COMMUNITIES IN SCHOOLS OF
APPALACHIAN HIGHLANDS, INC.

<u>AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>

<u>June 30, 2025</u>

COMMUNITIES IN SCHOOLS OF
APPALACHIAN HIGHLANDS, INC.

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Communities In Schools of Appalachian Highlands, Inc (a nonprofit organization), hereinafter CIS-AH, which comprise the statement of financial position as of June 30, 2025, 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 our opinion, the financial statements present fairly, in all material respects, the financial position of CIS-AH as of June 30, 2025, 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

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIS-AH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 CIS-AH'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

Our 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 our 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 and *Government 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 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 and *Government Auditing Standards*, we:

- 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 CIS-AH'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS-AH's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2025, on our consideration of CIS-AH'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 solely 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 effectiveness of CIS-AH's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CIS-AH's internal control over financial reporting and compliance.

Tucker, Brandenburg & Company, PLLC

Lebanon, Virginia
September 11, 2025

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Communities In Schools of Appalachian Highlands, 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 of Appalachian Highlands, Inc (a nonprofit organization), hereinafter CIS-AH, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CIS-AH's internal control over financial reporting (internal control) as a basis for designing 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 CIS-AH's internal control. Accordingly, we do not express an opinion on the effectiveness of CIS-AH'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 consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIS-AH'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 financial statements. 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tucker, Brandenburg & Company, PLLC

Lebanon, Virginia
September 11, 2025

Communities In Schools of Appalachian Highlands, Inc.
Statement of Net Position
June 30, 2025

	Amount
Assets	
Current Assets:	
Cash and cash equivalents	$ 1,531,963
Investments	4,642,824
Due from grantor	300,943
Accounts receivable	14,000
Total Current Assets	6,489,730
Total Assets	$ 6,489,730
Liabilities and Net Assets	
Liabilities	
Current Liabilities:	
Accounts payable	249,965
Accrued expenses	290,085
Deferred revenue	3,400,000
Total Current Liabilities	3,940,050
Total Liabilities	3,940,050
Net Assets	
Without donor restrictions	2,549,680
With donor restrictions	-
Total Net Assets	2,549,680
Total Liabilities & Net Assets	$ 6,489,730

The notes to the financial statements are an integral part of this statement.

Communities In Schools of Appalachian Highlands, Inc.
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support & Revenue			
Federal & state grants	$ -	$ 1,231,366	$ 1,231,366
Program service fees	2,531,982	-	2,531,982
Local grants & contributions	5,510,314	-	5,510,314
In-kind donations	414,710	-	414,710
Interest Income	210,036	-	210,036
Unrealized income	308,834	-	308,834
Net assets released from restrictions:			
Satisfaction of program restrictions	1,231,366	(1,231,366)	-
Total Support & Revenue	10,207,242	-	10,207,242
Expenses:			
Program Expenses	8,302,747	-	8,302,747
General and Administrative	1,411,329	-	1,411,329
Fundraising	1,916	-	1,916
Total Expenses	9,715,992	-	9,715,992
Change in Net Assets	491,250	-	491,250
Net Assets at Beginning of Year	2,058,430	-	2,058,430
Net Assets at End of Year	$ 2,549,680	$ -	$ 2,549,680

The notes to the financial statements are an integral part of this statement.

Communities In Schools of Appalachian Highlands, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2025

Expense Classification	Program Expenses	General & Administrative	Fundraising	Totals
Advertising & marketing	$ -	$ 61,961	$ 1,916	$ 63,877
Contractual	880,781	-	-	880,781
Insurance	14,293	-	-	14,293
Miscellaneous	-	177,949	-	177,949
Office expense	59,708	59,708	-	119,416
Payroll and benefits expense	6,196,729	1,008,770	-	7,205,499
Student support	909,888	-	-	909,888
Professional fees	-	49,458	-	49,458
Rent	30,000	30,000	-	60,000
Travel and meeting expenses	211,348	23,483	-	234,831
Total Expenses	$ 8,302,747	$ 1,411,329	$ 1,916	$ 9,715,992

The notes to the financial statements are an integral part of this statement.

Communities In Schools of Appalachian Highlands, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2025

	Amount
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 491,250
Adjustment to reconcile changes in net cash used in operating activities:	
(Increase) decrease	
Unrealized gain	(308,834)
Due from grantor	(300,943)
Accounts receivable	(14,000)
Increase (decrease)	
Accounts payable	212,318
Deferred revenue	2,200,000
Accrued expenses	274,337
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	2,554,128
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of investments	(2,541,848)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	(2,541,848)
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,281
CASH AND CASH EQUIVALENTS, BEGINNING	1,519,682
CASH AND CASH EQUIVALENTS, ENDING	$ 1,531,963
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ -

The notes to the financial statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

Organization

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.

