

# Communities In Schools, Inc.

## Audited Financial Statements, Other Financial Information and Uniform Guidance Supplemental Reports

*Years ended September 30, 2019 and 2018  
with Report of Independent Auditors*

Communities In Schools, Inc.

Audited Financial Statements,  
Other Financial Information and  
Uniform Guidance Supplemental Reports

*Years ended September 30, 2019 and 2018*

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## Report of Independent Auditors

Board of Directors  
Communities In Schools, Inc.  
Arlington, Virginia

We have audited the accompanying financial statements of Communities In Schools, Inc. (CIS), which comprise the statements of financial position as of September 30, 2019 and 2018 and the related statements of activities, and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 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 over financial reporting. 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, Inc. as of September 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter - Other Financial Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 24 is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of CIS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
January 27, 2020

# Communities In Schools, Inc.

## Statements of Financial Position

	September 30,	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 31,832,695	\$ 26,032,632
Cash held for restricted purposes	130,943	129,129
Investments	33,946,548	37,316,340
Pledges receivable, net	15,544,720	26,669,813
Government grants receivable	118,317	278,276
Other assets	896,526	921,799
Furniture and equipment, net	1,120,190	801,124
	<b>\$ 83,589,939</b>	<b>\$ 92,149,113</b>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,909,551	\$ 1,690,649
Deferred revenue	17,224	-
Deferred rent	686,190	740,807
	<b>2,612,965</b>	<b>2,431,456</b>
Total liabilities	<b>2,612,965</b>	<b>2,431,456</b>
Net assets:		
Without donor restrictions	10,472,544	8,890,413
With donor restrictions	70,504,430	80,827,244
	<b>80,976,974</b>	<b>89,717,657</b>
Total net assets	<b>80,976,974</b>	<b>89,717,657</b>
Total liabilities and net assets	<b>\$ 83,589,939</b>	<b>\$ 92,149,113</b>

## Communities In Schools, Inc.

### Statement of Activities and Changes in Net Assets

Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Corporate, foundation and individual contributions	\$ 6,814,383	\$ 15,304,857	\$ 22,119,240
In kind contributions, see Note F	28,290,791	-	28,290,791
Grants-governmental agencies	-	931,674	931,674
Other revenue	1,135,772	-	1,135,772
Net assets released from restrictions:			
Satisfaction of program restrictions	22,832,648	(22,832,648)	-
Release of distribution of endowment earnings	4,342,537	(4,342,537)	-
<b>Total support and revenue</b>	<b>63,416,131</b>	<b>(10,938,654)</b>	<b>52,477,477</b>
<b>Expenses</b>			
Program services:			
Advocacy and thought leadership	1,470,430	-	1,470,430
Public awareness and communications	3,409,505	-	3,409,505
In kind services, see Note F	28,290,791	-	28,290,791
Student supports	21,908,529	-	21,908,529
External services	2,407,657	-	2,407,657
<b>Total program services</b>	<b>57,486,912</b>	<b>-</b>	<b>57,486,912</b>
Supporting services:			
General and administrative	3,298,632	-	3,298,632
Fundraising	1,774,681	-	1,774,681
<b>Total supporting services</b>	<b>5,073,313</b>	<b>-</b>	<b>5,073,313</b>
<b>Total expenses</b>	<b>62,560,225</b>	<b>-</b>	<b>62,560,225</b>
Change in net assets before investment income	855,906	(10,938,654)	(10,082,748)
Investment income, net	726,225	615,840	1,342,065
Change in net assets	1,582,131	(10,322,814)	(8,740,683)
Net assets, beginning of year	8,890,413	80,827,244	89,717,657
Net assets, end of year	<b>\$ 10,472,544</b>	<b>\$ 70,504,430</b>	<b>\$ 80,976,974</b>

