



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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2024

(With Summarized Comparative Information for the Year Ended June 30, 2023)

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

Table of Contents

June 30, 2024

Table of Contents

Independent Auditor's Report..... 1 – 2

Financial Statements

Statement of Financial Position..... 3

Statement of Activities..... 4

Statement of Functional Expenses..... 5

Statement of Cash Flows..... 6

Notes to Financial Statements..... 7 – 16

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HAN GROUP LLC
Washington, DC
October 24, 2024

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

Statement of Financial Position

June 30, 2024

(With Summarized Comparative Information for 2023)

| | 2024 | 2023 |
|---------------------------------------|-------------------|---------------------|
| Assets | | |
| Cash | \$ 102,744 | \$ 196,505 |
| Contributions receivable | 389,862 | 468,900 |
| Accounts receivable | 32,454 | 136,904 |
| Other receivables | 114,501 | 114,501 |
| Prepaid expenses and deposits | 21,728 | 32,404 |
| Right-of-use asset – operating lease | 106,448 | 158,659 |
| Total assets | <u>\$ 767,737</u> | <u>\$ 1,107,873</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 121,379 | \$ 97,662 |
| Accrued vacation | 21,632 | 18,068 |
| Refundable advances | - | 19,683 |
| Line of credit | 44,999 | - |
| Operating lease liability | 108,583 | 159,850 |
| Total liabilities | <u>296,593</u> | <u>295,263</u> |
| Net Assets | | |
| Without donor restrictions | 139,378 | 465,853 |
| With donor restrictions | 331,766 | 346,757 |
| Total net assets | <u>471,144</u> | <u>812,610</u> |
| Total liabilities and net assets | <u>\$ 767,737</u> | <u>\$ 1,107,873</u> |

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

Statement of Activities

Year Ended June 30, 2024

(With Summarized Comparative Information for 2023)

| | 2024 | | | 2023 |
|--|----------------------------|-------------------------|-------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenue and Support | | | | |
| Government grants | \$ 745,393 | \$ - | \$ 745,393 | \$ 638,292 |
| Foundation and corporate contributions | 127,035 | 427,190 | 554,225 | 1,057,801 |
| Contract revenue | 241,769 | - | 241,769 | 301,463 |
| Other contributions | 193,340 | - | 193,340 | 132,232 |
| Contributions of nonfinancial assets | 21,700 | - | 21,700 | 10,000 |
| Net assets released from restrictions: | | | | |
| Expiration of time restrictions | 200,000 | (200,000) | - | - |
| Satisfaction of purpose restrictions | 242,181 | (242,181) | - | - |
| Total revenue and support | <u>1,771,418</u> | <u>(14,991)</u> | <u>1,756,427</u> | <u>2,139,788</u> |
| Expenses | | | | |
| Program services | 1,646,093 | - | 1,646,093 | 1,550,067 |
| Supporting services: | | | | |
| Management and general | 373,546 | - | 373,546 | 282,005 |
| Fundraising | 78,254 | - | 78,254 | 76,223 |
| Total supporting services | <u>451,800</u> | <u>-</u> | <u>451,800</u> | <u>358,228</u> |
| Total expenses | <u>2,097,893</u> | <u>-</u> | <u>2,097,893</u> | <u>1,908,295</u> |
| Change in Net Assets | <u>(326,475)</u> | <u>(14,991)</u> | <u>(341,466)</u> | <u>231,493</u> |
| Net Assets , beginning of year | <u>465,853</u> | <u>346,757</u> | <u>812,610</u> | <u>581,117</u> |
| Net Assets , end of year | <u>\$ 139,378</u> | <u>\$ 331,766</u> | <u>\$ 471,144</u> | <u>\$ 812,610</u> |

See accompanying notes.

