

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 and 2014**

**with
INDEPENDENT AUDITORS' REPORTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Communities In Schools of Georgia, Inc.

We have audited the accompanying financial statements of Communities in Schools of Georgia, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets 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.

Auditors' Responsibility

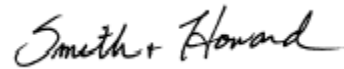
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015 and 2014, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, reading "Smith & Howard".

November 9, 2015

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,553,684	\$ 4,359,808
Restricted cash	6,136	54,939
Grants and other receivables	513,691	544,259
Pledges receivable	275,000	100,000
Prepaid expenses and other assets	65,179	106,925
Property and equipment, net	<u>970</u>	<u>1,276</u>
 Total Assets	 <u><u>\$ 3,414,660</u></u>	 <u><u>\$ 5,167,207</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 849,733	\$ 863,786
Advances under grants	-	12,889
Deferred rent liability	<u>122,633</u>	<u>35,764</u>
 Total Liabilities	 972,366	 912,439
 Net assets		
Unrestricted		
Undesignated	473,063	498,434
Designated for specific purposes	<u>1,300,000</u>	<u>1,300,000</u>
	1,773,063	1,798,434
 Temporarily restricted	 <u>669,231</u>	 <u>2,456,334</u>
 Total Net Assets	 <u><u>2,442,294</u></u>	 <u><u>4,254,768</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 3,414,660</u></u>	 <u><u>\$ 5,167,207</u></u>

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

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contributions and other revenues	\$ 1,650,629	\$ 335,000	\$ 1,985,629
Grants	1,816,227	-	1,816,227
Interest income	5,882	-	5,882
Net assets released from restrictions	<u>2,122,103</u>	<u>(2,122,103)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>5,594,841</u>	 <u>(1,787,103)</u>	 <u>3,807,738</u>
Expenses:			
Program services	<u>4,955,474</u>	<u>-</u>	<u>4,955,474</u>
Supportive services:			
Fundraising	296,969	-	296,969
Management and general	<u>367,769</u>	<u>-</u>	<u>367,769</u>
Total supportive services	<u>664,738</u>	<u>-</u>	<u>664,738</u>
 Total Expenses	 <u>5,620,212</u>	 <u>-</u>	 <u>5,620,212</u>
 Increase (Decrease) in Net Assets	 (25,371)	 (1,787,103)	 (1,812,474)
Net assets:			
Beginning of year	<u>1,798,434</u>	<u>2,456,334</u>	<u>4,254,768</u>
 End of year	 <u>\$ 1,773,063</u>	 <u>\$ 669,231</u>	 <u>\$ 2,442,294</u>

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

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,226,514	\$ 482,294	\$ 2,708,808
1,802,371	-	1,802,371
7,213	-	7,213
<u>2,048,552</u>	<u>(2,048,552)</u>	<u>-</u>
 <u>6,084,650</u>	 <u>(1,566,258)</u>	 <u>4,518,392</u>
 <u>4,950,481</u>	 <u>-</u>	 <u>4,950,481</u>
 254,590	 -	 254,590
<u>390,096</u>	<u>-</u>	<u>390,096</u>
<u>644,686</u>	<u>-</u>	<u>644,686</u>
 <u>5,595,167</u>	 <u>-</u>	 <u>5,595,167</u>
 489,483	 (1,566,258)	 (1,076,775)
 <u>1,308,951</u>	 <u>4,022,592</u>	 <u>5,331,543</u>
 <u><u>\$ 1,798,434</u></u>	 <u><u>\$ 2,456,334</u></u>	 <u><u>\$ 4,254,768</u></u>

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (1,812,474)	\$ (1,076,775)
Adjustments to reconcile decrease in net assets to net cash provided (required) by operating activities:		
Depreciation and amortization	306	1,249
Changes in:		
Grants and other receivables	30,568	(319,355)
Pledges receivable	(175,000)	1,650,000
Prepaid expenses and other assets	41,746	(31,724)
Accounts payable and accrued expenses	(14,053)	307,633
Advances under grants	(12,889)	(5,214)
Deferred rent liability	<u>86,869</u>	<u>(19,306)</u>
Total adjustments	<u>(42,453)</u>	<u>1,583,283</u>
Net cash provided (required) by operating activities	<u>(1,854,927)</u>	<u>506,508</u>
Cash Flows from Investing Activities:		
Additions of property and equipment	<u>-</u>	<u>(1,531)</u>
Net cash required by investing activities	<u>-</u>	<u>(1,531)</u>
Cash Flows from Financing Activities:		
Principal payments on note payable	<u>-</u>	<u>(8,701)</u>
Net cash required by financing activities	<u>-</u>	<u>(8,701)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(1,854,927)	496,276
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>4,414,747</u>	<u>3,918,471</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 2,559,820</u>	<u>\$ 4,414,747</u>

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

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Communities in Schools of Georgia, Inc. (the "Organization" or "CIS") was formed August 15, 1989 as a not-for-profit organization. The purpose of the Organization is to assist communities in Georgia in providing educational and developmental services to young people who are considered to be at risk of dropping out of school or who have already dropped out.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased.

Restricted Cash

Certain of the Organization's state and federal grants require that a separate bank account be maintained. The cash balance that was restricted at June 30, 2015 and 2014 was \$6,136 and \$54,939, respectively.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and grants and pledges receivable. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements. Management continually monitors receivable balances and believes that its exposure to credit risk is limited.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization capitalizes property and equipment expenditures over \$1,000. Property and equipment is stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets.

Deferred Rent Liability

Rent expense for operating leases that contain scheduled rent increases, net of any landlord allowances, is recognized for financial reporting purposes on the straight-line method. Consequently, amounts that have been expensed for financial reporting purposes, but not yet paid, are reflected as deferred rent liability in the accompanying statement of financial position.

