

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2021

(With Summarized Comparative Information for the Year Ended June 30, 2020)

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communities in Schools of the Nation's Capital, Inc.

We have audited the accompanying financial statements of Communities in Schools of the Nation's Capital, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2021, 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 auditors consider 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 the Nation's Capital, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Communities in Schools of the Nation's Capital, Inc. 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
November 3, 2021

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Statement of Financial Position

June 30, 2021

(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 363,378	\$ 382,270
Grants and contracts receivable	168,843	245,494
Other receivables	218,229	-
Prepaid expenses and deposits	26,913	17,631
Property and equipment, net	1,100	3,740
Total assets	<u>\$ 778,463</u>	<u>\$ 649,135</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 63,534	\$ 24,685
Accrued vacation	24,078	13,975
Capital lease obligation	880	3,520
Deferred revenue	18,750	18,750
Refundable advances	286,342	291,700
Total liabilities	<u>393,584</u>	<u>352,630</u>
Net Assets		
Without donor restrictions	320,894	154,821
With donor restrictions	63,985	141,684
Total net assets	<u>384,879</u>	<u>296,505</u>
Total liabilities and net assets	<u>\$ 778,463</u>	<u>\$ 649,135</u>

See accompanying notes.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Information for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Government grants and contracts	\$ 942,126	\$ 661,727	\$ 1,603,853	\$ 1,674,094
Foundation and corporate contributions	130,250	212,500	342,750	634,254
Other contributions	273,085	17,927	291,012	139,760
Donated services	51,049	-	51,049	44,937
Net assets released from restrictions:				
Expiration of time restrictions	57,500	(57,500)	-	-
Satisfaction of purpose restrictions	912,353	(912,353)	-	-
Total revenue and support	<u>2,366,363</u>	<u>(77,699)</u>	<u>2,288,664</u>	<u>2,493,045</u>
Expenses				
Program services	<u>1,793,553</u>	<u>-</u>	<u>1,793,553</u>	<u>1,847,475</u>
Supporting services:				
Management and general	330,456	-	330,456	335,833
Fundraising	<u>76,281</u>	<u>-</u>	<u>76,281</u>	<u>87,624</u>
Total supporting services	<u>406,737</u>	<u>-</u>	<u>406,737</u>	<u>423,457</u>
Total expenses	<u>2,200,290</u>	<u>-</u>	<u>2,200,290</u>	<u>2,270,932</u>
Change in Net Assets	166,073	(77,699)	88,374	222,113
Net Assets, beginning of year	<u>154,821</u>	<u>141,684</u>	<u>296,505</u>	<u>74,392</u>
Net Assets, end of year	<u>\$ 320,894</u>	<u>\$ 63,985</u>	<u>\$ 384,879</u>	<u>\$ 296,505</u>

See accompanying notes.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.
Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

	2021				2020	
	Supporting Services			Total Supporting Services	Total	Total
	Program Services	Management and General	Fundraising			
Salaries and related expenses	\$ 1,399,049	\$ 80,047	\$ 71,697	\$ 151,744	\$ 1,550,793	\$ 1,574,260
Student support services	302,797	39,156	-	39,156	341,953	480,305
Consultants and contractors	8,438	171,125	432	171,557	179,995	85,643
Office expenses	79,241	25,114	4,022	29,136	108,377	116,549
Dues and subscriptions	7	7,859	-	7,859	7,866	5,042
Other expenses	4,021	7,155	130	7,285	11,306	9,133
Total Expenses	\$ 1,793,553	\$ 330,456	\$ 76,281	\$ 406,737	\$ 2,200,290	\$ 2,270,932

See accompanying notes.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Statement of Cash Flows

Year Ended June 30, 2021

(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 88,374	\$ 222,113
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,640	2,640
Change in operating assets and liabilities:		
Grant and contracts receivable	76,651	(34,350)
Other receivables	(218,229)	-
Prepaid expenses and deposits	(9,282)	(10,593)
Accounts payable and accrued expenses	38,849	(30,636)
Accrued vacation	10,103	(10,994)
Deferred revenue	-	(10,417)
Refundable Advances	(5,358)	291,700
Deferred rent	-	(866)
Net cash (used in) provided by operating activities	<u>(16,252)</u>	<u>418,597</u>
Cash Flows from Financing Activities		
Payments on capital lease obligation	(2,640)	(2,640)
Repayments on the line of credit	-	(44,000)
Net cash used in financing activities	<u>(2,640)</u>	<u>(46,640)</u>
Net (Decrease) Increase in Cash	(18,892)	371,957
Cash, beginning of year	<u>382,270</u>	<u>10,313</u>
Cash, end of year	<u>\$ 363,378</u>	<u>\$ 382,270</u>
 Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,355</u>	<u>\$ 5,613</u>

