NOTE 4 Investments

Investments at fair value consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 21,538	\$ 234,051
U.S. Government Obligations	1,426,580	-
Mutual Funds	1,265,396	736,711
Exchange Traded Funds	<u>597,508</u>	<u>184,972</u>
Total Investments	<u>\$ 3,311,022</u>	<u>\$ 1,155,734</u>

A summary of earnings on investments for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 35,539	\$ 11,743
Unrealized Gains (Losses)	158,312	(66,515)
Realized (Losses)	(28,216)	(84,455)
Investment fees	<u>(10,347)</u>	<u>(5,000)</u>
	<u>\$ 155,288</u>	<u>\$ (144,227)</u>

In addition to earnings from investments, CIS earned interest income from various cash accounts in the amount of \$32,775 and \$1,394 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 Fair Value Measurements

Financial Accounting Standards Board *ASC 820-10, Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 Fair Value Measurements (continued)

The three levels of the fair value hierarchy under *FASB ASC 820-10* are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CIS has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observed for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

U.S. Government Obligations: Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Exchange Traded Funds ("ETF"): Valued at the closing price reported on the active market on which the individual funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CIS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 Fair Value Measurements (continued)

reporting date.

The following table sets forth by level, within the fair value hierarchy, CIS's investment assets at fair value as of June 30, 2023 and 2022, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 21,538	\$ -	\$ -	\$ 21,538
U.S. Government Obligations	1,426,580	-	-	1,426,580
Mutual Funds	1,265,396	-	-	1,265,396
Exchange Traded Funds	<u>597,508</u>	<u>-</u>	<u>-</u>	<u>597,508</u>
Total Assets at Fair Value	<u>\$1,884,442</u>	<u>\$ 1,426,580</u>	<u>\$ -</u>	<u>\$3,311,022</u>

Assets at Fair Value as of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 234,051	\$ -	\$ -	\$ 234,051
Mutual Funds	736,711	-	-	736,711
Exchange Traded Funds	<u>184,972</u>	<u>-</u>	<u>-</u>	<u>184,972</u>
Total Assets at Fair Value	<u>\$1,155,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,155,734</u>

NOTE 6 Leasehold Improvements, Equipment, Vehicles and Furnishings

Leasehold improvements, equipment, vehicles, and furnishings consist of the following:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 11,906	\$ 93,761
Furniture and equipment	28,005	40,324
Building improvements	151,978	151,978
Vehicles	<u>81,805</u>	<u>81,505</u>
	273,694	367,568
Accumulated Depreciation	<u>(197,447)</u>	<u>(277,783)</u>
	<u>\$ 76,247</u>	<u>\$ 89,785</u>

Depreciation and amortization charged to expense was 16,221 and \$16,123 for 2023 and 2022, respectively.

NOTE 7 Pledges Receivable

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 7 Pledges Receivable (continued)

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 392,667	\$ 45,500
One to five years	333,333	-
Over five years	-	-
Total	<u>726,000</u>	<u>45,500</u>
Less: Unamortized Discount (9.5%)	(60,153)	-
Less: Allowance for Uncollectible Pledges (0%)	<u>-</u>	<u>-</u>
	<u>\$ 665,847</u>	<u>\$ 45,500</u>

NOTE 8 Line of Credit

CIS has a \$450,000 line of credit with an interest rate of 9.50% at June 30, 2023. There was no outstanding balance at June 30, 2023 and 2022. The line was not utilized during the fiscal years ended June 30, 2023 and 2022. There was no interest expense incurred during the periods presented.

NOTE 9 Lease Commitments

CIS leases office space located at 739 North 12th Street, Allentown, PA and copiers under long-term non-cancelable operating lease agreements. The leases expire at varying dates through 2028 and provide for renewal options ranging from month-to-month to five years. CIS includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. CIS has not included the option for the five-year renewal available at the end of the lease for office space. The operating lease for office space provides for increases in future minimum annual rental payments and requires CIS to pay real estate taxes and repairs.

In addition, CIS has a short-term month-to-month lease for office space at 2 Woodland Drive, Wyomissing, PA. The lease may be terminated with 30 days' notice of either party. CIS does not recognize an asset or liability for any short-term leases with a term of 12 months or less and as such, none has been recorded for this lease. Lease payments are recognized on the straight-line basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. When the implicit rate is not readily determinable, CIS uses the risk-free rate for a period comparable to the lease terms. The risk-free rate has been applied to the lease for office space and the copier leases.

Total lease costs for the year ended June 30, 2023 was:

	<u>2023</u>
Operating Lease Cost:	
Long-Term, Non-cancelable	\$ 70,760
Variable Lease Payments	14,726
Short-Term Lease Payments	3,000

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 9 Lease Commitments (continued)

Lease expense including amounts paid for real estate taxes was \$87,657 for the year ended June 30, 2022. CIS does not have any financing leases.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 68,031
Right of Use Assets obtained in exchange for lease Liabilities	
Operating Leases	28,742

The weighted-average remaining lease term and weighted-average discount rate are as follows:

	<u>2023</u>
Weighted-Average Lease Term in Years:	
Operating Leases	5.02
Weighted-Average Discount Term:	
Operating Leases	3.06%

The future minimum lease payments under non-cancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

Year Ending June 30,

2024	\$ 71,945
2025	71,378
2026	73,381
2027	75,385
2028	69,830
Thereafter	<u>5,833</u>
Total Operating Lease Payments	367,752
Less Amount Representing Interest	<u>(21,662)</u>
Present Value of Lease Liabilities	<u>\$ 346,090</u>

NOTE 10 Self-Funded Health Insurance

Beginning December 2022, CIS switched from a fully funded insurance plan for employee group medical benefits to a level funded self-insured plan. CIS established the Communities In Schools of Eastern Pennsylvania, Inc., a welfare benefit plan for the

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 Self-Funded Health Insurance (continued)

benefit of eligible employees of CIS and their dependents. The Trust Fund consists of employer and participant contributions, increased by the income and gains thereon and decreased by expenses and losses incurred. CIS purchases stop-loss insurance coverage to protect against catastrophic and high-cost claims. Employer contributions to the plan and payments for stop-loss insurance coverage were \$126,792 for the year ended June 30, 2023.

