Communities in Schools of Nevada, Inc.

Financial Statements
June 30, 2019

Table of Contents

Independent Auditor's Report

To the Finance Committee
Communities in Schools of Nevada, Inc.
Las Vegas, Nevada

We have audited the accompanying statement of financial position of Communities in Schools of Nevada, Inc., a nonprofit Organization, as of June 30, 2019 and the related statement of activities, statement of 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 audits. 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 of 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 the Organization as of June 30, 2019, the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Wallace Neumann & Verville LLP

Las Vegas, Nevada
October 15, 2019

Communities in Schools of Nevada, Inc.

Statement of Financial Position
As of June 30, 2019

Assets		
Current assets		
Cash and cash equivalents - unrestricted	$	2,634,234
Cash and cash equivalents - restricted		1,053,479
Investment - restricted		1,195,321
Grants receivable		37,478
Accounts receivable		200,272
Prepaid expenses		15,022
Total current assets		5,135,806
Deposit		9,825
Property and equipment, net		29,080
Total assets	$	5,174,711
Liabilities and net assets		
Current liabilities		
Accounts payable	$	35,239
Accrued liabilities		169,815
Deferred rent		1,999
Total current liabilities		207,053
Net assets		
Unrestricted		2,718,858
Temporarily restricted		2,248,800
Total net assets		4,967,658
Total liabilities and net assets	$	5,174,711

See independent auditor's report

Communities in Schools of Nevada, Inc.

Statement of Activities

Year Ended June 30, 2019	Unrestricted
Change in unrestricted net assets	
Revenues, gains and other support	
Contributions	$ 167,996
Grants	1,812,102
Special events, net of direct costs of $104,131	714,441
Fee income	2,679,777
Investment income	27,596
Net assets released from restriction:	2,000,000
Total revenues, gains and other support	7,401,912
Expenses	
Program services	5,386,795
Supporting services	
Management and general	805,955
Fundraising	239,866
Total expenses	6,432,616
Increase in unrestricted net assets	969,296
Changes in temporarily restricted net assets	
Grants	2,248,800
Net assets released from restriction	(2,000,000)
Increase in temporarily net assets	248,800
Change in net assets	1,218,096
Net assets, beginning of year	3,749,562
Net assets, end of year	$ 4,967,658

Communities in Schools of Nevada, Inc.

Statement of Functional Expenses Year Ended June 30, 2019	Program	Management and General	Fundraising	Total
Compensation and related expenses:				
Salaries and wages	$ 3,908,803	$ 405,458	$ 195,569	$ 4,509,830
Payroll tax expense	344,832	39,870	16,313	401,015
Health insurance expense	481,790	38,437	16,586	536,813
Employee retirement expense	42,213	9,024	2,843	54,080
Payroll service fee	-	10,564	-	10,564
Total compensation and related expenses	4,777,638	503,353	231,311	5,512,302
School site services	100,954	-	-	100,954
Rent	51,205	36,491	-	87,696
School site supplies	141,832	-	-	141,832
Hunger prevention	61,562	-	-	61,562
Contracted services	17,038	117,380	-	134,418
Depreciation	59,936	-	-	59,936
Telecommunication	103,321	50,117	3,769	157,207
Public awareness	8,315	10,069	397	18,781
Insurance	-	43,586	-	43,586
Professional development	11,998	10,593	798	23,389
Travel	26,841	14,806	2,247	43,894
Office supplies	14,987	8,427	148	23,562
Printing	6,496	5,794	-	12,290
Bank fees	-	2,962	596	3,558
Utilities	3,220	1,436	-	4,656
Miscellaneous	1,452	941	600	2,993
Total expenses	$ 5,386,795	$ 805,955	$ 239,866	$ 6,432,616

Communities in Schools of Nevada, Inc.

Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows from operating activities:	
Change in net assets	$ 1,218,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	59,936
Changes in working capital components:	
Decrease in accounts recievable	29,202
Increase in grants receivable	(29,445)
Decrease in prepaid expenses	4,556
Increase in deposits	(6,191)
Increase in accounts payable	1,881
Increase in accrued expenses	48,519
Increase in deferred rent	1,272
Net cash provided by operating activities	1,327,826
Cash flows from investing activities:	
Net (increase) investments	(1,195,321)
Net cash used in investing activities	(1,195,321)
Net increase in cash	132,505
Cash, beginning of year	3,555,208
Cash, end of year	$ 3,687,713
Summary of Cash Balances:	
Unrestricted cash and cash equivalents	$ 2,634,234
Restricted cash and cash equivalents	1,053,479
	$ 3,687,713

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Communities in Schools of Nevada, Inc. (“Organization”) was established in the state of Nevada in 1992 as a dropout prevention program for students in the Clark, Washoe and Elko county school districts. The mission of the Organization is to surround students with a community of support, empowering them to stay in school and achieve in life. The Organization carries out this mission by providing site coordinators inside schools to assess students’ needs and give resources to help them succeed. The Organization partners with local businesses, social service agencies, health care providers and volunteers to provide food, school supplies, health care, counseling, academic assistance and a positive role model.