See accompanying notes.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Notes to Financial Statements

June 30, 2021

1. Nature of Operations

Communities in Schools of the Nation's Capital, Inc. (the Organization) is a nonprofit organization incorporated in March 2004 in the District of Columbia. The Organization was established to engage in educational and charitable activities, including coordinating and delivering community resources such as social, educational, and human services to at-risk youth and their families in the Washington, D.C. metropolitan area through the supportive environment of the DC Public Schools and/or non-traditional educational sites. As such, the Organization matched available community resources with schools to help young people successfully learn, stay in school, and prepare for life. The Organization funds its program and supporting services primarily through grants, contributions and contracts from governments, foundations, corporations, and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying 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 (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Grants and Contracts Receivable

Grants and contracts receivable represent amounts due from the Organization's various grants and contracts revenue sources. There was no allowance for doubtful accounts recorded at June 30, 2021 as the entire balance was deemed by management to be fully collectible. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment in excess of \$5,000 is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from three to six years. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's general operations.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- *Net Assets With Donor Restrictions* represent funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any donor-imposed restrictions which are perpetual in nature at June 30, 2021.

Revenue Recognition

Contributions

Unconditional contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a 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 on the statement of activities as net assets released from restrictions.

Contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. Amounts recognized in revenue that have not been received are included in other receivables. Conversely, amounts received in advance of the conditions being met are recorded in refundable advances. At June 30, 2021, the Organization held \$286,342 in refundable advances and had additional conditional contributions of \$399,121 for which conditions are expected to be met in the upcoming year.

Contract revenue

Contract revenue is billed monthly based on direct costs incurred plus allowable indirect costs. Revenue on contracts is recognized over time as the work is performed. Amounts received in advance of the performance of the work are recorded in deferred revenue. Conversely, amounts due after the performance of work are recorded in grants and contracts receivable. Deferred contract revenue at June 30, 2021 was \$18,750 and is presented as deferred revenue on the accompanying statement of financial position.

Paycheck Protection Program Conditional Contribution

The Organization accepted a first draw Small Business Administration (SBA), Paycheck Protection Program (PPP) loan in May 2020 in the amount of \$291,700. The loan carries an interest rate of 1% per annum, has a two-year repayment period and is unsecured. In addition, repayment of the loan may be deferred for up to ten months after the end of the covered period.

The Organization also accepted a second draw PPP loan in the amount of \$286,342 in March 2021. The loan carries an interest rate of 1% per annum, has a five-year repayment period, and is unsecured. Repayment of the loan may be deferred for up to ten months after the end of the covered period.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Paycheck Protection Program Conditional Contribution (continued)

The Organization's policy is to account for PPP loans as conditional contributions. The Organization met the conditions for forgiveness of the first draw PPP loan prior to June 30, 2021. Accordingly, this amount is included in government grants and contracts on the accompanying statement of activities. The organization expects to meet the conditions of the second draw PPP loan in the upcoming fiscal year, accordingly the portion which remains subject to conditions to be met in future periods is presented as refundable advances on the accompanying statement of financial position.

Subsequent to year-end in July 2021, the Organization's financial institution recommended full forgiveness, of the first draw PPP loan, in the amount of \$291,700. The Organization is currently awaiting final approval of forgiveness from the SBA under the provisions of the CARES Act.

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated goods and services are recognized as both revenue and support and expenses on the accompanying statement of activities at the estimated fair value at the date of donation. The Organization received \$51,049 of donated legal services during the year ended June 30, 2021 which were used in fulfillment of the Organization's supporting service activities.

A substantial number of volunteers have donated significant amounts of time to the Organization and its programs and activities. However, these donated services are not reflected on the accompanying financial statements since they do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on the distribution of labor. Expenses allocated include salaries and related expenses, consultants and contractors, office expenses and other expenses.

Pending Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021.

Management is currently evaluating the impact of ASU 2016-02 and ASU 2020-07 on the Organization's financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2021 financial statement presentation.

Summarized Comparative Information

The accompanying financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

3. Concentrations

The Organization maintains demand deposits with a financial institution that may, from time to time, exceed insurable limits. The Organization routinely assesses the financial condition of the institution and believes the risk of any loss is minimal.