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

## Communities In Schools, Inc.

### Statement of Activities and Changes in Net Assets

Year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Corporate, foundation and individual contributions	\$ 12,396,683	\$ 50,218,208	\$ 62,614,891
In kind contributions, see Note F	10,517,966	-	10,517,966
Grants-governmental agencies	-	380,821	380,821
Other revenue	167,419	-	167,419
Net assets released from restrictions:			
Satisfaction of program restrictions	14,719,936	(14,719,936)	-
Release of distribution of endowment earnings	1,299,922	(1,299,922)	-
<b>Total support and revenue</b>	<b>39,101,926</b>	<b>34,579,171</b>	<b>73,681,097</b>
<b>Expenses</b>			
Program services:			
Advocacy	1,178,900	-	1,178,900
Public awareness and communications	3,289,402	-	3,289,402
In kind services, see Note F	10,517,966	-	10,517,966
Student supports	17,913,662	-	17,913,662
<b>Total program services</b>	<b>32,899,930</b>	<b>-</b>	<b>32,899,930</b>
Supporting services:			
General and administrative	3,024,337	-	3,024,337
Fundraising	1,541,752	-	1,541,752
<b>Total supporting services</b>	<b>4,566,089</b>	<b>-</b>	<b>4,566,089</b>
<b>Total expenses</b>	<b>37,466,019</b>	<b>-</b>	<b>37,466,019</b>
Change in net assets before investment income	1,635,907	34,579,171	36,215,078
Investment income, net	448,468	1,633,038	2,081,506
Change in net assets	2,084,375	36,212,209	38,296,584
Net assets, beginning of year	6,806,038	44,615,035	51,421,073
Net assets, end of year	<b>\$ 8,890,413</b>	<b>\$ 80,827,244</b>	<b>\$ 89,717,657</b>

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

Communities in Schools, Inc.

Statements of Functional Expenses

Years ended September 30, 2019 and 2018

*For the Year Ended September 30, 2019*

	Advocacy & Thought Leadership	Public Awareness & Communication	Student Supports	External Services	General & Administrative	Fundraising	Total
Salaries	\$ 389,977	\$ 746,852	\$ 2,559,543	\$ 724,416	\$ 1,893,736	\$ 920,264	\$ 7,234,788
Employee benefits	92,050	175,644	612,925	173,754	449,603	220,253	1,724,228
Network investment	448,000	-	15,029,064	-	-	24,750	15,501,814
Other contracted services	345,939	374,160	879,247	842,060	831,579	116,219	3,389,204
Travel, meals, & conferences	35,727	87,420	1,125,763	267,911	112,883	72,407	1,702,111
Rent & storage fees	38,439	117,316	259,365	13,301	234,925	122,500	785,847
Advertising	3,654	1,571,318	1,825	267,312	7,186	348	1,851,643
Hardware & software purchases	3,433	7,056	281,048	473	353,429	6,814	652,252
Internet services	5,965	42,871	184,598	1,624	170,809	3,363	409,230
Depreciation	-	-	32,699	-	163,292	-	195,992
Loss on disposal of fixed assets	-	-	-	-	181	-	181
Other	29,473	63,506	215,852	36,073	437,331	39,912	822,147
Indirect allocation	77,773	223,362	726,600	80,733	(1,356,320)	247,851	-
Total incurred expenses	1,470,430	3,409,505	21,908,528	2,407,657	3,298,635	1,774,681	34,269,435
Inkind goods & services	-	28,140,084	150,707	-	-	-	28,290,791
Total expenses	\$ 1,470,430	\$ 31,549,588	\$ 22,059,235	\$ 2,407,657	\$ 3,298,635	\$ 1,774,681	\$ 62,560,225

*For the Year Ended September 30, 2018*

	Advocacy & Thought Leadership	Public Awareness & Communication	Student Supports	External Services	General & Administrative	Fundraising	Total
Salaries	\$ 261,991	\$ 640,723	\$ 2,874,306	\$ -	\$ 1,810,541	\$ 742,854	\$ 6,330,415
Employee benefits	64,050	154,004	693,393	-	437,672	180,505	1,529,624
Network investment	48,000	-	11,018,035	-	-	-	11,066,035
Other contracted services	553,856	241,931	1,445,115	-	599,072	215,253	3,055,227
Travel, meals, & conferences	99,280	111,098	659,375	-	219,770	44,925	1,134,448
Rent & storage fees	39,780	117,968	293,892	-	219,972	111,110	782,722
Advertising	2,640	1,714,666	1,474	-	2,120	8,415	1,729,315
Hardware & software purchases	13,377	16,749	106,232	-	152,556	23,151	312,065
Internet services	11,735	71,984	22,364	-	87,830	495	194,408
Depreciation	-	-	20,320	-	110,023	-	130,343
Other	19,721	29,092	158,355	-	441,310	34,973	683,451
Indirect allocation	64,470	191,187	620,801	-	(1,056,529)	180,071	-
Total incurred expenses	1,178,900	3,289,402	17,913,662	-	3,024,337	1,541,752	26,948,053
Inkind goods & services	-	10,505,595	12,371	-	-	-	10,517,966
Total expenses	\$ 1,178,900	\$ 13,794,997	\$ 17,926,033	\$ -	\$ 3,024,337	\$ 1,541,752	\$ 37,466,019

Communities In Schools, Inc.