Revenue Recognition

The Organization records contributions as revenue upon notification from the donor and uses discounting for recording long-term pledges. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Bad debts are expensed and charged against the allowance account when deemed uncollectible based upon a periodic review of collections. There is no allowance deemed necessary at June 30, 2015 and 2014. During the year ended June 30, 2015, 11% of contributions and other revenues were from one donor and 100% of pledges receivable were from two donors. During the year ended June 30, 2014, 34% of contributions and other revenues and 100% of pledges receivable were from one donor.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization receives certain grants from governmental agencies and accounts for their grants as exchange transactions whereby revenue is recognized as expenses are incurred. Receivables arise from reimbursements owed through these government contracts. The Organization's ability to collect amounts due is affected by the acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements. At June 30, 2015 and 2014, there was no allowance for uncollectible government grants. For the years ended June 30, 2015 and 2014, the Organization received approximately 48% and 40%, respectively, of its total public funding through various government agencies.

Donated Goods and Services

Donated goods, such as materials, equipment, or other assets, are reported as contributions at their estimated fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded as contributions at their estimated fair values in the period the services are performed. These services totaled approximately \$79,000 in 2015 and \$76,000 in 2014.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the years ending before June 30, 2012.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 periods. Actual results could differ from those estimates.

Subsequent Event

Management has evaluated subsequent events through the date of this report, which is the date which the financial statements were available to be issued.

NOTE 2 - GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 440,710	\$ 504,076
Accounts receivable, local affiliates	71,490	26,835
Other	<u>1,491</u>	<u>13,348</u>
	<u><u>\$ 513,691</u></u>	<u><u>\$ 544,259</u></u>

NOTE 3 - PLEDGES RECEIVABLE, NET

Pledges receivable consist of \$275,000 and \$100,000 due from various donors at June 30, 2015 and 2014, respectively. Pledges receivable at June 30, 2015 are due in fiscal year 2016.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 746,609	\$ 746,609
Furniture and fixtures	132,930	132,930
Computer software	130,126	130,126
	<u>1,009,665</u>	<u>1,009,665</u>
Less accumulated depreciation and amortization	<u>(1,008,695)</u>	<u>(1,008,389)</u>
	<u><u>\$ 970</u></u>	<u><u>\$ 1,276</u></u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$306 and \$1,249, respectively.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

The components of temporarily restricted net assets were as follows at June 30:

	<u>2015</u>	<u>2014</u>
CIS/Performance Learning Centers Development and Expansion	\$ 621,481	\$ 2,245,334
Performance Learning Centers Support	-	100,000
Communities in Schools Network Investment	<u>47,750</u>	<u>111,000</u>
	<u><u>\$ 669,231</u></u>	<u><u>\$ 2,456,334</u></u>

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets released from restrictions during the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Communities in Schools Comprehensive Student Dropout Prevention Initiative	\$ 1,635,437	\$ 1,737,553
Performance Learning Centers Support	251,221	107,320
Communities in Schools Network Investment	<u>235,445</u>	<u>203,679</u>
	<u><u>\$ 2,122,103</u></u>	<u><u>\$ 2,048,552</u></u>

NOTE 6 - PROGRAM EXPENSES

Program service expenses during the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Network Empowerment Initiative	\$ 1,784,627	\$ 1,934,135
Comprehensive Student Dropout Prevention Initiative	2,657,797	2,184,242
AmeriCorps	233,350	365,223
Communities in Schools Network Investment	141,750	308,760
College Access and College Success	97,288	97,177
Volunteers in Service to America	<u>40,662</u>	<u>60,944</u>
	<u><u>\$ 4,955,474</u></u>	<u><u>\$ 4,950,481</u></u>

NOTE 7 - RETIREMENT PLANS

The Organization has a Simplified Employee Pension Plan (SEP), a defined contribution plan, under which the Organization may contribute, at their discretion, 3% of each employee's salary. All employees are eligible to participate in this plan. The Organization also has an Internal Revenue Code Section 403(b) defined-contribution plan whereby employees can contribute to the plan on a voluntary basis. During the years ended June 30, 2015 and 2014, the Organization had employer contributions of \$34,874 and \$43,846, respectively.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In July 2014, the Organization entered into a new non-cancelable lease for office space. The commencement date of the lease was September 1, 2014 and expires September 1, 2024. The Organization's old office space agreement expired in August 2015. The cease use date of this space was October 2014 at which time the Organization recorded a liability of approximately \$160,000 for the remainder of the expected lease payments. At June 30, 2015, approximately \$41,000 of the liability remained and is included within the deferred rent liability in the accompanying statement of financial position.

Future minimum lease payments under the new non-cancelable operating lease for the years ending June 30 are as follows:

2016	\$ 67,151
2017	120,860
2018	141,240
2019	144,787
2020	148,412
Thereafter	<u>672,844</u>
	<u>\$ 1,295,294</u>

Total rent expense under all operating leases for the years ended June 30, 2015 and 2014 approximated \$323,000 and \$199,000, respectively.

The Organization is dependent upon contributions, grants and other public support for its revenues. The ability of the Organization's contributors, grantors and supporters to give amounts comparable with previous years is greatly dependent upon current and future overall programmatic and economic conditions. Therefore, the Organization has developed a financial and operational plan to continue providing its programs. While the Organization believes it has the resources to continue its programs during the year ending June 30, 2016 and beyond, its ability to do so is dependent upon the above factors.

Grants often require fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although the return of funds is a possibility, the Organization deems the contingency unlikely as the Organization has implicitly agreed to comply with the provisions of each grant received.