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

Statement of Functional Expenses

Year Ended June 30, 2024

(With Summarized Comparative Information for 2023)

| | 2024 | | | 2023 | | |
|-------------------------------|---------------------|---------------------------|------------------|------------------------|---------------------|---------------------|
| | Supporting Services | | | Total | Total | |
| | Program Services | Management and General | Fundraising | Supporting Services | Total | Total |
| Salaries and related expenses | \$ 1,340,934 | \$ 88,656 | \$ 64,445 | \$ 153,101 | \$ 1,494,035 | \$ 1,326,048 |
| Consultants and contractors | 2,102 | 255,560 | 13,700 | 269,260 | 271,362 | 176,268 |
| Student support services | 178,213 | 343 | 56 | 399 | 178,612 | 245,172 |
| Facility and equipment | 75,899 | 13,234 | - | 13,234 | 89,133 | 95,556 |
| Office expenses | 32,653 | 9,457 | - | 9,457 | 42,110 | 34,148 |
| Dues and subscriptions | 8,589 | 1,515 | - | 1,515 | 10,104 | 7,524 |
| Travel | 4,242 | 4,317 | 53 | 4,370 | 8,612 | 6,873 |
| Other expenses | 3,461 | 464 | - | 464 | 3,925 | 16,706 |
| Total Expenses | <u>\$ 1,646,093</u> | <u>\$ 373,546</u> | <u>\$ 78,254</u> | <u>\$ 451,800</u> | <u>\$ 2,097,893</u> | <u>\$ 1,908,295</u> |

See accompanying notes.

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

Statement of Cash Flows

Year Ended June 30, 2024

(With Summarized Comparative Information for 2023)

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (341,466) | \$ 231,493 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Noncash lease expense | 944 | 514 |
| Change in operating assets and liabilities: | | |
| Contributions receivable | 79,038 | (211,030) |
| Accounts receivable | 104,450 | (32,454) |
| Other receivables | - | 120,310 |
| Prepaid expenses and deposits | 10,676 | (17,862) |
| Accounts payable and accrued expenses | 23,717 | 60,801 |
| Accrued vacation | 3,564 | (3,976) |
| Refundable advances | (19,683) | (2,505) |
| Net cash (used in) provided by operating activities | <u>(138,760)</u> | <u>145,291</u> |
| Cash Flows from Financing Activities | | |
| Borrowing from line of credit | <u>44,999</u> | <u>-</u> |
| Net cash provided by financing activities | <u>44,999</u> | <u>-</u> |
| Net (Decrease) Increase in Cash | <u>(93,761)</u> | <u>145,291</u> |
| Cash, beginning of year | <u>196,505</u> | <u>51,214</u> |
| Cash, end of year | <u>\$ 102,744</u> | <u>\$ 196,505</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 314</u> | <u>\$ -</u> |

See accompanying notes.

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

Notes to Financial Statements

June 30, 2024

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 matches 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 as obligations are incurred.

Adoption of New Accounting Standards

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB Accounting Standards Codification (ASC) Topic 326 are accounts receivable.

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in updated disclosures considering all current and future economic conditions.

Cash

Cash includes demand deposits held at commercial financial institutions.

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

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional contributions that are expected to be collected within one year are reported at net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at their present value using a risk-adjusted rate. Conditional contributions are not included in support until conditions are substantially met. There was no allowance for doubtful accounts recorded as the entire balance has been deemed by management to be fully collectible.

Accounts Receivable

Accounts receivable represent amounts due from a government agency. When indicated, accounts receivables are presented net of an allowance for credit losses resulting from the inability of costumers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific accounts receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. At June 30, 2024, no allowance for credit losses was recorded due to immateriality.

Other Receivables

Other receivables represent tax credits claimed under the Employee Retention Tax Credit program (ERTC) under the Coronavirus Aid, Relief and Economic Security Act (CARES). There is no allowance for doubtful accounts recorded at June 30, 2024 as it is management's expectation that the entire balance will be collected.

