

Communities in Schools of
Appalachian Highlands, Inc.
Financial Statements
June 30, 2023

Prepared by:
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Communities in Schools of Appalachian Highlands, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Communities in Schools of Appalachian Highlands, Inc

Opinion

I have audited the accompanying financial statements of Communities in Schools of Appalachian Highlands, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Appalachian Highlands, Inc as of June 30, 2023, 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 Appalachian Highlands, 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 Appalachian Highlands, 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

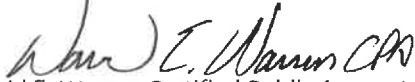
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.



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

Bristol, Tennessee

October 31, 2023

Communities in Schools of Appalachian Highlands, Inc.

Statement of Financial Position

June 30, 2023

Assets

Current assets:

Cash(Note 3)	\$ 767,925
Investments(Note 4)	<u>835,623</u>
Total current assets	<u>1,603,548</u>
Total assets	<u>\$ 1,603,548</u>

Liabilities & Net Assets

Current liabilities:

Payroll taxes payable	\$ 5,910
Accounts payable	<u>1,253</u>
Total current liabilities	<u>7,163</u>
Total liabilities	<u>7,163</u>

Net assets:

Without donor restrictions	1,596,385
Total net assets	<u>1,596,385</u>
Total liabilities & net assets	<u>\$ 1,603,548</u>

Communities in Schools of Appalachian Highlands, Inc.
Statement of Activities
Year ended June 30, 2023

Support & Revenues

Contributions	\$ 69,406
Grants	1,944,227
School allocations	1,150,967
Fundraisers	1,310
In-kind donation	180,000
Investment revenue	25,177
Unrealized gain	36,041
Other	<u>1,586</u>
Total support & revenues	3,408,714

Expenses

Program	2,359,748
Management & Administrative	399,556
Fundraising	<u>994</u>
Total Expenses	<u>2,760,298</u>
Net increase in net assets	<u>648,416</u>
Net assets, beginning of year	<u>947,969</u>
Net assets, end of year	<u><u>\$ 1,596,385</u></u>

Communities in Schools of Appalachian Highlands, Inc.

Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:

Change in net assets	\$ 648,416
Adjustments to reconcile change in net assets to Cash provided by operating activities:	
Unrealized gain	(36,401)
Increase(decrease) in:	
Accounts payable	(9,424)
Other accrued liabilities	(77,500)
Net cash provided by operating activities	<u>525,091</u>

Cash flows from investing activities:

Purchase of investments	<u>(390,731)</u>
Net cash used by investing activities	<u>(390,731)</u>
Net increase in cash and cash equivalents	<u>134,360</u>
Cash & cash equivalents, beginning of year	<u>633,565</u>
Cash & cash equivalents, end of year	<u>\$ 767,925</u>

Interest expense for the year ended June 30, 2023 was \$ 0.

Communities in Schools of Appalachian Highlands, Inc.
Statement of Functional Expenses
Year ended June 30, 2023

	Supporting Services			Total
	Program	Management & General	Fundraising	
Salaries	\$ 1,580,820	\$ 255,954	\$ 0	\$ 1,836,774
Payroll taxes	122,382	19,923	0	142,305
Benefits	46,011	7,489	0	53,500
Total wages and benefits	1,749,213	283,366	0	2,032,579
Professional fees	0	16,662	0	16,662
Advertising	0	34,089	994	35,083
Supplies	0	22,469	0	22,469
Rent	7,500	7,500	0	15,000
Equipment	15,750	15,751	0	31,501
Student support	365,242	0	0	365,242
Operating	89,499	6,199	0	95,698
Insurance	10,867	0	0	10,867
Telephone	12,270	1,364	0	13,634
Training	61,702	6,856	0	68,558
Travel	47,705	5,300	0	53,005
Total	<u>\$ 2,359,748</u>	<u>\$ 399,556</u>	<u>\$ 994</u>	<u>\$ 2,760,298</u>

Communities in Schools of Appalachian Highlands, Inc.

