Communities in Schools of Nevada, Inc.

Financial Statements
June 30, 2016

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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, 2016 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, 2016, 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
September 21, 2016

Communities in Schools of Nevada, Inc.

Statement of Financial Position
As of June 30, 2016

Assets		
Current assets		
Cash and cash equivalents - unrestricted	$	812,216
Cash and cash equivalents - restricted		2,204,038
Investment - restricted		691,781
Grants receivable		11,050
Accounts receivable		301,146
Prepaid expenses		16,428
Total current assets		4,036,659
Property and equipment, net		227,626
Total assets	$	4,264,285
Liabilities and net assets		
Current liabilities		
Accounts payable	$	39,396
Accrued liabilities		80,192
Total current liabilities		119,588
Net assets		
Unrestricted		1,248,878
Temporarily restricted		2,895,819
Total net assets		4,144,697
Total liabilities and net assets	$	4,264,285

Communities in Schools of Nevada, Inc.

Statement of Activities Year Ended June 30, 2016	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Contributions	$ 166,988	$ -	$ 166,988
In-kind contributions	509,749	-	509,749
Grants	841,947	2,529,050	3,370,997
Special events, net of direct costs of $65,772	240,484	-	240,484
Fee income	1,776,595	-	1,776,595
Investment income	12,209	-	12,209
Net assets released from restriction:	2,733,968	(2,733,968)	-
Total revenues, gains and other support	6,281,940	(204,918)	6,077,022
Expenses			
Program services	5,064,796	-	5,064,796
Supporting services			
Management and general	665,776	-	665,776
Fundraising	250,060	-	250,060
Total expenses	5,980,632	-	5,980,632
Change in net assets	301,308	(204,918)	96,390
Net assets, beginning of year	947,570	3,100,737	4,048,307
Net assets, end of year	$ 1,248,878	$ 2,895,819	$ 4,144,697

Communities in Schools of Nevada, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program	Management and General	Fundraising	Total
Compensation and related expenses:				
Salaries and wages	$ 3,216,606	$ 402,483	$ 207,499	$ 3,826,588
Payroll tax expense	316,519	54,949	17,955	389,423
Health insurance expense	395,550	16,951	13,561	426,062
Employee retirement expense	36,139	6,043	3,113	45,295
Payroll service fee	-	4,028	-	4,028
Total compensation and related expenses	3,964,814	484,454	242,128	4,691,396
Rent	486,342	17,640	-	503,982
School site services	208,284	-	-	208,284
Contracted services	59,281	73,643	-	132,924
Hunger prevention	95,515	-	-	95,515
School site supplies	90,123	-	-	90,123
Depreciation	75,028	-	-	75,028
Insurance	-	46,487	-	46,487
Telecommunication	30,359	10,198	2,724	43,281
Travel	30,947	5,822	1,835	38,604
Professional development	8,067	5,857	2,473	16,397
Public awareness	5,717	4,702	337	10,756
Printing	5,741	4,863	114	10,718
Office supplies	4,100	5,838	449	10,387
Bank fees	-	6,172	-	6,172
Miscellaneous	478	100	-	578
Total expenses	$ 5,064,796	$ 665,776	$ 250,060	$ 5,980,632

Communities in Schools of Nevada, Inc.

Statement of Cash Flows
Year Ended June 30, 2016

Cash Flows from operating activities:		
Change in net assets	$	96,390
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investment		(20,569)
Depreciation		75,028
Changes in working capital components:		
Increase in accounts recievable		(96,630)
Decrease in grants receivable		90,203
Increase in prepaid expenses		(3,721)
Decrease in accounts payable		(31,346)
Increase in accrued expenses		14,919
Net cash provided by operating activities		124,274
Cash flows from investing activities:		
Purchase of equipment		(10,590)
Net cash used in investing activities		(10,590)
Net increase in cash		113,684
Cash, beginning of year		2,902,570
Cash, end of year	$	3,016,254
Summary of Cash Balances:		
Unrestricted cash and cash equivalents	$	812,216
Restricted cash and cash equivalents		2,204,038
	$	3,016,254

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 Rent

The Organization is donated office space for the administrative department and at each school served by the Organization. Donated rent is recognized at its fair market value and included in rent expense on the statement of functional expenses. In-kind rent for the year ended June 30, 2016 was $503,982.

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

The Organization accounts for investments in accordance with FASB ASC Topic 958-320, Investments - Debt and Equity Securities for Not for-Profit Organizations, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

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, 2016.

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, 2016:

Furniture, fixtures and classroom equipment	$	41,827
Computer equipment		413,732
		455,559
Less: accumulated depreciation		(227,933)
	$	227,626

Depreciation expense for the year ended June 30, 2016 was $75,028.

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 2016 – 2017 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, 2016 was $45,295, 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 25% of the Organization's total revenue and support for the year ended June 30, 2016. In addition, during 2016, the Organization received contributions from two private donors which represented approximately 36% of the Organization's total revenue and support. As such, the Organization is dependent upon the continued support of Clark County School District and two private donors to provide significant funding for the Organization's programs and operations.

Note 6. Evaluation of Subsequent Events

Effective December 31, 2016, the in-kind lease agreement between the Organization and Lessor for office space will be terminated. As of the date of these financial statements, no other lease agreements for occupancy have been entered into and management is currently seeking suitable offices.

The Organization has evaluated events and transactions occurring subsequent to June 30, 2016 as of September 21, 2016, which is the date the financial statements were available to be issued. No events were identified, other than that previously described require recognition or disclosure in the financial statements.