COMMUNITIES IN SCHOOLS OF GEORGIA, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

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, 2017 and 2016, 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.

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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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 7, the Organization is dependent upon contributions, grants and other public support to maintain the ongoing activities of the Organization.

Smith + Howard

December 11, 2017

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 1,372,781	$ 1,476,640
Restricted cash	444	856
Grants and other receivables	95,997	382,995
Pledges receivable	75,000	150,000
Prepaid expenses and other assets	58,440	50,400
Total Assets	$ 1,602,662	$ 2,060,891

LIABILITIES AND NET ASSETS

	2017	2016
Accounts payable and accrued expenses	$ 382,600	$ 693,970
Advances under grants	12,000	2,500
Deferred rent liability	159,881	145,934
Total Liabilities	554,481	842,404
Net assets		
Unrestricted		
Undesignated	13,440	92,146
Designated for specific purposes	950,000	975,000
	963,440	1,067,146
Temporarily restricted	84,741	151,341
Total Net Assets	1,048,181	1,218,487
Total Liabilities and Net Assets	$ 1,602,662	$ 2,060,891

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
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contributions and other revenues	$ 1,046,610	$ 10,000	$ 1,056,610
Grants	1,446,862	-	1,446,862
Interest income	1,549	-	1,549
Net assets released from restrictions	76,600	(76,600)	-
Total Revenues and Other Support	2,571,621	(66,600)	2,505,021
Expenses:			
Program services	2,221,578	-	2,221,578
Supportive services:			
Fundraising	210,321	-	210,321
Management and general	243,428	-	243,428
Total supportive services	453,749	-	453,749
Total Expenses	2,675,327	-	2,675,327
Decrease in Net Assets	(103,706)	(66,600)	(170,306)
Net assets:			
Beginning of year	1,067,146	151,341	1,218,487
End of year	$ 963,440	$ 84,741	$ 1,048,181

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
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contributions and other revenues	$ 1,118,560	$ 118,000	$ 1,236,560
Grants	1,315,054	-	1,315,054
Interest income	3,257	-	3,257
Net assets released from restrictions	785,890	(785,890)	-
Total Revenues and Other Support	3,222,761	(667,890)	2,554,871
Expenses:			
Program services	3,209,699	-	3,209,699
Supportive services:			
Fundraising	274,257	-	274,257
Management and general	294,722	-	294,722
Total supportive services	568,979	-	568,979
Total Expenses	3,778,678	-	3,778,678
Decrease in Net Assets	(555,917)	(667,890)	(1,223,807)
Net assets:			
Beginning of year	1,623,063	819,231	2,442,294
End of year	$ 1,067,146	$ 151,341	$ 1,218,487

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

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Decrease in net assets	$ (170,306)	$ (1,223,807)
Adjustments to reconcile decrease in net assets to net cash required by operating activities:		
Depreciation and amortization	-	970
Changes in:		
Grants and other receivables	286,998	130,696
Pledges receivable	75,000	125,000
Prepaid expenses and other assets	(8,040)	14,779
Accounts payable and accrued expenses	(311,370)	(155,763)
Advances under grants	9,500	2,500
Deferred rent liability	13,947	23,301
Total adjustments	66,035	141,483
Net cash required by operating activities	(104,271)	(1,082,324)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(104,271)	(1,082,324)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	1,477,496	2,559,820
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 1,373,225	$ 1,477,496

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

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.

On June 28, 2017, Georgia Subsidiaries of Communities in Schools, LLC (“LLC”) was formed for the purpose of becoming district service providers for three of the Organization’s local affiliates. The LLC is a wholly owned subsidiary of the Organization. At June 30, 2017, the LLC had no activity. All activity between the Organization and LLC began on July 1, 2017.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016. During the year ended June 30, 2017, 89% of contributions and other revenues were from two donors and 100% of pledges receivable was from one donor. During the year ended June 30, 2016, 31% of contributions and other revenues and 100% of pledges receivable were from one donor.

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, 2017 and 2016, there was no allowance for uncollectible government grants. For the years ended June 30, 2017 and 2016, the Organization received approximately 58% and 51%, 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. Donated goods and services totaled approximately $30,000 in 2017 and $42,000 in 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014.

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:

	2017	2016
Grants receivable	$ 76,076	$ 336,235
Accounts receivable, local affiliates	15,536	46,760
Other	4,385	-
	$ 95,997	$ 382,995

NOTE 3 - PLEDGES RECEIVABLE, NET

Pledges receivable consist of $75,000 and $150,000 at June 30, 2017 and 2016, respectively. Pledges receivable balance at June 30, 2017 was collected subsequent to year end. The discount on pledges receivable was not material to the financial statements.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Passage of Time	$ 75,000	$ 150,000
Other	9,741	1,341
	$ 84,741	$ 151,341

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

	2017	2016
Comprehensive Student Dropout Prevention Initiative	$ 1,600	$ 738,140
Passage of Time	75,000	-
Communities in Schools Network Investment	-	47,750
	$ 76,600	$ 785,890

NOTE 5 - PROGRAM EXPENSES

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

	2017	2016
Network Empowerment Initiative	$ -	$ 678,626
Comprehensive Student Dropout Prevention Initiative	2,049,035	2,209,530
AmeriCorps	172,384	209,099
Communities in Schools Network Investment	-	47,750
College Access and College Success	159	48,475
Volunteers in Service to America	-	16,219
	$ 2,221,578	$ 3,209,699

NOTE 6 - 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, 2017 and 2016, the Organization had employer contributions of $24,745 and $29,834, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

In July 2014, the Organization entered into a non-cancelable lease for office space. The commencement date of the lease was September 1, 2014 and expires September 1, 2024. Future minimum lease payments under the non-cancelable operating lease for the years ending June 30 are as follows:

2018	$ 141,240
2019	144,787
2020	148,412
2021	152,114
2022	155,894
Thereafter	364,837
	$ 1,107,284

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Total rent expense under all operating leases for the years ended June 30, 2017 and 2016 approximated $155,000 and $162,000, 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 through December 2018 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.