

**COMMUNITIES IN SCHOOLS OF  
THE GULF SOUTH, INC.**

**FINANCIAL REPORT**

**For the Year Ended June 30, 2019**



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JUNE 30, 2019**

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**Report**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Communities In Schools of the Gulf South, Inc.  
New Orleans, Louisiana

We have audited the accompanying financial statements of Communities In Schools of the Gulf South, Inc. ("CIS") (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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 audit. 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. Those standards require that we plan and perform the audit 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 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 CIS'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 CIS'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 CIS as of June 30, 2019, 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.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, CIS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*; this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter

## **Report on Supplementary Information**

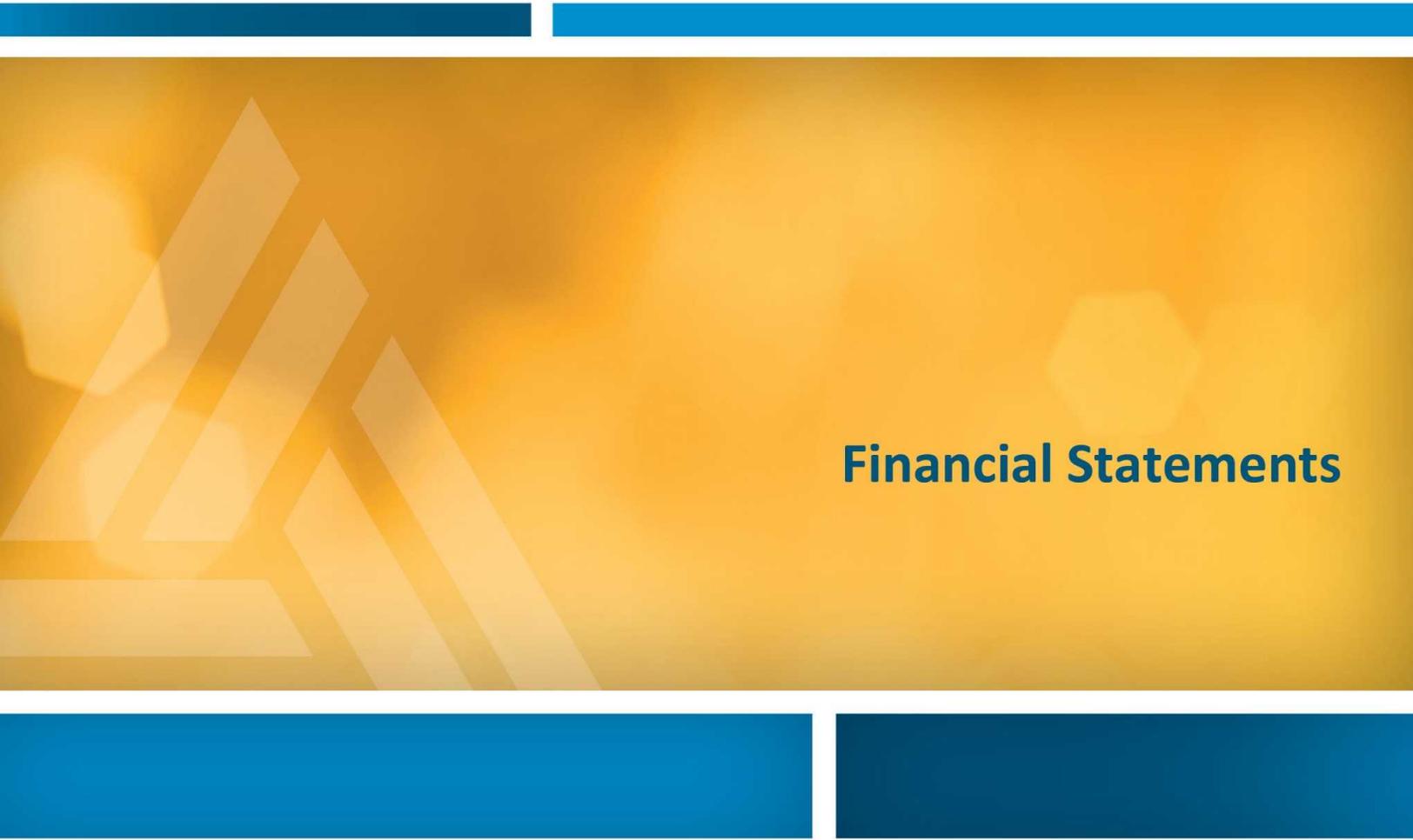
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to President is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, 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, 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 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's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