Statements of Cash Flows

	Year ended September 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (8,740,683)	\$ 38,296,584
Adjustments to reconcile change in net assets to net cash (used by)/provided by operating activities:		
Change in fair value of investments	334,594	(775,440)
Loss on disposal of fixed assets	181	-
Depreciation and amortization	195,992	130,342
Donated securities	(523,202)	(561,150)
Present value discount	(332,120)	564,680
Changes in assets and liabilities:		
Pledges receivable	11,457,213	(19,601,252)
Government grants receivable	159,959	(125,711)
Other assets	25,273	(274,603)
Accounts payable and accrued liabilities	218,902	(175,001)
Deferred revenue	17,224	-
Deferred rent	(54,617)	(34,440)
Net cash provided by operating activities	<u>2,758,716</u>	<u>17,444,009</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(12,204,361)	(18,646,921)
Sale of investments	15,762,760	18,848,909
Purchase of furniture and equipment	(515,238)	(582,211)
Net cash provided by (used in) investing activities	<u>3,043,161</u>	<u>(380,223)</u>
Change in cash and cash equivalents	5,801,877	17,063,786
Cash and cash equivalents, beginning of year	<u>26,161,761</u>	<u>9,097,975</u>
Cash and cash equivalents, end of year	<u>\$ 31,963,638</u>	<u>\$ 26,161,761</u>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	\$ 31,832,695	\$ 26,032,632
Cash held for restricted purpose	130,943	129,129
	<u>\$ 31,963,638</u>	<u>\$ 26,161,761</u>

# Communities In Schools, Inc.

## Notes to Financial Statements

*Years ended September 30, 2019 and 2018*

### **Note A – Organization and Significant Accounting Policies**

#### *Organization*

Communities In Schools, Inc. (CIS) was incorporated in Georgia on April 28, 1977, and commenced operations in June 1977. CIS is a not-for-profit corporation, the purpose of which is to surround students with a community of support, empowering them to stay in school and achieve in life.

CIS works through four primary areas to achieve its mission:

Public Awareness and Communications – Building awareness of America’s dropout problem and positioning CIS as a solution to this problem.

Student Supports – Working with CIS state offices and local affiliates to build capacity within the CIS network as well as evaluating and disseminating evidence-based program practices.

Advocacy and Thought Leadership – Educating legislators, public officials, and the general public on a non-partisan basis on the types of and benefits of public policies conducive to improving public education, by means of research, publications, lectures and legislative involvement. Establish CIS as a thought leader in integrated student supports including keeping abreast of trends about the sectors and educating partners in the education field through convening and printed materials.

External Services – Working with school districts to provide a variety of services including implementing the CIS model, provide training opportunities on integrated student supports and providing turn around school services as well as providing organizational development consulting to new affiliates.

#### *National and Local Organizations*

CIS developed a replication plan to build a network of locally supported not-for-profit organizations responsible for implementing CIS programs in local communities. CIS’ separately incorporated local organizations’ activities are not included in CIS’ financial statements. There were 14 state and 112 local CIS organizations at September 30, 2019.

#### *Basis of Presentation*

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification. Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred. Additionally, as required by GAAP, CIS reports its net assets as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note A – Organization and Significant Accounting Policies (Continued)**

##### *Basis of Presentation (continued)*

Net Assets With Donor Restriction – Net assets 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 perpetual 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. For net assets held in perpetuity, the donors of these assets permit CIS to use all or part of the income earned on related investments for either general or donor-specified purposes. Distributions are released from restriction when they are drawn down by CIS and reported as net assets released from restrictions in the statement of activities and changes in net assets.

##### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Cash and Cash Equivalents*

CIS considers all cash and highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Throughout the year, CIS has cash balances in financial institutions that are in excess of Federal Deposit Insurance Corporation coverage. Management does not consider these balances to be a significant credit risk.

##### *Cash Held for Restricted Purposes*

CIS maintains certain funds as collateral under the terms of its corporate office-operating lease. These moneys are reflected as cash held for restricted purposes on the statement of financial position.

