COMMUNITIES IN SCHOOLS OF NEVADA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

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June 30, 2023

Frazier & Deeter
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Communities In Schools of Nevada, Inc. (a non-profit corporation) (the Organization), 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 accompanying financial statements present fairly, in all material respects, the financial position of Communities In Schools of Nevada, Inc. as of June 30, 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Responsibilities of Management 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, and for 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

January 16, 2024

Frazier & Deeter, LLC

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Financial Position

June 30, 2023

Assets

Assets:		
Cash and cash equivalents - unrestricted	$	8,610,750
Cash and cash equivalents - restricted		32,000
Investments		3,375,092
Accounts receivable		815,013
Employee retention credits receivable		714,743
Prepaid expenses		12,923
Deposits		23,456
Property and equipment, net		43,207
Right of use assets, net		722,254
Total Assets	$	14,349,438

Liabilities and Net Assets

Liabilities:		
Accounts payable	$	73,802
Accrued liabilities		554,862
Deferred revenue		77,500
Operating lease liabilities		769,936
Total liabilities		1,476,100
Net assets:		
Without donor restrictions:		
Board designated for operating reserves		7,500,000
Undesignated		4,626,595
Total net assets without donor restrictions		12,126,595
With donor restrictions		746,743
Total net assets		12,873,338
Total Liabilities and Net Assets	$	14,349,438

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Activities

For the Year Ended June 30, 2023

Change in net assets without donor restrictions:	
Revenues, gains, and other support:	
Contributions	$ 4,738,193
Special events, net of direct costs of $168,285	1,050,798
Fee income	5,909,481
In kind contributions	926,630
Investment income	181,132
Net assets released from restriction	891,540
Total revenues, gains, and other support	13,697,774
Operating expenses:	
Program services	11,100,233
Supporting activities:	
Management and general	1,708,812
Fundraising	461,503
Total supporting activities	2,170,315
Total operating expenses	13,270,548
Increase in net assets without donor restrictions	427,226
Change in net assets with donor restrictions:	
Contributions	32,000
Net assets released from restriction	(891,540)
Decrease in net assets with donor restrictions	(859,540)
Total change in net assets	(432,314)
Net assets, beginning of year	13,305,652
Net assets, end of year	$ 12,873,338

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services	Supporting Activities: Management and General	Supporting Activities: Fundraising	Supporting Activities: Total	Total Expenses
Salaries and wages	$ 7,309,807	$ 976,997	$ 295,773	$ 1,272,770	$ 8,582,577
Payroll tax expense	644,309	79,856	24,977	104,833	749,142
Health insurance expense	871,407	79,197	34,042	113,239	984,646
Employee retirement expense	122,472	21,730	4,277	26,007	148,479
Payroll service fees	1,683	67,480	12	67,492	69,175
Hunger prevention	39,492	-	-	-	39,492
School site services	267,318	-	1,176	1,176	268,494
School site supplies	279,340	-	-	-	279,340
Bank fees	-	5,163	11,007	16,170	16,170
Contracted services	129,049	58,033	467	58,500	187,549
Depreciation	9,702	10,402	-	10,402	20,104
Miscellaneous	27,078	9,333	10,384	19,717	46,795
Insurance	42,763	11,267	-	11,267	54,030
Other supplies	107,542	36,260	833	37,093	144,635
Printing	15,605	3,125	236	3,361	18,966
Public awareness	4,141	14,661	1,784	16,445	20,586
Rent	172,500	67,250	5,240	72,490	244,990
Telecommunication	207,862	41,722	12,502	54,224	262,086
Professional development	74,119	31,922	4,563	36,485	110,604
Travel	73,308	14,375	7,003	21,378	94,686
Utilities	1,313	59	-	59	1,372
In kind expenses	699,423	179,980	47,227	227,207	926,630
Total operating expenses	11,100,233	1,708,812	461,503	2,170,315	13,270,548
Direct costs related to special events	4,791	-	163,494	163,494	168,285
Total expenses	$ 11,105,024	$ 1,708,812	$ 624,997	$ 2,333,809	$ 13,438,833
	83 %	13 %	4 %	17 %	100 %

See notes to financial statements.