Basis of Accounting

Communities In Schools of Appalachian Highlands, Inc. uses the accrual method of accounting for financial reporting. Under this method, revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned or incurred.

Cash & Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. At June 30, 2025, the First Bank and Trust Money Market account exceeded FDIC coverage by $1,036,413.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization provides for losses on accounts receivable using the allowance method. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2025, management determined the allowance to be $0.

Grants

The Organization receives grants and contracts from federal and state agencies, as well as from private organizations, to be used for specific purposes. The excess of reimbursable expenditures over cash receipts is included in Due from Grantor. Any excess of cash receipts over reimbursement expenditures is included in restricted cash or deferred revenue. Due from Grantor totaled $300,943 as of June 30, 2025.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, a provision for income taxes is not required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangibles; valuation allowances for receivables and inventories; and assets and obligations related to employee benefits. Accordingly, actual results could differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Advertising Costs

The advertising costs of the Organization are expensed as incurred.

Classification of Net Assets

Communities In Schools of Appalachian Highlands, Inc's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Codification 958-205. Net assets of the organization are reported based on the existence of donor or grantor-imposed restrictions. The following classifications are used to report the net assets of Communities In Schools of Appalachian Highlands, Inc.

Net Assets with Donor Restrictions - The part of the net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Net Assets without Donor Restrictions - The part of net assets of the organization that is not restricted by donor or grantor-imposed stipulations.

The Organization reports grants of cash and other assets as restricted support if they are received with grantor stipulations that limit the use of the grant asset. When the grantor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expense Allocation

The Organization allocates costs among program and support functions based on natural classification and budget allocations. The Organization bases its budget allocations on prior years' experience and future expectations.

Recent Accounting Pronouncements

There are several new FASB Statements that have been issued that will be effective in future years. Management has not evaluated the effects, if there are any, of adopting these standards, but does not expect them to be material.

Note 2 – Liquidity, and Availability of Financial Assets

The Organization meets cash needs for expenditures with grants and donor contributions received throughout the year. Grants are for specific programs and are not available for general expenditures. Donors may restrict donor contributions. The Board has not imposed limits on the use of resources without donor-imposed restrictions. The Organization considers the following financial assets to be available within one year:

Available financial assets	2025
Cash and cash equivalents	$ 1,531,963
Accounts receivable	14,000
Grants receivable	300,943
Financial assets available to meet cash needs for general expenditures within one year	$ 1,846,906

Note 3 – Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	Amount
Time or purpose restricted for period after June 30, 2025	$ -
Total	$ -

The Organization reported $1,222,366 of net assets released from restrictions for the year ended June 30, 2025, due to satisfaction of purpose requirements.

Note 4 – Cash

	Amount
Cash at June 30, 2025 consisted of the following:	
First Bank & Trust checking	$ 154,674
First Bank & Trust money market	1,286,413
Edward Jones money market	89,357
Edward Jones cash	1,519
	$ 1,531,963

First Bank & Trust checking funds are available upon request for use by the Organization and have no maturity date. All deposits are FDIC insured up to $250,000.

Note 5 – Fair Value of Financial Instruments

The estimated fair values of financial instruments under FASB Codification 825-10, Disclosures About Fair Value of Financial Instruments, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

The carrying amounts of cash, receivables, inventory, prepaid expenses, accounts payable, accrued liabilities, accrued expenses, and deferred revenue on the statement of financial position approximate fair value due to the short-term nature of these items. The carrying value of notes payable approximates fair value at comparable interest rates.

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through corroboration with observable market data. Level 2 inputs include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c)inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs used to measure fair value to the extent that observable inputs are not available and that are supported by little or no market activity for the asset or liability at the measurement date.

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, 2025:

Descriptions	Fair Value at June 30, 2025	Quoted Market Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	$ 2,888,067	$ 2,888,067
Equities	132,036	132,036
ETF's	1,622,721	1,622,721
Total Investments	$ 4,642,824	$ 4,642,824

Note 6 – Subsequent Events

Subsequent events have been evaluated as of September 11, 2025, which is the date the financial statements were issued.

Note 7 – Contributed Nonfinancial Assets

The Organization received the following contributions of non-financial assets for the year ending June 30, 2025:

Rent	$ 60,000
Student support	354,710
Total	$ 414,710

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 $75,000 and Snack Packs of $95,000, and Back to School drive of $40,000. Additionally, the Organization received student support in the form of donated salaries from Carter County Schools of $144,710. All donations are valued at their estimated fair market value.

Note 8 – Concentrations

Approximately 23% of the Organization's revenue comes from two sources of grant support for the year ended June 30, 2025.

Note 9 – 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, 2025, 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.

Section I – Summary of Auditor's Results

<u>Financial Statement</u>

Type of auditor's report issued	Unmodified
Internal Control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified	No
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

None

Section III – Status of Prior Audit Findings

None