



COMMUNITIES IN SCHOOLS
of
BRUNSWICK COUNTY, INC.

Audited Financial Statements

for the fiscal year ended

June 30, 2019

(with comparative totals for 2018)



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bearmancpa

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities In Schools of Brunswick County, Inc.
Southport, North Carolina

We have audited the accompanying financial statements of Communities In Schools of Brunswick County, Inc. (CIS), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 CIS as of June 30, 2019, 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.

Prior Year Summarized Comparative Information

We have previously audited CIS's 2018 financial statements and our report dated October 18, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA PC

Wilmington, North Carolina
October 9, 2019

Communities In Schools of Brunswick County, Inc.

Statement of Financial Position

as of June 30, 2019

(with comparative totals for 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 230,273	\$ 261,305
Investments (Note 5)	338,719	138,143
Grants and Contracts Receivable (Note 6)	86,091	60,992
Prepays and Other Current Assets	2,760	2,200
Property & Equipment, Net (Note 7)	-	5,614
Total Assets	<u>657,843</u>	<u>468,254</u>
Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 8)	<u>64,063</u>	<u>34,246</u>
Total Liabilities	<u>64,063</u>	<u>34,246</u>
Net Assets		
Without Donor Restrictions (Notes 3b)	593,280	430,977
With Donor Restrictions (Notes 3b)	<u>500</u>	<u>3,031</u>
Total Net Assets	<u>593,780</u>	<u>434,008</u>
Total Liabilities & Net Assets	<u>\$ 657,843</u>	<u>\$ 468,254</u>

The accompanying notes are an integral part of these financial statements.

Communities In Schools of Brunswick County, Inc.

Statement of Activities

for the year ended June 30, 2019

(with comparative totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total FY 2018/19</u>	<u>Total FY 2017/18</u>
Revenue				
Private Grants (Notes 3d & 6)	\$ 77,278	\$ 500	\$ 77,778	\$ 74,530
Private Contributions (Notes 3d & 6)	69,773	-	69,773	18,912
Government Grants and Contracts (Note 6)	157,322	310,389	467,711	744,982
In-kind Contributions (Note 3d)	221,010	-	221,010	130,394
Gross Special Events Revenue	35,237	-	35,237	90,253
Less Cost of Direct Benefit to Donors	(5,023)	-	(5,023)	(19,286)
Special Events, net (Note 3e)	30,214	-	30,214	70,967
Gross Thrift Shops Sales	766,312	-	766,312	725,709
Less Thrift Shop Cost of Goods Sold	(408,648)	-	(408,648)	(425,305)
Thrift Shops, net (Note 9)	357,664	-	357,664	300,404
Investment Income	3,403	-	3,403	1,700
Net Assets Released from Restriction (Note 3b)	313,420	(313,420)	-	-
Total Revenue	<u>1,230,084</u>	<u>(2,531)</u>	<u>1,227,553</u>	<u>1,341,889</u>
Expense				
Program (Note 3e)	877,126	-	877,126	1,028,754
Management & General (Note 3e)	137,399	-	137,399	136,155
Fundraising (Note 3e)	53,256	-	53,256	35,070
Total Expense	<u>1,067,781</u>	<u>-</u>	<u>1,067,781</u>	<u>1,199,979</u>
Change in Net Assets	<u>162,303</u>	<u>(2,531)</u>	<u>159,772</u>	<u>141,910</u>
Net Assets Beginning of Year	430,977	3,031	434,008	292,098
Net Assets End of Year	<u>\$ 593,280</u>	<u>\$ 500</u>	<u>\$ 593,780</u>	<u>\$ 434,008</u>

The accompanying notes are an integral part of these financial statements.

Communities In Schools of Brunswick County, Inc.

Statement of Functional Expenses

for the year ended June 30, 2019

(with comparative totals for 2018)

Expense Type	Program				Total FY 2018/19	Total FY 2017/18
	Student Support	Thrift Shop	Management & General	Fundraising		
Wages, Taxes & Benefits	\$ 491,292	\$ 232,287	\$ 110,224	\$ 48,937	\$ 882,740	\$ 993,412
Contracted Services	34,921	3,646	7,601	-	46,168	81,241
General Operations	50,585	29,389	6,744	1,372	88,090	122,930
Student Transportation	44,117	-	-	-	44,117	104,039
Donated Goods, Services & Facilities	221,010	-	-	-	221,010	130,394
Insurance	11,248	4,720	2,523	1,120	19,611	19,298
Occupancy	2,607	136,138	6,777	260	145,782	143,290
Travel & Training	15,732	2,468	3,530	1,567	23,297	28,274
Special Events Expense	-	-	-	5,023	5,023	19,286
Depreciation (Note 7)	5,614	-	-	-	5,614	2,406
Total Expenses by Function	\$ 877,126	\$ 408,648	\$ 137,399	\$ 58,279	\$1,481,452	\$ 1,644,570
Less Expense Items Netted Against Revenue on the Statement of Activities						
Special Events Expense	-	-	-	(5,023)	(5,023)	(19,286)
Thrift Store Cost of Goods Sold	-	(408,648)	-	-	(408,648)	(425,305)
Total Expenses per Statement of Activities	\$ 877,126	\$ -	\$ 137,399	\$ 53,256	\$1,067,781	\$1,199,979

The accompanying notes are an integral part of these financial statements.