COMMUNITIES IN SCHOOLS OF NEVADA, INC.

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	$ (432,314)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,104
Unrealized loss on investments	15,466
Changes in operating assets and liabilities:	
Accounts receivable	(118,169)
Employee retention credits receivable	841,538
Prepaid expenses	20,881
Deposits	(2,867)
Right of use assets	139,528
Accounts payable	12,498
Accrued liabilities	223,886
Deferred revenue	77,500
Operating lease liabilities	(132,735)
Net cash provided by operating activities	665,316
Cash flows from investing activities:	
Net increase in investments	(564,377)
Purchases of property and equipment	(5,562)
Net cash used in investing activities	(569,939)
Net increase in cash and cash equivalents	95,377
Cash and cash equivalents, beginning of year	8,547,373
Cash and cash equivalents, end of year	$ 8,642,750

Supplemental Disclosure of Noncash Investing and Financing Transactions:

Initial recognition of right of use asset under operating lease	$ 35,179

See notes to financial statements.

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, Elko, and Humboldt 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.

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. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. As of June 30, 2023, the Organization had approximately $8,140,000 in excess of FDIC-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.

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. Accounts receivable are recorded when the Organization has an unconditional right to consideration for completed performance under the contract; therefore the entire amount is recorded as accounts receivable and the Organization has no contract assets. The Organization had receivables relating to contracts with customers of $696,844 at July 1, 2022, and had no credit losses from contracts with customers during the year ended June 30, 2023.

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 are 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, 2023.

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

Note 2 - Summary of significant accounting policies - continued:

Support and revenue - continued

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.

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. Unsatisfied conditional contributions are shown as deferred revenue on the statement of financial position.

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. Special event revenue is recognized and recorded when the events occur.

Program service fee revenue is recognized over the life of the contract as the services are provided, in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the service. Services include need assessments, site coordinators, counseling and academic assistance. The consideration is the fixed price noted in the contracts. The Organization has not experienced significant refunds or other obligations to customers for the year ended June 30, 2023.

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, 2023, there are no known items which would result in a material accrual for federal or state attributable tax positions.

Note 2 - Summary of significant accounting policies - continued:

Leases

The Organization recognizes significant leases under FASB Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Under Topic 842, an entity is required to recognize right-of-use (ROU) assets and lease liabilities on its statement of financial position and disclose key information about leasing arrangements. Topic 842 offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Operating lease expense is recognized on a straight-line basis over the remaining life of the lease within rent expense on the statement of functional expenses.

The Organization elected the short-term lease recognition exemption for its leases. For those leases with a lease term of 12 months or less, the Organization will not recognize ROU assets or lease liabilities. The Organization also made accounting policy elections to combine lease and non-lease components of operating leases for all asset classes and to utilize the risk free discount rate, determined using the period comparable with that of the lease, to discount future payments in measuring the lease liability of its operating leases.

Subsequent events

The Organization has evaluated subsequent events through January 16, 2024, which is the date these financial statements were available to be issued. On July 2023, the Organization received approximately $2,000,000 in state appropriated funds. All other subsequent events, if any, requiring recognition as of June 30, 2023, have been incorporated into these financial statements.

Note 3 - Investments:

The Organization has investments in cash, exchange traded funds, corporate bonds, and mutual funds. Investments are exposed to various risks, including market and credit risks. The following is a description of the Organization's valuation methodologies. There have been no changes in the methodologies used during the year ended June 30, 2023.

- Exchange traded funds are traded on a national securities exchange and valued at the last reported sales price.

- Corporate bonds are generally priced by independent pricing services.

Note 3 - Investments - continued:

- Mutual funds are valued at the net asset value of shares held by the Organization using quoted prices on nationally recognized securities exchanges or exchanges operated by the fund manager.

