

**Communities in Schools of
Southwest Virginia, Inc.
Financial Statements
June 30, 2021**

**Prepared by:
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Communities in Schools of Southwest Virginia, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Communities in Schools of Southwest Virginia, Inc

Opinion

I have audited the accompanying financial statements of Communities in Schools of Southwest Virginia, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Southwest Virginia, Inc as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Communities in Schools of Southwest Virginia, Inc and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities in Schools of Southwest Virginia, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Communities in Schools of Southwest Virginia, Inc 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities in Schools of Southwest Virginia, Inc 's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses is presented for purposes of additional analysis 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



David E. Warren Certified Public Accountant, P.C.

Bristol, Tennessee

November 2, 2021

Communities in Schools of Southwest Virginia, Inc.
Statement of Financial Position
June 30, 2021

Assets

Current assets:

Cash(Note 3)	<u>\$ 375,613</u>
Total current assets	<u>375,613</u>
Total assets	<u>\$ 375,613</u>

Liabilities & Net Assets

Current liabilities:

Payroll taxes payable	<u>\$ 12,334</u>
Total current liabilities	<u>12,334</u>
Total liabilities	<u>12,334</u>

Net assets:

Without donor restrictions	175,779
With donor restrictions	<u>187,500</u>
Total net assets	<u>363,279</u>
Total liabilities & net assets	<u>\$ 375,613</u>

Communities in Schools of Southwest Virginia, Inc.

Statement of Activities
Year ended June 30, 2021

	Without	With	
	Donor Restrictions	Donor Restrictions	Total
Support & Revenues			
Contributions	\$ 47,571	\$ 0	\$ 47,571
Grants	620,385	225,000	845,385
Foundations	121,800	0	121,800
Fundraisers	6,317	0	6,317
In-kind donation	105,000	0	105,000
Interest	31	0	31
Loan forgiveness(Note 9)	95,500	0	95,500
Other	3,494	0	3,494
Net assets released from restrictions	37,500	(37,500)	0
Total support & revenues	1,037,598	187,500	1,225,098
Expenses			
Program	804,664	0	804,664
Management & Administrative	59,249	0	59,249
Fundraising	3,080	0	3,080
Total Expenses	866,993	0	866,993
Net increase in net assets	170,605	187,500	358,105
Net assets, beginning of year	5,174	0	5,174
Net assets, end of year	\$ 175,779	\$ 187,500	\$ 363,279

Communities in Schools of Southwest Virginia, Inc.
Statement of Cash Flows
Year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 358,105
Adjustments to reconcile change in net assets to Cash provided by operating activities:	
Loan forgiveness	(95,500)
Increase(decrease) in:	
Payroll taxes payable	<u>2,622</u>
 Net cash provided by operating activities	 <u>265,227</u>
 Net increase in cash and cash equivalents	 <u>265,227</u>
Cash & cash equivalents, beginning of year	<u>110,386</u>
Cash & cash equivalents, end of year	<u>\$ 375,613</u>

Interest expense for the year ended June 30, 2021 was \$ 676.

Communities in Schools of Southwest Virginia, Inc.
Statement of Functional Expenses
Year ended June 30, 2021

	Supporting Services			Total
	Program	Management & General	Fundraising	
Salaries	\$ 467,551	\$ 34,962	\$ 0	\$ 502,513
Payroll taxes	37,453	2,630	0	40,083
Benefits	7,771	379	0	8,150
Total wages and benefits	512,775	37,971	0	550,746
Professional fees	3,517	3,517	0	7,034
Advertising	0	1,501	3,080	4,581
Software	0	376	0	376
Rent	7,500	7,500	0	15,000
Student support	203,893	0	0	203,893
Operating expenses	26,493	0	0	26,493
Insurance	5,861	441	0	6,302
Telephone	4,397	331	0	4,728
Other employee expenses	34,150	2,150	0	36,300
Other expenses	6,078	5,462	0	11,540
Total	\$ 804,664	\$ 59,249	\$ 3,080	\$ 866,993

Communities in Schools of Southwest Virginia, Inc.