November 6, 2019



# Financial Statements

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.  
STATEMENT OF FINANCIAL POSITION**

*As of June 30,*

**2019**

<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 57,971
Accounts receivable	671,560
Prepaid expenses and deposits	21,222
Inventory	10,205
Total current assets	760,958
<b>Other assets</b>	
Beneficial interest in assets held by others	95,333
<b>Total assets</b>	<b>\$ 856,291</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 31,737
Accrued expenses	43,110
Line of credit	217,611
Total liabilities	292,458
<b>Net assets</b>	
Without donor restrictions	165,407
With donor restrictions	398,426
Total net assets	563,833
<b>Total liabilities and net assets</b>	<b>\$ 856,291</b>

*The accompanying footnotes are an integral part of the financial statements.*

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30, 2019*

	WITHOUT DONOR	WITH DONOR RESTRICTIONS	TOTAL
<b>Revenues and other support</b>			
Contributions	\$ 432,363	\$ 581,263	\$ 1,013,626
Contract income	1,251,781	-	1,251,781
In-kind contributions	8,361	-	8,361
Federal program revenue	79,360	-	79,360
State and local program revenue	278,606	-	278,606
Net assets released from restrictions	320,759	(320,759)	-
<b>Total revenues</b>	<b>2,371,230</b>	<b>260,504</b>	<b>2,631,734</b>
<b>Expenses</b>			
Program services	1,910,812	-	1,910,812
Supporting services:			
General and administrative	182,459	-	182,459
Fundraising	561	-	561
<b>Total expenses</b>	<b>2,093,832</b>	<b>-</b>	<b>2,093,832</b>
<b>Other income</b>			
Board-designated endowment income, net	3,515	-	3,515
<b>Total other income</b>	<b>3,515</b>	<b>-</b>	<b>3,515</b>
<b>Change in net assets</b>	<b>280,913</b>	<b>260,504</b>	<b>541,417</b>
<b>Net assets (deficit) - beginning of year</b>	<b>(115,506)</b>	<b>137,922</b>	<b>22,416</b>
<b>Net assets - end of year</b>	<b>\$ 165,407</b>	<b>\$ 398,426</b>	<b>\$ 563,833</b>

*The accompanying footnotes are an integral part of the financial statements.*

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*For the Year Ended June 30, 2019*

	Total	Supporting Services			Total
		Program Services	General and Administrative	Fundraising	
Salaries	\$ 1,255,813	\$ 71,836	\$ -	\$ 71,836	\$ 1,327,649
Payroll - benefits	247,101	13,060	-	13,060	260,161
Contract services	241,537	-	-	-	241,537
School programs	81,881	847	-	847	82,728
Facilities	24,539	22,651	-	22,651	47,190
Employee leave expense	10,424	15,682	-	15,682	26,106
General and administration	8,078	14,191	-	14,191	22,269
Interest expense	-	20,080	-	20,080	20,080
Travel	12,278	-	-	-	12,278
Conferences, conventions, and training	11,996	-	-	-	11,996
Professional fees	-	11,932	-	11,932	11,932
Supplies and small equipment	7,801	1,950	-	1,950	9,751
Marketing and public relations	2,250	3,471	-	3,471	5,721
Volunteer expenses	4,922	-	-	-	4,922
Printing and copying	1,395	3,256	-	3,256	4,651
Recognitions	-	2,196	-	2,196	2,196
Food and meetings	797	1,307	-	1,307	2,104
Fundraising expenses	-	-	561	561	561
	\$ 1,910,812	\$ 182,459	\$ 561	\$ 183,020	\$ 2,093,832