Notes to Financial Statements

Year ended June 30, 2023

Note 1. Nature of Activities

Communities In Schools of Appalachian Highlands, 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 Appalachian Highlands, Inc.'s management and the board of directors.

Net assets with donor restriction: Net assets subject to Communities In Schools of Appalachian Highlands, Inc. 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 Appalachian Highlands, Inc.

Notes to Financial Statements

Year ended June 30, 2023

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 Appalachian Highlands, 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, 2023. 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, 2023 consisted of the following:

First Bank & Trust checking	\$ 573,623
First Bank & Trust checking	1,406
First Bank & Trust savings	180,113
Edward Jones money market	2
Edward Jones money market	4
Edward Jones money market	<u>12,777</u>
	<u>\$ 767,925</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 savings account pays interest at the rate of .25% and earned \$ 105 in interest for the year ended June 30, 2023. The Edward Jones money market accounts pay interest at the rate of 1.7% and 4.38% respectively earned \$ 0, \$ 2,981 and \$ 572 respectively for the year ended June 30, 2023.

Note 4: Investments

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1-Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2-Other inputs that are directly or indirectly observable in the marketplace

Level 3-Unobservable inputs that are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based in the best information available in the circumstances.

Communities in Schools of Appalachian Highlands, Inc.
Notes to Financial Statements
Year ended June 30, 2023

(Note 4 cont)

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the valuation methods.

Certificates of deposit are recorded based on their carrying value, which is approximate fair value.

Common stock, exchange traded and mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded, using the market approach.

Equity stock funds listed or traded on any national market or exchange are valued at the most recent bid price of the equivalent securities exchange on which the securities are traded.

In accordance with the fair value hierarchy described above, the following tables show the fair value of Communities in Schools of Appalachian Highlands Inc.'s financial assets that are required to be measured at fair value at June 30, 2023:

Description	Fair Value at June 30, 2023	Quoted Market Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 637,560	\$ 637,560
ETF's	<u>198,063</u>	<u>198,063</u>
Total investments	<u>\$ 835,623</u>	<u>\$ 835,623</u>

Investment revenues are presented net of investment fees of \$ 2,697 for the year ended June 30, 2023. The Organization also recorded \$ 36,041 in unrealized gains on investments

Note 5 Subsequent Events

Subsequent events have been reviewed through October 31, 2023 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 6 Date of Managements review

Date of Management's Review: October 31, 2023 which is the date the financial statements were available to be issued.

Note 7: 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:

Expense	Method of allocation
Salaries	Time & effort

Communities in Schools of Appalachian Highlands, Inc.
Notes to Financial Statements
Year ended June 30, 2023

Note 8. 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	\$ 767,925
Investments	<u>835,623</u>
Total Financial Assets	1,603,548
Less: Unavailable within 12 months	<u>0</u>
Total financial assets available within one year	<u>\$ 1,603,548</u>

Communities In Schools of Appalachian Highlands, Inc. has approximately \$ 1,603,548 of financial assets to meet cash needs for general expenditures. The Organization's goal is generally to maintain an optimal reserve fund that will meet 3 – 6 months of organizational expenditures.

Note 9: Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the year ending June 30, 2022:

Rent	\$ 15,000
Student support	<u>165,000</u>
Total	<u>\$ 180,000</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 assistance in the form of Christmas in July goods of \$ 40,000 and Snack Packs of \$ 85,000, and Back to School drive of \$40,000. All donations are valued at their estimated fair market value.

Note 10: Concentrations

Approximately 46% of the Organizations revenue comes from 3 sources of grant and school support for the year ended June 30, 2023

Note 11: Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash and cash equivalents, investments, and receivables. At June 30, 2023, balances in the First Bank & Trust operating account exceeded FDIC insured limits. The Organization maintains its significant cash balance with what it believes is a high quality financial institution thus limiting its risk.