Communities In Schools of Brunswick County, Inc.

Statement of Cash Flows

for the year ended June 30, 2019

(with comparative totals for 2018)

	<u>FY 2018/19</u>	<u>FY 2017/18</u>
Cash Flows from Operating Activity		
Change in Net Assets	\$ 159,772	\$ 141,910
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
(Increase) Decrease in Grants & Contracts Receivable	(25,099)	(24,287)
(Increase) Decrease in Prepays & Other Current Assets	(560)	9,650
Increase (Decrease) in Accounts Payable & Accrued Expenses	29,817	(29,151)
Depreciation	5,614	2,406
Net Cash Provided by (Used in) Operating Activities	<u>169,544</u>	<u>100,528</u>
Cash Flows from Investing Activities		
Sale (Purchase) of Investments, net	(200,576)	19,800
Net Cash Provided by (Used in) Investing Activities	<u>(200,576)</u>	<u>19,800</u>
Cash Flows from Financing Activities		
None	-	-
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31,032)	120,328
Cash and cash equivalents, beginning of year	261,305	140,977
Cash and cash equivalents, end of year	<u>\$ 230,273</u>	<u>\$ 261,305</u>

The accompanying notes are an integral part of these financial statements.

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

1. Organization

Communities In Schools of Brunswick County, Inc. (CIS) is a North Carolina nonprofit corporation organized in June 1995. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are generally tax deductible.

2. Mission

CIS works in partnership with Brunswick County Schools and other partners to serve at-risk students. CIS provides tutors, mentors, academic assistance, attendance monitoring, behavioral interventions, parent engagement opportunities, and social-emotional learning groups. During the fiscal year, more than 400 students received individualized support and over 1,100 benefited from school wide support, basic needs items, and enrichment activities.

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of the organization's activities by net asset class. The financial statements report net assets and changes in net assets based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

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Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) - 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 permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. *As of June 30, 2019, CIS held no net assets with permanent donor restrictions.*

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

3d. Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously). Also see *Note 6, Grants & Contracts*.

Donated Facilities

The organization performs many of its program and administrative activities at facilities owned primarily by Brunswick County Schools as well as other entities. CIS is not charged rent for occupying approximately 34,000 combined square feet of space at multiple locations across the County. In order to determine a value for these in-kind donations, CIS uses market rental rates provided by the donors.

Contributed Services

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills and would otherwise have been purchased by the organization). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services." In FY 2018/19, the organization chose not to record the time of volunteers working in the Thrift Stores because the contributed services did not meet the FASB criteria for recognition.

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Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

During the year, the organization recognized the following in-kind contributions:

Donated Goods	\$ 11,885
Donated Services	3,227
Donated Facilities	<u>205,898</u>
Total	\$ 221,010

The total amount appears as the line item “In-kind Contributions” on the Statement of Activities.

3e. Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis for each expense category:

<u>Expense Category</u>	<u>Method of Allocation by Function</u>
Wages, Taxes & Benefits	Time and effort (e.g. staff members’ time tracking)
Contracted Services	Time and effort (e.g. staff members’ time tracking)
General Operations	Time and effort (e.g. staff members’ time tracking)
Student Transportation	No allocation; direct costs.
Donated Goods, Services & Facilities	No allocation; direct costs.
Insurance	Time and effort; usage of space.
Occupancy	Usage of space (e.g. square footage by function)
Travel & Training	Time and effort (e.g. staff members’ time tracking)
Depreciation	Usage of space (e.g. square footage by function)

The Statement of Functional Expenses presents these same expenses by both the functional category (program, management and general, and fundraising) and by natural classification (e.g. wages, contracted services).

Management and General activities include the functions necessary to provide support for the organization’s program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

See the Independent Auditor’s Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

CIS hosts occasional special events to raise awareness of its mission and to raise funds for the organization. During the fiscal year, CIS incurred \$5,023 of expenses in connection with these events. These disbursements are considered primarily fundraising costs and are therefore netted against special events revenue of \$35,237. The net amount of \$30,214 appears on the Statement of Activities as the line item "Special Events, net."

3f. Investments

Investments are reported at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in unrestricted net assets as there are no donor-imposed restrictions upon them. Also see *Note 5, Investments*.

3f. Property & Equipment

CIS capitalizes property and equipment costing more than \$1,000 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. As of June 30, 2019 all property & equipment was fully depreciated. Also see *Note 7, Property & Equipment*.

4. Liquidity and Availability

As of June 30, 2019, CIS had working capital (the difference between current assets and current liabilities) of \$593,780 including unrestricted cash on hand of \$229,773. This amount translates to 79 days of unrestricted cash on hand (calculated by dividing the unrestricted cash on hand by average daily expenses of \$2,910, excluding depreciation). The organization's certificates of deposit of \$338,719 could be withdrawn without penalty. As such, unrestricted cash and investments when taken together total \$568,492 and could fund operational expenses for 195 days.