*The accompanying footnotes are an integral part of the financial statements.*

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**STATEMENT OF CASH FLOWS**

*For the Year Ended June 30,* **2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 541,417
Adjustments to reconcile change in net assets to cash used in operating activities:	
Unrealized gain on investment	(372)
Decrease (increase) in operating assets:	
Accounts receivable	(540,575)
Prepaid expenses	(7,209)
Inventory	15,600
Increase (decrease) in operating liabilities:	
Accounts payable	13,352
Accrued expenses	(2,053)
Net cash provided by operating activities	20,160
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and realized gain on board-designated endowment, net	(3,143)
Sale of investments	16,995
Net cash provided by investing activities	13,852
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net activity on line of credit	(32,389)
Net cash used in financing activities	(32,389)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,623</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of fiscal year</b>	<b>56,348</b>
<b>CASH AND CASH EQUIVALENTS - End of fiscal year</b>	<b>\$ 57,971</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash paid during the fiscal year for interest	\$ 20,080

*The accompanying footnotes are an integral part of the financial statements.*



## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Organization***

Communities In Schools of the Gulf South, Inc. (“CIS”) is a nonprofit organization that provides preventive dropout services and programs for students in public schools in the Greater New Orleans region. As of June 30, 2019, CIS provided services to 18 schools in the Greater New Orleans area. CIS’s primary program activity is coordination of school-wide services, inclusive of mentoring, case management, after school programs and AmeriCorps.

CIS’s mission is to surround students with a community of support, empowering them to stay in school and achieve in life. CIS champions the connection of needed community resources with schools to help young people successfully learn, stay in school and prepare for life. By bringing caring adults into the schools to address children’s unmet needs, CIS provides the link between educators and the community. The result: teachers are free to teach, and students – many in jeopardy of dropping out – have the opportunity to focus on learning.

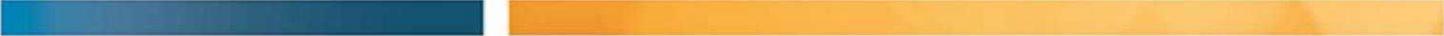
CIS changes the dropout equation with Integrated Student Services (ISS). CIS works inside school systems with superintendents, principals, educators and other personnel, and forges community partnerships that bring resources into schools and help remove barriers to learning. The CIS model addresses the total student—because students with unmet physical, psychological and social needs cannot learn effectively—and the whole school environment. Research has shown that this attention to the needs of both the entire school and the individual student is critical to reducing dropout rates and increasing graduation rates. CIS’s unique model positions a “Site Coordinator” inside schools to assess needs and deliver necessary resources. Site Coordinators are consistent, caring adults whose only job is to support students to succeed. These extraordinary and dedicated individuals change lives one day and one student at a time. As a single point of contact, they are uniquely positioned to match the needs of students and families with resources in the community, and to be active participants in the work of teachers and administrators in making their schools places of learning and achievement.

#### ***Basis of Accounting***

The financial statements of CIS have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

#### ***Use of Estimates***

The financial statements prepared in accordance with accounting principles generally accepted in the United States of America require estimates and assumptions be made by management that affect the carrying amount of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates.



## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Cash Equivalents***

For purposes of the Statement of Cash Flows, CIS considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### ***Inventory***

Inventory consists of donated supplies, books, and other publications and is recognized at fair value at the time of donation.

#### ***Beneficial Interest in Assets Held by Others***

Beneficial interest in assets held by others consists of assets transferred to the Greater New Orleans Foundation for investment purposes, with the understanding that the income pertaining to these assets would be distributed to CIS.

The Board of Trustees of the Greater New Orleans Foundation have the power to modify any restriction or condition on the distribution of funds for any specified charitable organization or organizations if in the sole judgment of the Board of Trustees (without any approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

Beneficial interest corpus maintained by CIS is considered to be with donor restrictions and is held at fair value. The investment income that is earned on the corpus each year is intended to help fund the CIS's program and support services. Therefore, all endowment investment income earned is considered to satisfy restrictions each year and is, accordingly, recorded as income without donor restrictions.

#### ***Classification of Net Assets***

The financial statements of the CIS have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require CIS to report information regarding its financial position and activities according to the following net asset classifications:

- 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 CIS. These net assets may be used at the discretion of CIS's management and the board of directors.



## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Net Assets With Donor Restrictions – 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 CIS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

#### ***Contributions***

Contributions are recognized when the donor makes a promise to give to CIS that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, 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.