NOTE 11 Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Purpose Restricted:		
Art of Relaxation	\$ 7,680	\$ 7,680
Central ES – Programs and Family Engagements	1,454	-
Cheston - Recess Equipment and Families	277	277
Cheston - Food Pantry	1,100	1,100
CIS Intranet	2,961	2,961
CIS on the Go	4,040	1,445
College Bound	15,223	15,223
GED testing	1,174	1,174
Leadership in Restorative Practices	-	104,647
Project Mustard Seed	200	200
Re-engagement	46,757	46,757
Roosevelt ES - Summer Learning	578	578
Scholarships - Fuller	4,735	6,235
Scholarships - Other	11,250	11,250
Scholarships - Chandler-Barnes	17,941	25,000
Student Lunch Accounts	235	235
Summer Programs - FS	4,604	5,730
Washing Machine and Related Supplies	1,066	1,066
Time Restricted:		
Pledges	<u>665,847</u>	<u>-</u>
	<u>\$ 787,122</u>	<u>\$ 231,558</u>

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

	<u>2023</u>	<u>2022</u>
Allentown School District Programs	\$ 190,000	\$ 150,000
Central ES - Programs and Family Engagement	12,756	-
Central ES - Uniforms	-	1,224
Challenge Schools	-	20,000
Cheston	5,000	-
CIS on the Go	-	4,326
Community Schools	-	68,500
ISS Services	73,500	59,933
ISS Services - Easton SD	6,000	61,000
ISS Services – Kutztown/Brandywine/Fleetwood SDs	-	37,500

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 11 Net Assets with Donor Restrictions (continued)

Lehigh County Programs and Services	40,000	-
Leadership in Restorative Practices	104,647	510,000
Mosser Elementary School	50,000	65,053
Scholarships - Fuller	1,500	-
Scholarships - Chandler-Barnes	7,059	-
Summer Programs – FS	<u>4,825</u>	<u>9,184</u>
	<u>\$ 495,287</u>	<u>\$ 986,720</u>

NOTE 12 Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Operating Reserve	\$1,769,921	\$4,051,032
Long Term Investments	3,311,022	930,732
Scholarships – Fuller	<u>1,050</u>	<u>1,050</u>
	<u>\$5,081,993</u>	<u>\$4,982,814</u>

NOTE 13 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.

NOTE 14 Concentrations

The Community Schools Program is funded through one source which represents 14.6% and 13.7% of total operating revenue excluding in-kind donations for the years ended June 30, 2023 and 2022, respectively. If that source of revenue is lost, the program would almost entirely be eliminated.

NOTE 15 Retirement Plans

Effective January 1, 2018, CIS 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 CIS 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. Effective January 1, 2021, the 401(k) plan was changed to a safe harbor plan in which all employees who have

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NOTES TO FINANCIAL STATEMENTS

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NOTE 15 Retirement Plans (continued)

a year of service and are eligible for the plan 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 receive a 3% retirement contribution. Employer contributions to the retirement plans totaled \$125,446 and \$96,306 for the years ended June 30, 2023 and 2022, respectively.

NOTE 16 In-Kind Donations

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>2023</u>	<u>2022</u>
Advertising	\$ -	\$ 20,000
Professional Fees	-	1,000
Supplies and Training	<u>17,833</u>	<u>21,644</u>
	<u>\$ 17,833</u>	<u>\$ 42,644</u>

Contributed advertising and professional fees comprises professional services from multimedia companies as well as the donation of advertising space for fundraising activities. Contributed advertising services are valued at the estimated fair value in the financial statements based on current rates for similar advertising services.

Contributed supplies were used in ISS, Community Schools and Other School Programs. CIS values contributed supplies based on the estimated retail value to purchase similar products in the United States.

All gifts-in-kind received during the years ended June 30, 2023 and 2022 were unrestricted.

NOTE 17 Paycheck Protection Program Loan

On April 27, 2020, CIS received \$691,801 under the Paycheck Protection Program. An organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, Debt, or under other models, if certain conditions are met. If the organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. At June 30, 2021, Management had determined that CIS would not meet the eligibility criteria for full forgiveness of the loan, and therefore chose the debt method. Under this method, CIS recorded a debt liability on the Statement of Financial Position and subsequently recognized revenue from the extinguishment of the debt once forgiveness had been determined by the Small Business Administration.

On September 15, 2021, CIS was notified that the PPP Loan was forgiven in the amount of \$552,509 and payments on the remaining balance of \$139,292 would begin October

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NOTES TO FINANCIAL STATEMENTS

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NOTE 17 Paycheck Protection Program Loan (continued)

2021 and go through April 2022. CIS chose to pay off the loan balance and \$1,993 of interest expense in September 2021.

NOTE 18 Subsequent Events

CIS management has evaluated events subsequent to June 30, 2023 that affect CIS through February 27, 2024, the date the financial statements were available to be issued.