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

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash, bank deposits, and money market fund	$ 621,144	$ -	$ -	$ 621,144
Corporate bonds	-	2,033,161	-	2,033,161
Exchange traded funds - mid-cap value	55,161	-	-	55,161
Mutual funds:				
Bank loans fixed income	240,481	-	-	240,481
Emerging markets bonds	19,948	-	-	19,948
Large cap growth equity	106,169	-	-	106,169
Mid cap growth equity	29,212	-	-	29,212
Small cap growth equity	30,615	-	-	30,615
Diversified emerging markets	18,844	-	-	18,844
Global real estate	28,074	-	-	28,074
Absolute return, tactical allocation	117,593	-	-	117,593
Commodities broad basket	24,007	-	-	24,007
Options trading large blend	50,683	-	-	50,683
Total	$ 1,341,931	$ 2,033,161	$ -	$ 3,375,092

The Organization uses the specific identification method to calculate the amount of gain or loss on investments sold. During the year ended June 30, 2023, there were no transfers into or out of Level 3.

Note 4 - Property and equipment, net:

Property and equipment consist of the following at June 30, 2023:

Computers	$ 244,031
Furniture and fixtures	105,815
	349,846
Less accumulated depreciation	(306,639)
Total property and equipment	$ 43,207

Note 5 - Lease obligations:

As of June 30, 2023, the Organization's right of use asset is $722,254 and operating lease liability is $769,936. As of June 30, 2023, the weighted-average remaining term for operating leases is 3.47 years, and the weighted-average discount rate is 1.57%.

For the year ended June 30, 2023, the Organization's lease expense consisted of operating lease expenses of $223,532, of which $212,785 is included in rent and $10,747 is included in printing in the statement of functional expenses.

The following table reconciles undiscounted minimum lease payment amounts to the operating lease liabilities on the statement of financial position as of June 30, 2023:

Year Ending June 30,	
2024	$ 224,830
2025	221,631
2026	217,974
2027	126,900
Total minimum lease payments	791,335
Less: Amount representing interest	(21,399)
Present value of future minimum lease payments	$ 769,936

Note 6 - Net assets with donor restrictions:

As of June 30, 2023, net assets with donor restrictions consist of $32,000 restricted for specific academic program purposes in the 2023-2024 school year and $714,743 restricted for employee retention credits not yet received. Net assets were released from restriction during the year ended June 30, 2023 due to the passage of time and provision of program services, of which $50,000 was restricted for Western Nevada purposes expenses in the 2022-2023 school year, and $838,538 was restricted for employee retention credits not yet received as of June 30, 2022 but received during the year ended June 30, 2023.

Note 7 - 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, 2023 were $148,479.

Note 8 - 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, 2023, the Organization has the following financial assets available to meet cash needs for general expenditures within the next year, including $7,500,000 designated by the Board for operations reserves:

Cash and cash equivalents - unrestricted	$ 8,610,750
Cash and cash equivalents - restricted	32,000
Investments	3,375,092
Accounts receivable	815,013
Employee retention credits receivable	714,743
	$ 13,547,598

Note 9 - Concentrations:

The Organization received $1,250,000 in contributions during the year ended June 30, 2023 from one donor.

Note 10 - Employee retention credit:

As part of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 enacted December 27, 2020, the Organization was eligible for refundable payroll tax credits of 70% of wages, up to $10,000 per employee, measured on a quarterly basis (Employee Retention Credits). Qualified wages include the wages and health plan expenses paid for all of the Organization's employees. In calendar 2021, eligible employers entitled to claim the credit either (a) had operations that were fully or partially suspended during any calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to the COVID-19 pandemic or (b) experienced a 20% decline in gross receipts during the calendar quarter compared to the same quarter in 2019 or the prior quarter in 2021.

The Organization met the eligibility requirements under the second criteria for decline in gross receipts. Accordingly, the Organization filed for Employee Retention Credits for payroll and health insurance totaling $714,743 and $838,538 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2023, the Organization has received $838,538 of the Employee Retention Credit and $714,743 is still outstanding.