#### ***Accounts Receivable***

CIS uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. It is management's judgment that no allowance for uncollectible receivables is necessary as of June 30, 2019.

#### ***Contributed Materials and Services***

CIS records various types of in-kind contributions. In-kind contribution support is recognized in accordance with the *Not-For-Profit Entities* Topic of FASB ASC (FASB ASC 958-30). This pronouncement requires recognition of contributed services received, if those services create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

CIS received contributed materials and supplies for its programs during the year ended June 30, 2019, with fair values on the dates of donation of \$8,361. CIS did not receive any significant contributed professional services for the year ended June 30, 2019.

## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, volunteers have served on the Board, various committees and in schools under the direction of CIS staff in CIS-coordinated programs and projects. Volunteer hours totaled approximately 11,208 for the year ended June 30, 2019. These contributions of in-kind services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition.

#### ***Contract Income***

Contract income represents program fees provided to CIS by outside organizations. These funds require CIS to provide resources and materials to schools in the Greater New Orleans area. These funds are considered to be earned when qualifying expenditures are made and all other requirements have been met.

#### ***Federal, State and Local Program Revenue***

Federal, state and local program revenue represents grants or contract revenue from federal, state and local programs that are passed through another entity for use on specific projects. Most programs are funded on a reimbursement basis and revenues are considered to be earned when the expense is incurred.

#### ***Income Tax Status***

CIS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, CIS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

#### ***Recently Adopted Accounting Standards***

Effective July 1, 2018, CIS adopted the FASB ASU No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. CIS has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the CIS's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been renamed net assets with donor restrictions.
- The presentation of functional classification of expenses in a financial statement is supplemented with enhanced disclosures about the methods used to allocate cost among functions and the basis for which to allocate cost between program and supporting expenses.

## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The investment expenses are netted against investment income reported in the net asset category in which investment income is reported. Endowment expenses of \$787 are netted against investment income included in the Statement of Activities for the year ended June 30, 2019.
- It requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. No underwater endowment funds as of June 30, 2019.
- The financial statements include a new footnote disclosure about liquidity and availability of resources (See Note 11).

In adopting this standard, certain prior year amounts were reclassified to conform to the new presentation. The following table presents the effect on the CIS's previously reported net asset balances at June 30, 2018:

Net Asset Classifications as of June 30, 2018	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	\$ (115,506)	\$ -	\$ (115,506)
Temporarily restricted	-	63,461	63,461
Permanently restricted	-	74,461	74,461
Net assets as previously presented	\$ (115,506)	\$ 137,922	\$ 22,416

#### ***Future Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The ASU is effective for the fiscal year beginning July 1, 2019. CIS has not elected to early adopt this standard. CIS is currently evaluating the impact of the adoption of this ASU on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new

## COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

guidance is effective for transactions in which CIS serves as a resource recipient for fiscal years beginning after July 1, 2019. CIS has not elected to early adopt this standard. CIS is currently evaluating the impact of the adoption of this ASU on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the Statement of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. For nonpublic entities, the standard is effective for the fiscal year beginning July 1, 2021. CIS is currently evaluating the impact of the adoption of this ASU on its financial statements.

### NOTE 2 – CASH AND CASH EQUIVALENTS

CIS maintains its cash balances at several financial institutions where deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, the balances may have exceeded the federally insured limit. As of June 30, 2019, the balance was fully insured as it did not exceed the FDIC coverage limit of \$250,000.

### NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

For purposes of endowment, CIS has placed funds on deposit with the Greater New Orleans Foundation. The deposit is a permanent endowment, to be held in perpetuity by the Greater New Orleans Foundation, who maintains variance power and legal ownership of all contributions made to the endowment.

Distributions from the endowment funds are subject to the Greater New Orleans Foundation's endowed fund spending policy. The current spending policy makes available on an annual basis 4% of the 12-quarter rolling average market value of the funds. The cutoff of calculation is September 30<sup>th</sup> of each year. Distributions are unrestricted and used to support CIS's general operations. For the year ended June 30, 2019, a distribution of \$16,995 was made.

Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions. The investments are reported at market value. CIS's management has determined that there was no impairment as of June 30, 2019.