During the year ended June 30, 2021, 93% of receivables were due from three entities. The Organization received 58% of its revenue from three entities during the year ended June 30, 2021.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Notes to Financial Statements

June 30, 2021

4. Property and Equipment

The Organization held the following property and equipment at June 30, 2021:

Computer and software	\$ 16,393
Equipment under capital lease	<u>13,860</u>
Total property and equipment	30,253
Less: accumulated depreciation and amortization	<u>(29,153)</u>
Property and equipment, net	<u><u>\$ 1,100</u></u>

5. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Financial Assets:	
Cash	\$ 363,378
Grants and contracts receivable	168,843
Other receivables	<u>218,229</u>
Total financial assets	750,450
Less: Donor-imposed restrictions on the financial assets	<u>(63,985)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 686,465</u></u>

The Organization's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due, operating within a prudent range of financial soundness and stability while maintaining and monitoring reserves to provide reasonable assurance that long-term program goals will continue to be met. In addition, the Organization has a line of credit of \$45,000 upon which it may draw, should the need arise.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Notes to Financial Statements

June 30, 2021

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at June 30, 2021:

Subject to the passage of time	\$	10,000
Subject to expenditures for specific purposes:		
Cardozo		14,091
Moten		12,820
Field trip and other projects		9,856
Johnson		8,772
Hart		8,446
		<hr/>
Total net assets with donor restrictions	\$	<u>63,985</u>

During the year ended June 30, 2021, releases from net assets with donor restrictions were for the following:

Expiration of time restrictions	\$	57,500
Satisfaction of purpose restrictions:		
Multiple Schools		242,500
Woodson		196,340
Burville		178,233
JO Wilson		128,209
Stanton		107,558
Cardozo		30,000
Eastern		21,387
Field trip and other projects		8,071
Moten		55
		<hr/>
Total net assets released from donor restrictions	\$	<u>969,853</u>

7. Commitments and ContingenciesLine of Credit

The Organization has a revolving line of credit of up to \$45,000 with a financial institution. The line of credit is collateralized by the Organization's assets. The interest rate on the line is variable and was 3.5% at June 30, 2021. There was no outstanding balance on the line of credit at June 30, 2021.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Notes to Financial Statements

June 30, 2021

7. Commitments and Contingencies (continued)Operating Lease

The Organization entered into a one-year lease agreement for its office space which expired in January 2011. Upon the expiration, the lease converted to a month-to-month term with a two-month termination notification period. In April 2021, the Organization entered into a new two-year lease agreement for its existing office space commencing in June 2021 and expiring in June 2023. The lease calls for annual rent increases of 2.5%. The lease also provided rent abatement for the first three months of the lease. Rent expense for the year ended June 30, 2021 was \$57,746 and is included in office expenses on the accompanying statement of functional expenses. At June 30, 2021, the future minimum lease payments are as follows:

2021	\$	54,166
2022		<u>55,520</u>
Total future minimum lease payments	\$	<u><u>109,686</u></u>

Capital Lease

The Organization has a capital lease for office equipment. The capital lease assets are included in property and equipment in the amount of \$13,860. The accumulated amortization for the capital lease assets was \$12,760 at June 30, 2021.

The future minimum lease payments required under this capital lease are as follows for the years ending June 30, 2021:

2022	\$	<u>1,157</u>
Total future minimum lease payments		1,157
Less: amount representing interest		<u>(277)</u>
Capital lease obligation		880
Less: current portion of capital lease obligation		<u>(880)</u>
Capital lease obligation, noncurrent	\$	<u><u>-</u></u>

Conditional Government Grants and Government Contracts

Funds that the Organization receives from government agencies are subject to audit under the provisions of the grant and contract agreements. The ultimate determination of amounts received under the grant and contract agreements are based upon the allowance of costs reported to and accepted by the oversight agency. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

COMMUNITIES IN SCHOOLS OF THE NATION'S CAPITAL, INC.

Notes to Financial Statements

June 30, 2021

8. Related Parties

The Organization received contributions from board members and from organizations related to board members. The total of such contributions was \$80,260 for the year ended June 30, 2021, which is included in other contributions on the accompanying statement of activities.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2021, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2021 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 3, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements, other than the Organization's financial institution's recommendation of full forgiveness of the PPP first draw loan in July 2021 as disclosed in Note 2 *Summary of Significant Accounting Policies, Revenue Recognition, Paycheck Protection Program Conditional Contribution*.