##### *Investments and Fair Value Measurements*

Investments are recorded at fair value. Investment income or loss, including realized and unrealized gains and losses, net of fees, is included in the statement of activities and changes in net assets as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor or law.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note A – Organization and Significant Accounting Policies (Continued)**

##### *Investments and Fair Value Measurements (continued)*

GAAP establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities traded in active markets that CIS has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates of fair value are made using methods, models and assumptions that management believes are relevant to the particular asset or liability, which may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

CIS recognizes transfers between levels at either the actual date of the event or a change in circumstance that caused the transfer.

During 2019 and 2018, CIS's endowment was invested in equity, US fixed income, and alternative assets comprised of hedge funds, real estate & infrastructure, and hard assets. A portion of the hedge fund holdings are not publicly traded; their fair value is based on CIS' pro-rata share of the net asset value of the respective funds at the balance sheet date, which are based on the fair value of the underlying securities held by each respective fund. These investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note A – Organization and Significant Accounting Policies (Continued)**

##### *Risks and Uncertainties*

CIS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

##### *Pledges Receivable*

Pledges receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Pledges expected to be collected beyond one year are discounted to present value using the United States Treasury risk-adjusted rates according to their corresponding terms.

##### *Fixed Assets*

Fixed assets are stated at cost when acquired, or fair value when donated. All fixed assets greater than \$5,000 are capitalized at cost. Furniture, equipment and software are depreciated using the straight-line method over the estimated useful life of the asset, ranging from three to five years. The office cubicles and leasehold improvements are depreciated over the remainder of the life of the office lease when the asset is put into service.

##### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs such as rent, insurance and information technology have been allocated among programs and supporting services based on headcount.

##### *Support and Revenues*

Revenue and expenses are recognized in the period in which services or benefits are provided or received.

CIS receives grants and enters into contracts with the U.S. government, foundations and corporations that primarily provide for cost reimbursement to CIS. Revenue from these grants and contracts is classified as without donor restriction and is recognized as reimbursable expenditures are incurred by CIS. Grants receivable represent amounts expended and not yet reimbursed under a Federal grant awarded to CIS.

CIS recognizes revenue from sales of advisory and training products and services when the products are transferred and the services are provided.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note A – Organization and Significant Accounting Policies (Continued)**

##### *Support and Revenues (continued)*

CIS recognizes contributions received, including unconditional promises to give (pledges), as revenue in the period received at their estimated present value. Contributions received are reported as net assets with or without donor restriction based on donor-imposed restrictions or lack thereof. Net assets with donor restriction become net assets without donor restriction when the time restrictions expire or when the contributions are used for their restricted purpose, at which time they are reported in the statement of activities and changes in net assets as satisfaction of program restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recognized until the conditions are met. Net assets with donor restriction also represent resources subject to donor-imposed stipulations that CIS maintain the principal in perpetuity, and use of related income earned on related investments for either general or donor-specified purposes.

##### *Income Tax Status*

CIS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified by the Internal Revenue Service as a publicly supported organization. Management has concluded that CIS has properly maintained its exempt status. In accordance with GAAP, CIS has concluded that there are no uncertain tax positions and has further concluded that revenue within the statement of activities and changes in net assets has been properly classified as exempt as of September 30, 2019.

##### *Subsequent Events*

CIS has evaluated subsequent events for disclosure and recognition through January 27, 2020, the date on which these financial statements were available to be issued. All material subsequent events have been disclosed as of that date.

##### *Endowment Funds*

CIS reports its endowment activity in accordance with the accounting guidance for Endowments of Not-for-Profit Organizations, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). CIS has made the required disclosures in Note J, *Endowment Funds*.

##### *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note A – Organization and Significant Accounting Policies (Continued)**

##### *Change in Accounting Principle*

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not for Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit-Entities*. The amendments in this update are designed to improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The amendments in the ASU are effective for annual periods beginning after December 15, 2017. Management adopted the provisions of this ASU as of and for the year ended September 30, 2019, and applied it retrospectively to the periods presented. The adoption of this ASU had no impact on net assets as of September 30, 2019 or changes in net assets for the year then ended.

#### **Note B – Pledges Receivable**

Pledges receivable represent unconditional promises to give by donors. At September 30, pledges receivable are comprised as follows:

	2019	2018
Receivable within one year	\$ 10,777,280	\$ 17,574,493
Receivable in one to three years	5,000,000	9,660,000
	15,777,280	27,234,493
Discount to present value	(232,560)	(564,680)
Pledges receivable, net	\$ 15,544,720	\$ 26,669,813

The multi-year pledge receivable as of September 30, 2019 was discounted at 2.41%.