CIS has adopted the Greater New Orleans Foundation's investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Actual returns in any given year may vary from this amount.

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)**

***Return Objectives and Risk Parameters***

CIS had the following endowment-related activities for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2019
Beneficial interest in assets at July 1, 2018	\$ 34,352	\$ 74,461	\$ <b>108,813</b>
Board-designated endowment income	3,515	-	<b>3,515</b>
Distribution from endowment	(16,995)	-	<b>(16,995)</b>
<b>Total endowment funds</b>	<b>\$ 20,872</b>	<b>\$ 74,461</b>	<b>\$ 95,333</b>

**NOTE 4 – FAIR VALUE MEASUREMENT AND DISCLOSURES**

The beneficial interests in assets held by others are reported at fair value in the accompanying Statement of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CIS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 inputs are readily available quoted market prices (unadjusted) in active markets where there is significant transparency in the executed/quoted price for identical assets or liabilities that CIS has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a description of the valuation methodologies used for CIS's investments, which are measured at fair value on a recurring basis:

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – FAIR VALUE MEASUREMENT AND DISCLOSURES (CONTINUED)**

The endowment funds held by others for CIS cannot be redeemed by CIS and are valued at net asset value within the endowment. According to Accounting Standards Update 2015-07 *Fair Value Measurement* (Topic 820), if an organization will never have the ability to redeem its investment in an endowment pool at net asset value per share (or its equivalent), the fair value measurement of the investment should be categorized within level 3 of the fair value hierarchy.

The valuation of CIS’s assets that are measured at fair value on a recurring basis at June 30, 2019, are as follows:

Fair Value Measurements at Reporting Date Using					
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	<b>Total</b>	
Beneficial interest in assets held by others	\$ -	\$ -	\$ 95,333	<b>\$</b>	<b>95,333</b>
<b>Total assets at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 95,333</b>	<b>\$</b>	<b>95,333</b>

A reconciliation of the beginning and ending balance of beneficial interest in assets held by others is included within Note 3.

**NOTE 5 – ACCRUED EMPLOYEE LEAVE**

CIS full-time office based employees may earn up to twelve (12) vacation days each year. CIS full-time school based employees may earn up to six (6) paid time off (PTO) days per year. Full-time office based employees that work through the completion of the fiscal year are eligible to carry over all vacation days, these vacation days expire at the end of the calendar year. Full-time school based employees are ineligible to carry over any PTO days. Upon termination or resignation, any accumulated employee leave is paid to the former employee. Accrued employee leave was \$26,106 as of June 30, 2019, and is included in accrued expenses on the accompanying Statement of Financial Position.

**NOTE 6 – LINE OF CREDIT**

CIS has a line of credit agreement with a local bank, which provides for borrowings up to \$250,000 at a variable rate of interest. The line of credit was renewed with a maturity date of November 10, 2019. Outstanding borrowings under the credit agreement are unsecured. As of June 30, 2019, the outstanding balance was \$217,611, with an annual rate of interest of 7%. For the year ended June 30, 2019, CIS paid \$20,080 for interest on the line of credit.

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

For the year ended June 30, 2019, CIS had the following net assets with donor restrictions activities:

	<b>June 30, 2019</b>
Net assets with donor restrictions at July 1, 2018	\$ <b>137,922</b>
Contributions	<b>581,263</b>
Released from restrictions	<b>(320,759)</b>
Increase in net assets with donor restrictions	<b>260,504</b>
Net Assets with donor restrictions at June 30, 2019	\$ <b>398,426</b>

As of June 30, 2019 net assets with donor restrictions consisted of grants of \$323,965 that are time and purpose restricted, and endowment fund of \$74,461 that is perpetually restricted.

**NOTE 8 – OPERATING LEASE**

CIS has a five year operating lease for the rent of office space, with options to renew thereafter, that commenced on November 1, 2014. The lease was subsequently renewed after three years and most recently on October 1, 2018 to expire on May 31, 2023. Payments range from \$2,940 to \$3,311 throughout the term of the lease, and are due on the first day of each month. Rent expense for the year ended June 30, 2019, was \$36,086. CIS does not record the lease expense on a straight line basis. The difference between actual lease expenses and lease expenses on a straight line basis is immaterial to the financial statements.