Financial assets not considered available for general expenditure within one year for the purpose of the above calculations include donor-restricted funds of \$500.

As part of CIS's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

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Communities In Schools of Brunswick County, Inc.
Notes to Financial Statements
 June 30, 2019

5. Investments

A summary of investments as of June 30, 2019 is as follows:

	Market Value	Cost	Unrealized Gain (Loss)
Cash	\$ 60,014	\$ 60,014	\$ -
Certificates of Deposit	234,237	234,237	-
Mutual Funds	44,468	44,468	-
	\$ 338,719	\$ 338,719	\$ -

In establishing the “fair value” of its investments, CIS follows FASB ASC topic 820, *Fair Value Measurements and Disclosures*, which provides a basic hierarchy for measuring fair values. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). *The fair values for CIS’ investments are determined by reference to quoted market prices (i.e. level 1 measurements).*

6. Grants & Contracts

CIS receives its revenue from a variety of grants and contracts with governmental and private agencies as well as support from individuals, businesses and local civic organizations. Total grants and contracts and contributions revenue for the fiscal year is summarized in the table that follows:

Funding Source	Amount	% of Total
GOVERNMENTAL GRANTS & CONTRACTS		
North Carolina Department of Public Instruction	\$ 217,731	35%
Brunswick County Schools	75,000	12%
North Carolina Department of Social Services	108,159	18%
North Carolina Department of Juvenile Justice	48,573	8%
Brunswick County	16,248	3%
Other Governmental Grants & Contracts	2,000	<1%
Total Government Grants & Contracts	467,711	77%
PRIVATE GRANTS & CONTRIBUTIONS		
Cape Fear Area United Way	15,000	2%
Cape Fear Memorial Foundation	25,000	4%
Other Private Grants & Contributions	107,551	17%
Total Private Grants & Contributions	147,551	23%
Total	\$ 615,262	100%

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Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

If a significant reduction in funding from the North Carolina agencies, Brunswick County and its school system were ever to occur, it could have an adverse impact on CIS's programs and activities.

Grants Receivable

The grants and contracts receivable balance of \$86,091 consists of grants awarded but not received before the end of the fiscal year. Management believes all amounts are fully collectible. Accordingly, no provision is made for uncollectible amounts.

7. Property & Equipment

Property and equipment is stated at cost and consists of \$5,887 of furniture, fixtures and equipment, net of accumulated depreciation. All property & equipment was fully depreciated during the year. Therefore, no balance is presented on the Statement of Financial Position. Depreciation expense of \$5,614 appears as a line item on the Statement of Functional Expenses.

8. Accounts Payable & Accrued Liabilities

The accounts payable and accrued liabilities balance of \$64,063 consists of \$12,815 of operational accounts payable and \$51,248 of payroll-related liabilities.

9. Thrift Shop Donations

CIS receives support in the form of in-kind donations of personal and household items. It operates four thrift stores in Brunswick County in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). Accordingly, no inventory of these items is recorded at year-end.

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Communities In Schools of Brunswick County, Inc.
Notes to Financial Statements
 June 30, 2019

A summary of Thrift Shop activity for the current fiscal year follows:

	Boiling Spring Lakes	Southport	Sunset Beach	Leland	Total
Sales	\$ 163,712	\$ 344,206	\$ 174,092	\$ 84,302	\$ 766,312
Less Expenses:					
Wages , Taxes & Benefits	63,806	59,430	61,439	47,612	232,287
Contracted Services	930	957	900	859	3,646
General Operations	7,167	11,353	6,396	4,473	29,389
Insurance	1,230	1,192	1,213	1,085	4,720
Occupancy	31,962	46,961	32,258	24,957	136,138
Travel & Training	904	411	559	594	2,468
Total Expenses	105,999	120,304	102,765	79,580	408,648
Net Revenue	\$ 57,713	\$ 223,902	\$ 71,327	\$ 4,722	\$ 357,664

10. Leases

CIS leases commercial office space as their administrative office as well as 4 retail spaces for each of their thrift shops under lease agreements with local landlords. Rent for the year and is included within the line item "Occupancy" on the Statement of Functional Expenses.

Total rent expense and lease expirations are as follows:

	Admin Office	Boiling Spring Lakes	Southport	Sunset Beach	Leland	Total
Total Rent in 2018/19	\$ 5,200	\$ 24,280	\$ 39,000	\$ 27,140	\$ 22,132	\$ 117,752
Lease Expiration	10/2020	03/2021	02/2021	08/2020	05/2020	

Agreed-upon future annual minimum lease payments totaling \$179,108 are as follows:

FY 2019/20	\$ 123,560
FY 2020/21	<u>55,548</u>
Total	\$ 179,108

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2019

11. Income Taxes

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and CIS believes it is not subject to tax examinations for fiscal years prior to FY 2015/16.

12. Subsequent Events

CIS has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2019) and through the date that the Independent Auditor's Report was available to be issued (October 9, 2019). No events have occurred during that period that would require adjustments to the audited financial statements or further disclosure in these notes.

See the Independent Auditor's Report