Lease

The Organization accounts for its lease in accordance with FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. The Organization determines if an arrangement is or contains a lease at contract inception. The Organization recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

ROU assets for the operating lease are periodically evaluated for impairment loss. The Organization uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, issued by FASB, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. The Organization monitors for events or changes in circumstances that would require a reassessment of any of its leases. When a reassessment results in the remeasurement of lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded as a gain or loss.

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

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Leases (Continued)

The operating lease ROU asset is presented as right-of-use asset-operating lease on the accompanying statement of financial position. The Organization currently has no finance leases.

The Organization has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The Organization recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases of the Organization.

The Organization made an accounting policy election by class of underlying assets to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

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.
- *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, 2024.

Revenue Recognition

Contributions

Contributions without conditions are recognized upon notification of the awards and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying 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.

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

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

The Organization has adopted the simultaneous release option for conditional contributions or portions of conditional contributions for which the contribution is received, and the condition is met in the same period. Accordingly, these are recognized as revenue without donor restrictions. Amounts recognized in revenue that have not been received are included in contributions receivable. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances. At June 30, 2024, the Organization does not have any refundable advances. At June 30, 2024 there were unrecognized conditional contributions of \$330,793 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 accounts receivable. There was no deferred revenue related to contracts at June 30, 2024.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recognized as revenue and expenses on the accompanying statement of activities at their estimated fair value at the date of receipt. Donated services are recognized 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. Unless noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Reclassifications

Certain 2023 amounts were reclassified to conform to the 2024 presentation. The significant reclassifications were to disaggregate contributions and accounts receivable in the amount of \$136,904 and to disaggregate government grants and contract revenue in the amount of \$301,463.

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.

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

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

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, 2023 from which the summarized information was derived.

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 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, facility and equipment, office expenses and dues and subscriptions.

3. Concentration Risks

Financial Institutions

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

Major Contributors

During the year ended June 30, 2024, the Organization received 56% of its revenue from two entities and 88% of the Organization's receivables were due from four entities at June 30, 2024. The Organization relies on support of contributors to ensure the continuing programs and operations of the Organization. Any significant reduction in funding from contributors may impact on the Organization's ability to carry out its programs and other activities.

4. Contributions Receivable

Contributions receivable are due as follows at June 30, 2024:

| | | |
|---------------------------------|----|----------------|
| Receivable in one year | \$ | 309,862 |
| Receivable in one to five years | | <u>80,000</u> |
| Total contributions receivable | \$ | <u>389,862</u> |

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

Notes to Financial Statements

June 30, 2024

4. Contributions Receivable (continued)

The Organization has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible. In addition, no present value discount for contributions receivable due in over one year has been recorded due to immateriality.

5. Accounts Receivable

The following table provides information about beginning and ending contract receivables and changes in the contract receivables during the year ended June 30, 2024:

| | |
|---|-------------------------|
| Accounts receivable at June 30, 2023 | \$ 136,904 |
| Less: Cash collected during the year that was included in beginning of the year receivables | (136,904) |
| | |
| Additions: Receivables recognized during the year but not yet collected | <u>32,454</u> |
| Accounts receivable at June 30, 2024 | <u><u>\$ 32,454</u></u> |

6. Lease

In April 2023, the Organization entered into a three-year lease agreement for office space in Washington D.C. commencing on June 2023 and expiring May 2026. The lease calls for annual rent increases of 2.5%.

The balance of the ROU operating asset is as follows at June 30, 2024:

| | |
|--------------------------------|--------------------------|
| ROU operating lease asset | \$ 162,914 |
| Less: accumulated amortization | <u>(56,466)</u> |
| Net ROU operating lease asset | <u><u>\$ 106,448</u></u> |

The table below presents a maturity analysis of the operating lease liability and a reconciliation of the total amount of the liability on the statement of financial position at June 30, 2024:

| | |
|--|-------------------------|
| 2025 | \$ 58,239 |
| 2026 | <u>54,606</u> |
| Total future minimum lease payments | \$ 112,845 |
| Less: present value discount | <u>(4,262)</u> |
| Present value of future minimum lease payments | 108,583 |
| Less: current obligations under the lease | <u>(54,921)</u> |
| Long-term lease liability | <u><u>\$ 53,662</u></u> |