A summary of the Organization’s significant accounting policies follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets – Net assets not subject to donor imposed restrictions which may be used for operating purposes of the Organization.

Temporarily Restricted Net Assets – Net assets that are subject to donor imposed stipulations that require the expiration of time, the occurrence of a specific event or designated for a specific purpose.

Permanently Restricted Net Assets – Net assets that are required to be maintained in perpetuity with only the income available to be used for operating purposes, due to donor imposed restrictions.

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Revenue recognition

In accordance with FASB ASC Topic 958-605, *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is when a stipulated time restriction expires or a purpose restriction is satisfied) in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor imposed restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Service fees are recognized as revenue in the year to which they pertain.

Donated Services

The Organization receives a substantial amount of services donated by its community in carrying out the Organization’s mission. In accordance with FASB ASC Topic 958-6055 *Revenue Recognition*, no amounts have been reflected in the financial statements for these services since they are not specialized and do not meet the criteria for recognition. The Organization generally pays for services requiring specific skill or expertise.

Functional Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 and those differences could be material.

Cash and cash equivalents

For purposes of reporting cash flows, the Organization considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents. At times, the Organization’s cash deposited in financial institutions may be in excess of federally insured limits of $250,000. The Organization has not experienced any losses in such accounts.

Investments

Investments are stated at market value. Realized and unrealized gains and losses are reflected in the statements of activities and are combined with investment income earned during the period.

Long-lived assets

In accordance with the provisions of FASB ASC 360-10-20, Property, Plant and Equipment, the Organization evaluates the potential impairment of long-lived assets when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If it is determined that the carrying value of long-lived assets may not be recoverable based upon the relevant facts and circumstances, the Organization estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, the Organization will recognize an impairment loss for the difference between the carrying value of the asset and its fair value. Management believes no material impairment of long-lived assets exists at June 30, 2019.

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring 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).

The three levels of the fair value hierarchy are described below:

• Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.

• Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.

• Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short term nature of these instruments. These financial instruments include cash and cash equivalents, contributions and grants receivable due in one year or less, and accounts payable and accrued expenses. Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the pledge was made with an equivalent term approximately equal to the number of years the contribution will be paid, which approximates fair value. The Organization's Level 1 financial assets consist of short term certificates of deposit. There were no Level 2 or 3 financial assets or liabilities.

Grants Receivable

Grants receivable represent amounts owed to the Organization from federal, state and local governments for services rendered under contractual obligations and grants from corporations and foundations. All outstanding grants receivable are considered collectible and an allowance for uncollectible amounts was not recorded.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization from the Nevada School Districts for program services rendered under contractual obligations. All outstanding accounts receivable are considered collectible and an allowance for uncollectible amounts was not recorded.

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are determined by using the straight-line method over the following estimated useful lives:

	Years
Computers	3 - 5
Equipment	3 - 5
Furniture and fixtures	5 - 10

Maintenance and minor repairs are expensed as incurred. Improvements to property and equipment are capitalized and depreciated over their estimated useful lives.

Income taxes

The Organization is exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code as an Organization described in section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(i) and has been classified as an Organization that is not a private foundation under section 509(a)(1).

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits or liabilities that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization will not be subject to additional tax, penalties, and interest as a result of such a challenge. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

Note 2. Property and Equipment

Property and equipment consist of the following at June 30, 2019:

Furniture, fixtures and classroom equipment	$	41,827
Computer equipment		413,732
		455,559
Less: accumulated depreciation		(426,479)
	$	29,080

Depreciation expense for the year ended June 30, 2019 was $59,936.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets relate to contributions received for the purposes of providing program service support for the upcoming 2019 – 2020 school year.

Note 4. Retirement Plan

The Organization established a 403(B) thrift plan (the "Plan") effective January 1, 2013. Employees are immediately eligible to participate in the Plan. Unless otherwise elected, the employee shall be deemed to have directed the Organization to make 3% contribution on their behalf. The Plan provides a graded vesting schedule from one to four years of service. The Organization will contribute, on a matching basis, a 50% match on the first 3% of employee contributions. The Organization's policy is to fund the Plan's cost. Contributions to the Plan for the years ended June 30, 2019 was $54,080, and is included in employee benefits in the statements of functional expenses.

Note 5. Economic Dependency

The Organization earned revenues from Clark County School District, which represents 24% of the Organization's total revenue and support for the year ended June 30, 2019. In addition, during 2019, the Organization received contributions from three private donors which represented approximately 30% of the Organization's total revenue and support. As such, the Organization is dependent upon the continued support of Clark County School District and three private donors to provide significant funding for the Organization's programs and operations.

Note 6. Evaluation of Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2019 as of October 15, 2019, which is the date the financial statements were available to be issued. No events were identified that require recognition or disclosure in the financial statements.