

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communities In Schools of Nevada, Inc.
Las Vegas, Nevada

We have audited the accompanying financial statements of Communities In Schools of Nevada, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Nevada, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

October 28, 2020

frazier + Deeter, LLC

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Financial Position

June 30, 2020

Assets

Assets:

Cash and cash equivalents - unrestricted	\$	3,942,318
Cash and cash equivalents - restricted		634,000
Investments		1,237,902
Accounts receivable		421,692
Prepaid expenses		25,004
Deposits		4,321
Property and equipment, net		<u>31,369</u>

Total Assets \$ 6,296,606

Liabilities and Net Assets

Liabilities:

Accounts payable	\$	8,552
Accrued liabilities		202,673
Deferred revenue		25,500
Deferred rent		4,906
Debt		<u>1,253,800</u>

Total liabilities 1,495,431

Net assets:

Without donor restrictions:

Board designated for operating reserves		1,000,000
Undesignated		<u>3,167,175</u>

Total net assets without donor restrictions 4,167,175

With donor restrictions 634,000

Total net assets 4,801,175

Total Liabilities and Net Assets \$ 6,296,606

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Activities

For the Year Ended June 30, 2020

Change in net assets without donor restrictions:	
Revenues, gains, and other support:	
Contributions	\$ 2,850,105
Special events, net of direct costs of \$80,650	795,958
Fee income	2,816,980
In kind contributions	524,263
Investment income	58,453
Net assets released from restriction	<u>2,248,800</u>
Total revenues, gains, and other support	<u>9,294,559</u>
Expenses:	
Program services	<u>6,466,172</u>
Supporting activities:	
Management and general	928,035
Fundraising	<u>452,035</u>
Total supporting activities	<u>1,380,070</u>
Total operating expenses	<u>7,846,242</u>
Increase in net assets without donor restrictions	<u>1,448,317</u>
Change in net assets with donor restrictions:	
Contributions	634,000
Net assets released from restriction	<u>(2,248,800)</u>
Decrease in net assets with donor restrictions	<u>(1,614,800)</u>
Total change in net assets	(166,483)
Net assets, beginning of year	<u>4,967,658</u>
Net assets, end of year	<u>\$ 4,801,175</u>

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total	
Salaries and wages	\$ 4,453,731	\$ 541,769	\$ 245,363	\$ 787,132	\$ 5,240,863
Payroll tax expense	386,491	46,757	20,646	67,403	453,894
Health insurance expense	530,242	51,066	17,484	68,550	598,792
Employee retirement expense	81,863	12,474	4,801	17,275	99,138
Payroll service fees	847	19,755	-	19,755	20,602
Hunger prevention	29,804	-	-	-	29,804
School site services	105,099	-	-	-	105,099
School site supplies	105,510	-	-	-	105,510
Bank fees	2,256	4,448	15,313	19,761	22,017
Contracted services	33,488	84,848	-	84,848	118,336
Depreciation	30,976	3,851	-	3,851	34,827
Miscellaneous	2,990	665	565	1,230	4,220
Insurance	78	37,146	-	37,146	37,224
Other supplies	16,481	25,281	145	25,426	41,907
Printing	7,034	6,298	553	6,851	13,885
Public awareness	1,063	8,462	17,208	25,670	26,733
Rent	70,294	38,164	375	38,539	108,833
Telecommunication	103,875	22,776	7,658	30,434	134,309
Professional development	10,990	9,250	314	9,564	20,554
Travel	50,896	13,502	241	13,743	64,639
Utilities	1,792	1,523	-	1,523	3,315
In kind expenses	402,894	-	121,369	121,369	524,263
Bad debt expense	37,478	-	-	-	37,478
Total operating expenses	<u>6,466,172</u>	<u>928,035</u>	<u>452,035</u>	<u>1,380,070</u>	<u>7,846,242</u>
Direct costs related to special events	<u>-</u>	<u>-</u>	<u>80,650</u>	<u>80,650</u>	<u>80,650</u>
Total expenses	<u>\$ 6,466,172</u>	<u>\$ 928,035</u>	<u>\$ 532,685</u>	<u>\$ 1,460,720</u>	<u>\$ 7,926,892</u>
	<u>82 %</u>	<u>12 %</u>	<u>6 %</u>	<u>18 %</u>	<u>100 %</u>