#### **Note C – Investments and Fair Value Measurements**

Investment income recorded in the statements of activities consisted of the following for the years ended September 30:

	2019	2018
Interest and dividends	\$ 1,752,973	\$ 1,382,018
Change in fair value, net	(334,594)	775,440
Investment fees	(76,314)	(75,952)
Investment income, net	\$ 1,342,065	\$ 2,081,506

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

**Note C – Investments and Fair Value Measurements (Continued)**

Investments at September 30, 2019 are classified as the following in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds	\$ 3,700,079	\$ -	\$ -	\$ 3,700,079
Tax Free Daily Income Trust	123,685	-	-	123,685
U.S. Fixed Income	7,335,880	-	-	7,335,880
Equity	16,783,418	-	-	16,783,418
Real Estate & Infrastructure	590,125	-	-	590,125
Hard Assets	673,346	-	-	673,346
Total investments	<u>\$ 29,206,533</u>	<u>\$ -</u>	<u>\$ -</u>	29,206,533
	Alternative investment funds valued using practical expedient			4,740,015
	Total fair value of investments			<u>\$ 33,946,548</u>

Investments at September 30, 2018 are classified as the following in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds	\$ 3,642,714	\$ -	\$ -	\$ 3,642,714
Tax Free Daily Income Trust	4,467	-	-	4,467
U.S. Fixed Income	6,561,741	-	-	6,561,741
Equity	20,046,470	-	-	20,046,470
Equity Market Neutral Fund	616,514	-	-	616,514
Real Estate & Infrastructure	1,316,536	-	-	1,316,536
Hard Assets	965,289	-	-	965,289
Unsettled Transactions, Net	66,566	-	-	66,566
Total investments	<u>\$ 33,220,297</u>	<u>\$ -</u>	<u>\$ -</u>	33,220,297
	Alternative investment funds valued using practical expedient			4,096,043
	Total fair value of investments			<u>\$ 37,316,340</u>

There were no transfers between levels during the years ended September 30, 2019 and 2018.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note C – Investments and Fair Value Measurements (Continued)**

During 2019 and 2018, CIS held positions in several alternative investment funds. The estimated fair value, remaining commitment, and redemption requirements in alternative investment funds at September 30, 2019 are summarized as follows:

	Fair Value	Remaining Commitment	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 4,009,316	\$ -	Quarterly	Up to 95 days
Real Estate & Infrastructure	\$ 730,699	\$ -	Quarterly	Up to 95 days

The estimated fair value, remaining commitment, and redemption requirements in alternative investment funds at September 30, 2018 are summarized as follows:

	Fair Value	Remaining Commitment	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 3,385,921	\$ -	Monthly, Quarterly, Semi-annually	Up to 95 days
Real Estate & Infrastructure	\$ 710,122	\$ -	Quarterly	Up to 95 days

Investments in alternative investment funds are typically valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies or their administrators, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. CIS applies the practical expedient to its investments in private investment companies, unless it is probable that CIS will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that CIS will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, CIS considers other factors in addition to the net asset valuation, such as features of the investment, including subscriptions and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

Investments in alternative investment funds that are not valued using the practical expedient are included in Level 2 or 3 of the fair value hierarchy. In determining the level, CIS considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. CIS also considers the nature of the portfolios of the underlying private investment companies and their ability to liquidate their underlying investments. If CIS does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is included in Level 3 of the fair value hierarchy. As of September 30, 2019, no adjustments were made to the valuations provided by the underlying private investment companies.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note C – Investments and Fair Value Measurements (Continued)**

Of CIS's holdings at September 30, 2019 and 2018, \$4,740,015 and \$4,096,043, respectively, of hedge funds are not publicly traded and are valued based on the unit net asset value of each fund. The investment strategies of these holdings are as follows:

<b>Fund valued with NAV</b>	<b>Investment Strategy</b>
Blue Mountain Credit Alternatives	Multi-strategy credit fund
Bridgewater Private Investors	Diversified fundamental global macro fund
Clarion Private Investors, LLC	Real estate fund
Eton Park Overseas Fund, LTD.	Multi-strategy fund
Grosvenor Alternative Investments	Globally diversified, multi-strategy fund
Gruss Global Investors (Enhanced)	Global, event-driven fund
Hoplite Offshore Fund, LTD.	Broad-based long/short hedge fund
Lakewood Capital Offshore Fund	Broad-based long/short hedge fund
Manikay Offshore Fund, LTD.	Trading on short-term positions within a market-neutral equity framework
Varde Credit Partners (Offshore)	Event-driven, global distressed credit fund
Winton Futures Fund Ltd. Class B	Portfolio of liquid futures, options, and forward contracts

#### **Note D – Fixed Assets**

Fixed assets consists of the following as of September 30:

	2019	2018
Furniture	\$ 288,340	\$ 277,516
Equipment	1,767,134	1,278,363
Leasehold improvements	501,029	501,029
	<u>2,556,503</u>	<u>2,056,908</u>
Accumulated depreciation and amortization	(1,436,313)	(1,255,784)
Furniture and equipment, net	<u>\$ 1,120,190</u>	<u>\$ 801,124</u>

#### **Note E – Related Parties**

CIS receives cash from grants and contributions designated by the grantors to be given to specific state and local CIS affiliates. The total amount held by CIS and owed to affiliates was \$432,745 and \$455,494 as of September 30, 2019 and 2018, respectively. The amount owed to affiliates is recorded within accounts payable and accrued liabilities on the statement of financial position.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note E – Related Parties (Continued)**

Certain members of the CIS Board of Directors have made contributions and/or pledges to CIS. These contributions approximated 3.12% and 5.74% of CIS' total support and revenues in 2019 and 2018, respectively. Total outstanding pledges receivable from members of the CIS Board of Directors totaled approximately .49% and 3.68% of total pledges receivable at September 30, 2019 and 2018, respectively. The contributions received were made to support the general operations of CIS and designated funds for college and career readiness support and innovation challenge awards.

#### **Note F – In Kind Contributions**

Total donated services recorded for fiscal year 2019 and 2018 was \$28,290,791 and \$10,517,966, respectively. In-kind contributions were recorded at fair value as determined by the donors. In 2019, in-kind donations consisted of \$28,140,083 in donated media services made by the Causeway Agency and \$150,707 in donated services from Deloitte Consulting related to a compensation study for the CIS affiliate network. In 2018, in-kind donations consisted of \$10,505,595 in donated media services made by the Causeway Agency and \$12,371 in donated hotel costs for the Career and College Readiness Convening by a board member.

For the years ended September 30, 2019 and 2018, donated media placements were recorded as net assets without donor restriction with a corresponding expense being recorded. The donated media services primarily benefited the public awareness and communications program. The donated hotel costs primarily benefited the Network Operations program. For the year ended September 30, 2019, the donated consulting services was recorded as net assets without donor restriction with the corresponding expense allocated by function. For the year ended September 30, 2018, the donated hotel costs were recorded as net assets without donor restriction with the corresponding expense allocated by function.

#### **Note G – Retirement Plans**

CIS sponsors a defined contribution pension plan (the Plan). All CIS employees are eligible to participate in the Plan immediately upon hiring. Employees are eligible to receive CIS' voluntary and matching contributions after they have completed one full year of service with CIS. At the Board's discretion, CIS makes contributions to the Plan. During the years ending September 30, 2019 and 2018, these contributions were 3 percent of an employee's salary and a matching component of up to 3 percent of an employee's contribution. CIS contributed \$330,334 and \$313,471 to the Plan in 2019 and 2018, respectively. The Plan is exempt from federal income taxes under Section 403(b) of the IRC. CIS is the Plan administrator.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note G – Retirement Plans (Continued)**

During the year ending September 30, 2013, CIS created a deferred compensation 457 plan. This plan was created for the benefit of certain executive employees. CIS contributed approximately \$36,000 and \$36,800 to the Plan in 2019 and 2018, respectively. The related assets and liabilities for the plan are included in CIS' statement of financial position within other assets and accounts payable and accrued liabilities.

#### **Note H – Commitments**

CIS has entered into a non-cancelable operating lease agreement for office space in Arlington, Virginia. The lease commenced on April 15, 2009. In 2014, CIS was relocated to another office space and the lease was extended to March 31, 2025. The new lease provides CIS with a release of liability from the previous lease which was enforceable through October 2019. Under this operating lease, the rent charged to CIS escalates annually at 2.5%. In addition, rent for the first 6 months of the lease term was abated.