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

Notes to Financial Statements

June 30, 2024

6. Lease (continued)

Lease costs and other related information for the year ended June 30, 2024 were as follows:

| | |
|----------------------|-------------------------|
| Lease cost: | |
| Operating lease cost | \$ <u>57,762</u> |
| Total lease cost | \$ <u><u>57,762</u></u> |

At June 30, 2024, the remaining lease term for the Organization's operating lease is 1.83 years. Because the Organization generally does not have access to the rate implicit in the lease, it utilizes the practical expedient under ASC Topic 842, the risk-free rate from the US Treasury, as the discount rate. The discount rate associated with the operating lease is 4.21%.

7. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of June 30, 2024, 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 | \$ 102,744 |
| Short-term contributions receivable | 309,862 |
| Accounts receivable | 32,454 |
| Other receivables | <u>114,501</u> |
| Total financial assets | 559,561 |
| Less: Balance due on line of credit | (44,999) |
| Less: Donor-imposed restrictions on the financial assets | <u>(251,766)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 262,976</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 program goals will continue to be met.

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

Notes to Financial Statements

June 30, 2024

8. Contributions of Nonfinancial Assets

The following table summarizes the Organization's contributed nonfinancial assets by major category for the year ended June 30, 2024:

| <u>Nonfinancial Assets</u> | <u>Revenue Recognized</u> | <u>Usage in Program Activities</u> | <u>Donor Restrictions</u> | <u>Fair Value Techniques and Inputs</u> |
|----------------------------|-------------------------------|--|-------------------------------|---|
| Legal services | \$ 19,300 | \$ - | None | Firm's current hourly rate |
| Supplies | \$ 2,400 | 2,400 | None | Estimate fair market value |
| Total | <u>\$ 21,700</u> | <u>\$ 2,400</u> | | |

No contributions of nonfinancial assets were monetized.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at June 30, 2024:

| | |
|--|-------------------|
| Subject to the passage of time: | \$ 285,000 |
| Subject to expenditures for specific purposes: | |
| Stuart Hobson | 17,119 |
| Cardozo | 14,621 |
| Brookland | 9,778 |
| Burrville | 5,248 |
| Total net assets with donor restrictions | <u>\$ 331,766</u> |

During the year ended June 30, 2024, releases from net assets with donor restrictions were for the following:

| | |
|---|-------------------|
| Expiration of time restrictions: | \$ 200,000 |
| Satisfaction of purpose restrictions: | |
| Multiple Schools | 228,166 |
| Brookland | 6,071 |
| Cardozo | 4,116 |
| Burrville | 3,828 |
| Total net assets released from donor restrictions | <u>\$ 442,181</u> |

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

Notes to Financial Statements

June 30, 2024

10. Commitments and Contingencies

Line 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 8.5% at June 30, 2024. There was \$44,999 due on the line of credit at June 30, 2024.

Subsequent to year-end in September 2024, the line of credit was repaid in full.

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.

11. Related Parties

The Organization received contributions from board members and from organizations related to board members. The total of such contributions was \$92,260 for the year ended June 30, 2024, which is included in other contributions on the accompanying statement of activities.

12. Retirement Plan

The Organization has a Simple IRA retirement plan which covers all employees. The Organization matches each employee's contributions up to a maximum of three percent of the eligible employee's compensation. The Organization contributed approximately \$16,979 in matching Simple IRA contributions for the year ended June 30, 2024, which is included in salaries and related expenses on the accompanying statement of functional expenses.

13. 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, 2024, 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.

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

Notes to Financial Statements

June 30, 2024

13. Income Taxes (continued)

The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2024 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.

14. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2024, 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 as disclosed in note 10 *Commitments and Contingencies*.