Notes to Financial Statements

Year ended June 30, 2021

Note 1. Nature of Activities

Communities In Schools of Southwest Virginia, Inc. (the Organization) is a nonprofit organization that works inside school buildings to surround students with a community of support, empowering them to stay in school and achieve in life.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Financial Statements of Not-for-Profit Organizations. Under these recommendations the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Communities In Schools of Southwest Virginia, Inc.'s management and the board of directors.

Net assets with donor restriction: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Financial Position cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures 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.

Communities in Schools of Southwest Virginia, Inc.

Notes to Financial Statements

Year ended June 30, 2021

Note 2 Summary of significant accounting policies (cont.)

Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the Statement Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Communities In Schools of Southwest Virginia, Inc. is a non-profit corporation exempt from income taxes under the Internal Revenue Code Section 501 (c) (3) except on unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2021. The organization's income tax filings are open and subject to examination by the Internal Revenue Service generally for three years after they are filed. However, the organization is currently not under audit or examination nor has the organization been contacted by this jurisdiction. The organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 3 Cash

Cash at June 30, 2021 consisted of the following:

First Bank & Trust checking	\$ 277,356
First Bank & Trust checking	995
First Bank & Trust savings	<u>97,262</u>
	<u>\$ 375,613</u>

First Bank & Trust checking funds are available upon request for use by the organization and have no maturity date. The accounts pay no interest. All deposits are FDIC insured up to \$250,000. The operating checking account exceeded the \$ 250,000 insured limit for a total of 93 days. The savings account pays interest at the rate of .1% and earned \$ 31 in interest for the year ended June 30, 2021.

Note 4 Subsequent Events

Subsequent events have been reviewed through November 2, 2021 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 5 Date of Managements review

Date of Management's Review: November 2, 2021 which is the date the financial statements were available to be issued.

Note 6: Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Time & effort

Communities in Schools of Southwest Virginia, Inc.

Notes to Financial Statements

Year ended June 30, 2021

Note 7. Liquidity and availability

The Organizations financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash & cash equivalents	<u>\$ 375,613</u>
Total Financial Assets	375,613
Less: Unavailable within 12 months	<u>0</u>
Total financial assets available within one year	<u>\$ 375,613</u>

Communities In Schools of Southwest Virginia, Inc. has approximately \$ 375,613 of financial assets to meet cash needs for general expenditures. The Organization's goal is generally to maintain 30 days of financial assets to meet general expenditures.

Note 8: Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the year ending June 30, 2021:

Rent	\$ 15,000
Student support	<u>90,000</u>
Total	<u>\$ 105,000</u>

The Organization entered into a lease agreement for office space for which rental payments stated in the agreement are less than the amount that would be charged for similar space that would be rented under similar terms. The amount of contributed rent is recorded as rent expense and in-kind contributions. The Organization also received direct student in the form of Christmas in July goods of \$ 5,000 and Snack Packs of \$ 85,000. Both donations are valued at their estimated fair market value.

Note 9: Loan forgiveness

Communities In Schools of Southwest Virginia, Inc. recorded a note payable and subsequently recorded loan forgiveness when the Paycheck Protection Program loan administered by the Small Business Administration legally released the Organization from the obligation. Communities In Schools of Southwest Virginia, Inc. recognized \$ 95,500 of loan forgiveness revenue for the year ended June 30, 2021.

Note 10: Uncertainty

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Communities In Schools of Southwest Virginia, Inc. is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of those declines. The extent of the impact of COVID-19 on Communities In Schools of Southwest Virginia, Inc.'s operational and financial performance will depend on certain developments, including the duration and speed of the outbreak and its impact on Communities In Schools of Southwest Virginia, Inc.'s customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Communities In Schools of Southwest Virginia, Inc.'s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustment relating to the effects of this pandemic.

Note 11: Restricted net assets.

The Organization received a grant that was restricted to use in the next fiscal year. The amount restricted was cash in the amount of \$ 187,500.