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash flows from operating activities:

Change in net assets \$ (166,483)

Reconciliation of change in net assets to net cash used in operating activities:

Adjustments to reconcile change in net assets to net cash used in operating activities:

Depreciation 34,827

Bad debt expense 37,478

Changes in operating assets and liabilities:

Accounts receivable (221,420)

Prepaid expenses (9,982)

Deposits 5,504

Accounts payable (26,687)

Accrued liabilities 32,858

Deferred revenue 25,500

Deferred rent 2,907

Net cash used in operating activities (285,498)

Cash flows from investing activities:

Net increase in investments (42,581)

Purchases of property and equipment (37,116)

Net cash used in investing activities (79,697)

Cash flows from financing activities:

Cash received from issuance of debt 1,253,800

Net cash provided by financing activities 1,253,800

Net increase in cash and cash equivalents 888,605

Cash and cash equivalents, beginning of year 3,687,713

Cash and cash equivalents, end of year \$ 4,576,318

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements

June 30, 2020

Note 1 - Nature of the Organization:

Communities In Schools of Nevada, Inc. (the Organization) is a Nevada not-for-profit corporation established in 1992 as a dropout prevention program for students in the Clark, Washoe, and Elko county school districts.

The Organization's mission 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 business, social service agencies, health care providers, and volunteers to provide food, school supplies, health care, counseling, academic assistance, and positive role models.

Note 2 - Summary of significant accounting policies:

Basis of presentation

The Organization applies the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative generally accepted accounting principles in the United States (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities, and all of the Codification's content carries the same level of authority.

The financial statements are prepared on the accrual basis of accounting and are presented in conformity with U.S. GAAP, which requires net assets be categorized as with donor restrictions and without donor restrictions based on the existence of donor-imposed restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

The following is a summary of the more important accounting principles and policies followed by the Organization.

Use of estimates

The preparation of the Organization's financial statements in conformity with U.S. GAAP 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.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 2 - Summary of significant accounting policies - continued:

Cash and cash equivalents

The Organization considers all highly-liquid investments which are readily convertible to known amounts of cash and cash accounts that are not subject to withdrawal restrictions or penalties to be cash equivalents.

The Organization maintains its cash and cash equivalents in bank accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Investments and fair value measurements

Investments are measured at fair value and unrealized gains and losses are reflected in the statement of activities and are combined with investment income earned during the period. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. U.S. GAAP provides a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted market prices in active markets for identical assets or liabilities to which an entity has access at the measurement date.
- Level 2 - Financial assets and liabilities whose values are based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the measurement date.
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally-developed methodologies that result in management's best estimate of fair value.

The Organization uses the specific identification method to calculate the amount of gain or loss on investments sold.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 2 - Summary of significant accounting policies - continued:

Accounts receivable

Accounts receivable consists of amounts owed to the Organization from the Nevada School Districts for program services rendered under contractual obligation. Management individually reviews all accounts receivable balances and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All outstanding accounts receivable are considered collectible and an allowance for uncollectible amounts was not recorded.

Property and equipment, net

Purchased property and equipment are recorded at cost and donated property and equipment is recorded at fair value on the date of the gift. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years.

The Organization reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment charge recognized during the year ended June 30, 2020.

Support and revenue

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 2 - Summary of significant accounting policies - continued:

Support and revenue - continued

Revenues from unconditional contributions are recognized when received. Revenues from conditional contributions are recognized in the year in which all eligibility requirements have been satisfied and the contribution becomes unconditional.

Donations of investments are recorded at fair value when received. Contributed services are reported as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Other noncash contributions in the form of in kind contributions are recorded at fair value as of the date of the gift.

Program service fee revenue and special event revenue are recognized and recorded when earned as services are provided or events occur.

Functional expenses

Expenses are reported when costs are incurred. The costs of providing the various program services and supporting activities of the Organization are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are allocated among the program services and supporting activities benefited based on the use of facilities, level of support effort, and relative program and supporting activity benefited.

