



COMMUNITIES IN SCHOOLS
of
BRUNSWICK COUNTY, INC.

Audited Financial Statements

for the fiscal year ended

June 30, 2021

(with comparative totals for 2020)



Table of Contents

Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements	8-14



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, 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.

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, 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.

Prior Year Summarized Comparative Information

We have previously audited CIS's 2020 financial statements and our report dated October 9, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA PC

Wilmington, North Carolina
October 15, 2021



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Communities In Schools of Brunswick County, Inc.

Statement of Financial Position

as of June 30, 2021

(with comparative totals for 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 405,422	\$ 276,869
Investments (Note 5)	352,368	348,625
Grants and Contracts Receivable (Note 6)	36,972	26,754
Prepays and Other Current Assets	2,550	2,858
Property & Equipment, Net (Note 3f)	-	1,900
Total Assets	<u>797,312</u>	<u>657,006</u>
Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 7)	75,614	43,205
Note Payable (Note 6)	-	160,800
Total Liabilities	<u>75,614</u>	<u>204,005</u>
Net Assets		
Without Donor Restrictions (Note 3b)	696,698	451,671
With Donor Restrictions (Note 3b)	25,000	1,330
Total Net Assets	<u>721,698</u>	<u>453,001</u>
Total Liabilities & Net Assets	<u>\$ 797,312</u>	<u>\$ 657,006</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, 2021

(with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total FY 2020/21</u>	<u>Total FY 2019/20</u>
Revenue				
Private Grants & Contributions (Notes 3d & 6)	\$ 94,999	\$ 25,000	\$ 119,999	\$ 110,535
Government Grants and Contracts (Note 6)	161,550	386,586	548,136	242,227
In-kind Contributions (Note 3d)	181,548	-	181,548	138,175
Special Events Revenue (Note 3e)	10,301	-	10,301	20,997
Gross Thrift Shops Sales	748,249	-	748,249	648,617
Less Thrift Shop Cost of Goods Sold	<u>(405,260)</u>	<u> </u>	<u>(405,260)</u>	<u>(397,128)</u>
Thrift Shops, net (Note 8)	342,989	-	342,989	251,489
Investment Income	4,433	-	4,433	9,319
Net Assets Released from Restriction (Note 3b)	<u>387,916</u>	<u>(387,916)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>1,183,736</u>	<u>23,670</u>	<u>1,207,406</u>	<u>772,742</u>
Expense				
Program (Note 3e)	772,360	-	772,360	746,254
Management & General (Note 3e)	132,403	-	132,403	119,952
Fundraising (Note 3e)	<u>33,946</u>	<u> </u>	<u>33,946</u>	<u>47,315</u>
Total Expense	<u>938,709</u>	<u>-</u>	<u>938,709</u>	<u>913,521</u>
Increase (Decrease) in Net Assets	<u>245,027</u>	<u>23,670</u>	<u>268,697</u>	<u>(140,779)</u>
Net Assets Beginning of Year	<u>451,671</u>	<u>1,330</u>	<u>453,001</u>	<u>593,780</u>
Net Assets End of Year	<u>\$ 696,698</u>	<u>\$ 25,000</u>	<u>\$ 721,698</u>	<u>\$ 453,001</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, 2021

(with comparative totals for 2020)

Expense Type	Program				Total FY 2020/21	Total FY 2019/20
	Student Support	Thrift Shop	Management & General	Fundraising		
Wages, Taxes & Benefits	\$ 409,049	\$ 231,231	\$ 102,325	\$ 28,803	\$ 771,408	\$ 816,027
Contracted Services	61,797	2,954	6,448	-	71,199	66,866
General Operations	61,447	22,211	4,775	2,300	90,733	74,323
Student Transportation	16,236	-	-	-	16,236	29,318
Donated Goods, Services & Facilities	181,548	-	-	-	181,548	138,175
Insurance	7,181	4,828	1,796	506	14,311	14,404
Occupancy	3,500	142,491	9,629	246	155,866	156,068
Travel & Training	29,702	1,545	7,430	2,091	40,768	15,468
Depreciation (Note 3f)	1,900	-	-	-	1,900	-
Total Expenses by Function	\$ 772,360	\$ 405,260	\$ 132,403	\$ 33,946	\$ 1,343,969	\$ 1,310,649
Less Expense Items Netted Against Revenue on the Statement of Activities						
Thrift Store Cost of Goods Sold	-	(405,260)	-	-	(405,260)	(397,128)
Total Expenses per Statement of Activities	\$ 772,360	\$ -	\$ 132,403	\$ 33,946	\$ 938,709	\$ 913,521

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, 2021

(with comparative totals for 2020)

	<u>FY 2020/21</u>	<u>FY 2019/20</u>
Cash Flows from Operating Activity		
Change in Net Assets	\$ 268,697	\$ (140,779)
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	(10,218)	59,337
(Increase) Decrease in Prepaids & Other Current Assets	308	(98)
Increase (Decrease) in Accounts Payable & Accrued Expenses	32,409	(20,858)
Depreciation	1,900	-
Net Cash Provided by (Used in) Operating Activities	<u>293,096</u>	<u>(102,398)</u>
Cash Flows from Investing Activities		
Sale (Purchase) of Investments, net	(3,743)	(9,906)
Purchase of Equipment	-	(1,900)
Net Cash Provided by (Used in) Investing Activities	<u>(3,743)</u>	<u>(11,806)</u>
Cash Flows from Financing Activities		
Payroll Protection Loan Proceeds (Forgiveness)	(160,800)	160,800
Net Cash Provided by (Used in) Financing Activities	<u>(160,800)</u>	<u>160,800</u>
Net Increase (Decrease) in Cash and Cash Equivalents	128,553	46,596
Cash and cash equivalents, beginning of year	276,869	230,273
Cash and cash equivalents, end of year	<u>\$ 405,422</u>	<u>\$ 276,869</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, 2021

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 240 students received individualized support and over 800 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:

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

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, 2021, 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 2020/21, 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.