Under GAAP, CIS must record its rent expense on a straight-line basis over the life of the lease resulting in the difference between the straight-lined expense and cash outlay as deferred rent in the statement of financial position. The deferred rent liability was \$686,190 and \$740,807 as of September 30, 2019 and 2018, respectively.

CIS established an irrevocable standby letter of credit, a requirement of the lease agreement noted above. The letter of credit amount was \$129,129 as of September 30, 2019 and 2018, respectively.

Rent expense was \$778,095 and \$781,882 in fiscal years 2019 and 2018, respectively. Future minimum payments required under the above lease are as follows:

2020	\$	848,000
2021		869,000
2022		891,000
2023		913,000
2024		936,000
Thereafter		479,000
Total	\$	<u>4,936,000</u>

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note I – Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for use in programs specified by donors. The net assets released from donor restrictions for the years ended September 30, 2019 and 2018 are attributable to expenses incurred related to these specific programs. Net assets with donor restrictions were released from restrictions for the following programs during 2019 and 2018:

	2019	2018
Public awareness and communications	\$ 590,723	\$ 398,729
Student Supports	18,461,627	12,235,637
Advocacy & Thought Leadership	291,956	209,429
General & administrative	2,102,837	1,755,232
External Services	1,178,361	-
Fundraising	207,144	120,909
	\$ 22,832,648	\$ 14,719,936

The net assets with donor restrictions of CIS are available for the following programs or purposes as of September 30, 2019 and 2018:

	2019	2018
Public awareness and communications	\$ 929,692	\$ 1,830,851
Student Supports	30,756,832	38,179,334
Advocacy & Thought Leadership	808,245	729,644
External Services	3,247,932	-
General & administrative	3,524,787	4,754,365
Fundraising	454,032	823,442
Endowment corpus	25,010,080	25,010,080
Endowment earnings	5,772,830	9,499,528
	\$ 70,504,430	\$ 80,827,244

#### **Note J – Endowment Funds**

CIS's endowment funds consist of an individual donor fund as of September 30, 2019 and 2018 established for various purposes. The endowment is a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

CIS is subject to UPMIFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. The Board of Directors of CIS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless the fund donor stipulates the contrary.

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note J – Endowment Funds (Continued)**

##### Interpretation of Relevant Law (continued)

CIS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. CIS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of CIS

##### Return Objectives and Risk Parameters

CIS has adopted investment and spending policies for endowment assets that attempt to maintain the real purchasing power of the Fund and provide a stable source of liquidity and financial support for the mission of CIS. Under these policies, the board acknowledges the importance of preserving capital but recognizes the necessity of accepting risk if the Fund is to be able to meet its long-term investment goals.

##### Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, CIS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The current asset allocation for endowment funds targets a composition of 55% in equities and 25% in fixed income and cash, with allowance of up to 25% in alternative investments as approved by the Board of Directors.

##### Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the Fund will be made in accordance with UPMIFA as adopted by the Commonwealth of Virginia. UPMIFA allows the institution to determine the prudent amount to be appropriated for expenditure from endowment funds within the restrictions of any gift agreements.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

**Note J - Endowment Funds (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

The policy spending rate for the Fund shall be 4 percent of the Fund's average balance at the end of the prior three fiscal years. In the case that investment returns for the prior fiscal year are in the negative and/or the endowment balance has lost value such that it is nearing the original value of gifts donated to the permanent endowment the Finance Committee (the Committee) may determine that a lesser amount will be distributed and submit the proposed reduced amount for Board approval. Appropriations from the Fund in excess of the policy spending rate may be made when CIS has a unique, non-routine special initiative that is underfunded. In such cases, the Committee will determine the prudent amount to be appropriated and submit the proposed appropriation for Board approval. Any other special appropriations or decision not to spend the amount indicated by the policy spending rate must also be approved in advance by the Board of Directors.