Future minimum lease commitments required under operating leases in excess of one year are as follows:

Year Ending June 30,	Lease Payments
2020	\$ <b>36,450</b>
2021	<b>37,444</b>
2022	<b>37,671</b>
2023	<b>36,421</b>
Total	\$ <b>147,986</b>

**NOTE 9 – RETIREMENT PLAN**

CIS provides a simple IRA retirement plan for full-time employees commencing on the date of hire. CIS makes a contribution equal to 2% of gross pay for all eligible employees. Expenses related to the retirement plan for the year ended June 30, 2019 were \$23,483. These expenses are included in program and fundraising expenses on the Statement of Activities.



**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 — FUNCTIONAL CLASSIFICATION OF EXPENSES**

Any costs related to program administration or fundraising are functionally classified as supporting service expenses. Any costs related to activities that constitute direct conduct or direct supervision of program service are program expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of CIS.

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Salaries, payroll benefits, and general and administrative expenses have been allocated based on time and effort. Facilities have been allocated based on square footage. School programs, contract services, supplies and small equipment, employee leave expense, marketing and public relations, travel, conferences, conventions, trainings, professional fees, printing and copying, volunteer expenses, food and meeting, recognitions, and fundraising expenses have been allocated based on actual expenses.

**NOTE 11 — LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

CIS has \$729,531 of financial assets available within one year of the financial position dated June 30, 2019 consisting of cash and cash equivalents of \$57,971 and accounts receivables of \$671,560. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for the general expenditure within one year of the financial position date. CIS has a goal to maintain a minimum cash balance in its operating account to cover one year of general expenses, excluding expenses for program services, which are, on average approximately \$182,000. CIS has a line of credit agreement with a local bank, which provides for borrowings up to \$250,000. Management believes it has appropriate available financial resources.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

For the year ended June 30, 2019, CIS was awarded funds from an affiliate of \$514,597, of which CIS received \$257,299 during the year and had \$257,298 outstanding as of June 30, 2019. CIS expects to fully collect the outstanding balance in the next fiscal year.

**NOTE 13 – UNCERTAIN INCOME TAX POSITIONS**

Accounting principles generally accepted in the United States of America require CIS management to evaluate tax positions taken by CIS and recognize a tax liability if CIS has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. CIS management has analyzed the tax positions taken by CIS, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. CIS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.



**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 6, 2019, and determined that no other events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**Supplementary Information**

**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.**  
**SCHEDULE OF COMPENSATION, BENEFITS,**  
**AND OTHER PAYMENTS TO PRESIDENT**

*For the Year Ended June 30, 2019*

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Agency Head Name: Amanda Schroeder, President

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<b>PURPOSE</b>	<b>AMOUNT</b>
Salary	\$ 85,000
Benefits-health insurance	4,810
Benefits-retirement	1,700
Deferred compensation	-
Workers comp	550
Benefits-life insurance	209
Benefits-long term disability	-
Benefits-Fica and Medicare	6,634
Benefits-unemployment insurance	-
Car allowance	-
Vehicle provided by government	-
Cell phone	847
Dues	220
Vehicle rental	-
Per diem	-
Reimbursements	572
Travel	2,619
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings and conventions	-
Other	-
	<hr/> <b>\$ 103,161</b> <hr/>

*See independent auditors' report.*



**Report Required by  
*Government Auditing Standards***



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**INDEPENDENT AUDITORS' 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**

Board of Directors  
Communities In Schools of the Gulf South  
New Orleans, Louisiana

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 the Gulf South, Inc. ("CIS") (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statement of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019.

**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 determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 consider 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 communication is not suitable for any other purpose.

*Case, Riggs & Ingram, L.L.C.*

November 6, 2019



**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION I - SUMMARY OF AUDITORS' REPORTS**

***Financial Statements***

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:  | Unmodified |
| 2. Internal control over financial reporting:                                      |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be a material weaknesses? | No         |
| c. Noncompliance material to financial statements noted?                           | No         |

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

No findings noted.



**COMMUNITIES IN SCHOOLS OF THE GULF SOUTH, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

No findings noted.