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

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

Donated Goods	\$	26,727
Donated Facilities		<u>154,821</u>
Total	\$	181,548

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 time and effort (staff members’ time tracking) as an objective basis for these expense categories: payroll, general operations, occupancy and travel and training.

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. CIS hosts occasional special events to raise awareness of its mission and to raise funds for the organization. In recognizing special events revenue, CSS follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. CSS considers its events to be on-going and central to its operations and therefore records revenues at the gross amount. All costs of the events appear within the fundraising category on the Statement of Functional Expenses.

3f. Property & Equipment

CIS capitalizes property and equipment costing more than \$2,500 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

See the Independent Auditor’s Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. The organization's property and equipment was fully depreciated at year-end.

3g. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (with or without donor restrictions). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the prior year from which the summarized information is derived.

4. Liquidity and Availability

As of June 30, 2021, CISBC's financial assets that will become available within one year for general expenditure totaled \$794,762 (cash, investments and grants receivable).

In FY 2020/21, the organization had average daily expenses of \$3,180, excluding depreciation and in-kind expenses. Therefore, the \$794,762 of financial assets available could theoretically fund operations for 250 days at FY 2020/21 expenditure levels.

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

5. Investments

CIS reports its investments at their fair value on 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. 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's investments are determined by reference to quoted market prices (i.e. level 1 measurements).*

The organization's excess cash is managed by Edward D. Jones & Co., L.P., a financial services firm. The cost and market value of the investments as of June 30 was \$352,368 and included 12 certificates of deposit and seven short-term mutual funds. The CD's mature from July 2020 to April 2022 with interest to be paid at rates from 1.7% to 3%.

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

6. Grants & Contracts

CIS receives support from a variety of governmental and private agencies as well as 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. See Note 3d for information about in-kind support.

Funding Source	Amount	% of Total
GOVERNMENTAL GRANTS & CONTRACTS		
U.S. Small Business Administration (Paycheck Protection Program)	\$ 160,800	24%
North Carolina Department of Public Instruction	\$ 210,994	32%
North Carolina Department of Social Services	23,368	3%
North Carolina Department of Juvenile Justice	88,701	13%
North Carolina State Appropriation (Coronavirus Response)	49,524	7%
Brunswick County	13,999	2%
Local Municipalities	750	<1%
Total Government Grants & Contracts	548,136	82%
PRIVATE GRANTS & CONTRIBUTIONS		
Cape Fear Memorial Foundation	25,000	4%
Cape Fear Area United Way	15,000	2%
Other Private Grants & Contributions	79,999	12%
Total Private Grants & Contributions	119,999	18%
Total	\$ 668,135	100%

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

On May 10, 2021, CIS received complete forgiveness of the paycheck protection loan of \$160,800 obtained in the latter part of the 2019-20 fiscal year. Following the guidance provided under FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the forgiven loan is included within the Government Grants & Contracts line item in the table above and on the Statement of Activities.

Grants Receivable

The grants and contracts receivable balance of \$36,972 consists primarily 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.

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

7. Accounts Payable & Accrued Liabilities

The accounts payable and accrued liabilities balance of \$75,614 consists of \$48,609 of operational accounts payable and \$27,005 of payroll-related liabilities.

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

	Boiling Spring Lakes	Leland	Southport	Sunset Beach	Total
Sales	\$129,724	\$95,676	\$301,609	\$221,240	\$748,249
Less Expenses:					
Wages, Taxes & Benefits	57,919	50,443	60,520	62,349	231,231
Contracted Services	739	782	758	675	2,954
General Operations	4,279	4,104	8,558	5,270	22,211
Insurance	1,183	1,123	1,234	1,288	4,828
Occupancy	32,009	33,017	45,017	32,448	142,491
Travel & Training	605	288	131	521	1,545
Total Expenses	96,734	89,757	116,218	102,551	405,260
Net Income (Loss)	\$32,990	\$5,919	\$185,391	\$118,689	\$342,989

9. Leases

CIS leases its administrative office and also four retail spaces for its thrift shops under short-term lease agreements with local landlords. Rent expense of \$128,078 is included within the line item "Occupancy" on the Statement of Functional Expenses.

See the Independent Auditor's Report

Communities In Schools of Brunswick County, Inc.

Notes to Financial Statements

June 30, 2021

10. 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 2017/18.

11. Subsequent Events

CIS has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2021) and through the date that the Independent Auditor's Report was available to be issued (October 15, 2021). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes.

See the Independent Auditor's Report