Endowment net assets, by fund, were comprised of the following as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
Original gift amount required to be maintained in perpetuity	\$ -	\$25,010,080	\$25,010,080
Amounts subject to appropriation	-	5,772,833	5,772,833
Total endowment net assets	<u>\$ -</u>	<u>\$30,782,913</u>	<u>\$30,782,913</u>

Endowment net assets, by fund, were comprised of the following as of September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
Original gift amount required to be maintained in perpetuity	\$ -	\$25,010,080	\$25,010,080
Amounts subject to appropriation	-	9,499,530	9,499,530
Total endowment net assets	<u>\$ -</u>	<u>\$34,509,610</u>	<u>\$34,509,610</u>

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

**Note J - Endowment Funds (Continued)**

The changes in the endowment net assets are as follows for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$34,509,610	\$34,509,610
Investment return, net	-	615,840	615,840
Expenditure appropriations	-	(4,342,537)	(4,342,537)
Total endowment net assets	<u>\$ -</u>	<u>\$30,782,913</u>	<u>\$30,782,913</u>

The changes in the endowment net assets are as follows for the year ended September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$34,176,494	\$34,176,494
Investment return, net	-	1,633,038	1,633,038
Expenditure appropriations	-	(1,299,922)	(1,299,922)
Total endowment net assets	<u>\$ -</u>	<u>\$34,509,610</u>	<u>\$34,509,610</u>

**Note K - Liquidity and Availability of Resources**

CIS's financial assets available for general expenditure within one year of the date of the statement of financial position are as follows:

	2019	2018
Cash and cash equivalents	\$ 11,470,982	\$ 12,685,310
Accounts receivable	257,245	222,876
Pledges receivable	8,052,000	6,904,493
Government grants receivable	118,317	278,276
Short-term investments	1,863,635	-
Long-term investments appropriated for current use	1,300,000	1,300,000
Long-term investments appropriated for special use	-	3,000,000
	<u>\$ 23,062,179</u>	<u>\$ 24,390,955</u>

## Communities In Schools, Inc.

### Notes to Financial Statements (Continued)

#### **Note K - Liquidity and Availability of Resources (Continued)**

CIS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CIS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CIS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, CIS invests cash in excess of daily requirements in an interest bearing money market account. This cash also includes short term reserves of \$6.8M. CIS invests its long term reserves of \$3.8M in mutual funds. CIS has an endowment valued at \$30.8M. CIS receives an annual distribution based on 4% of the Fund's average balance at the end of the prior three fiscal years. This endowment distribution is valued at approximately \$1.3M per year and covers general operating costs. CIS can also request a special appropriation from the endowment fund in excess of the policy spending rate for a unique, non-routine special initiative that is underfunded. This appropriation must be approved by the board.

Communities In Schools, Inc.

Schedule of Expenditures of Federal Awards

Year ended September 30, 2019

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Award/ Federal Grant Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>Department of Justice</b>					
Multi-State Mentoring Initiative	16.726	2013-JU-FX-0026	N/A	\$ 691,277	\$ 931,674
<i>Total Expenditures of Federal Awards</i>				<u>\$ 691,277</u>	<u>\$ 931,674</u>

Communities In Schools, Inc.

Notes to the Schedule of Expenditures of Federal Awards

Year ended September 30, 2019

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Communities In Schools, Inc. (CIS) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**Note B - Indirect Cost Rate**

CIS has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note C - Subrecipients**

Of the federal expenditures presented in the Schedule, CIS provided federal awards to subrecipients as follow:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
Multi-State Mentoring Initiative	16.726	\$ 691,277
Total Federal Awards Provided to Subrecipients		\$ 691,277

# **Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

## Report of Independent Auditors

Board of Directors  
Communities In Schools, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities In Schools, Inc. (CIS), which comprise the statements of financial position as of September 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated January 27, 2020.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered CIS's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of CIS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CIS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CIS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CIS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
January 27, 2020

# **Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

## Report of Independent Auditors

Board of Directors  
Communities In Schools, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of Communities In Schools, Inc. (CIS) with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. CIS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to CIS's federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CIS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CIS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CIS's compliance.

### ***Opinion on Major Federal Programs***

In our opinion, CIS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

### **Report on Internal Control Over Compliance**

Management of CIS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CIS's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CIS's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large loops and flourishes.

Vienna, Virginia  
January 27, 2020

# Communities In Schools, Inc.

## Schedule of Findings and Questioned Costs

Year ended September 30, 2019

### Section I – Summary of Auditor’s Results

#### **Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Is any noncompliance material to financial statements noted?	No

#### **Federal Awards**

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

#### **Identification of major programs:**

CFDA Number(s) and Name of Federal Program or Cluster

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.726	Department of Justice: Multi-State Mentoring Initiative

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Is the auditee qualified as a low-risk auditee?	No

### Section II – Financial Statement Findings

No matters were reported.

### Section III – Federal Award Findings and Questioned Costs

No matters were reported.