Income taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). The Internal Revenue Service has determined the Organization is not a private foundation as defined by 509(a)(1) of the IRC. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of June 30, 2020, there are no known items which would result in a material accrual for federal or state attributable tax positions.

Subsequent events

The Organization has evaluated subsequent events through October 28, 2020, which is the date these financial statements were available to be issued. All subsequent events, if any, requiring recognition as of June 30, 2020, have been incorporated into these financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 3 - Recent accounting pronouncements:

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for years beginning after December 15, 2019, and early adoption is permitted. The Organization is evaluating the impact this standard will have on future financial statements.

Note 4 - Investments:

The following tables summarize, by level within the fair value hierarchy, the Organization's investments by major category on the basis of nature and risk of the investments as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 720,450	\$ -	\$ -	\$ 720,450
Savings and time deposits	315,742	-	-	315,742
Cash, bank deposits, and money market funds	161,995	-	-	161,995
Corporate stocks	<u>39,715</u>	<u>-</u>	<u>-</u>	<u>39,715</u>
Total	<u>\$ 1,237,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237,902</u>

Note 5 - Property and equipment, net:

Property and equipment consist of the following at June 30, 2020:

Computers	\$ 261,652
Furniture and fixtures	<u>46,921</u>
	308,573
Less accumulated depreciation	<u>(277,204)</u>
Total property and equipment	<u>\$ 31,369</u>

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 6 - Debt:

During the year ended June 30, 2020, the Organization received \$1,253,800 in funds from Nevada State Bank through the Paycheck Protection Program administered by the U.S. Small Business Administration (SBA) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act. The loan matures on April 10, 2022 and bears an interest rate of 1.0%. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. All or a portion of the loan may be forgiven by the SBA for costs the Organization incurs for payroll, rent, utilities, and all other allowable expenses during the 24-week period beginning April 10, 2020. The Organization intends to use all proceeds from the loan to maintain payroll and make payments for lease, utility, and other allowable expenses.

Note 7 - Net assets with donor restrictions:

As of June 30, 2020, net assets with donor restrictions are restricted for Southern Nevada programs during the year ending June 30, 2021. Net assets were released from restriction during the year ended June 30, 2020 due to the passage of time and provision of program services, of which \$678,800 was restricted specifically for Southern Nevada programs.

Note 8 - Lease obligations:

The Organization has various operating leases for its office facilities. The leases require monthly payments ranging from \$500 to \$4,543. In addition, the Organization has various non-cancelable leases for office equipment. Total rent and lease expense amounted to \$108,833 for the year ended June 30, 2020.

The future minimum lease payments under non-cancelable operating lease agreements at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 96,446
2022	52,765
2023	10,788
2024	10,788
2025	<u>6,293</u>
	<u>\$ 177,080</u>

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Notes to Financial Statements - Continued

June 30, 2020

Note 9 - Employee benefit plan:

The Organization provides a 403(b) Retirement Plan (the Plan) for employees. Employees are immediately eligible to participate in the Plan. Unless otherwise elected, the employee shall be deemed to have directed the Organization to make a 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 costs. Contributions to the Plan during the year ended June 30, 2020 were \$99,138.

Note 10 - Liquidity and availability of net assets:

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments and money market accounts.

As of June 30, 2020, the Organization has the following financial assets available to meet cash needs for general expenditures within the next year, including \$1,000,000 designated by the Board for operations reserves:

Cash and cash equivalents - unrestricted	\$ 3,942,318
Cash and cash equivalents - restricted	634,000
Investments	1,237,902
Accounts receivable	<u>421,692</u>
	<u>\$ 6,235,912</u>

Note 11 - Coronavirus:

In March 2020, the World Health Organization declared the novel Coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from international, federal, state, and local authorities requiring closures of various businesses, schools, and other facilities and organizations.

While the closures and limitations on movement, domestically and internationally, are expected to be temporary, the duration of the disruption and related financial impact cannot be estimated at this time. Should the closures continue for an extended period of time, the impact could have a material adverse effect on the financial position, results of activities, and cash flows.