

**Communities in Schools of Delaware, Inc.**

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2015**

**With Summarized Comparative Information  
for the Year Ended June 30, 2014**

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## **Independent Auditors' Report**

To the Board of Directors  
Communities in Schools of Delaware, Inc.

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Communities in Schools of Delaware, Inc. (the Organization) as of June 30, 2015, 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. Those standards require that we plan and perform the audit 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 auditors consider 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors

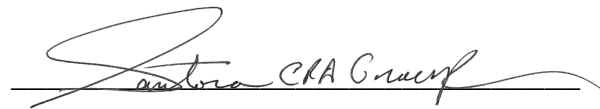
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 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.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material aspects, with the audited financial statements from which it has been derived.



A handwritten signature in cursive script, appearing to read "Sandra C. A. Gracy", is written over a horizontal line.

January 5, 2016  
Newark, Delaware

**Communities in Schools of Delaware, Inc.**  
**Statements of Financial Position**  
**June 30, 2015**  
**With Comparative Information as of June 30, 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents		
Unrestricted	\$ 113,003	\$ 52,136
Restricted	64,246	149,875
Accounts receivable	1,950	11,101
Grants receivable	48,925	11,402
Investments	25,388	-
Outstanding promises to give	479,177	200,000
Security deposits	1,585	1,585
Property and equipment, net	<u>129,521</u>	<u>163,154</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>863,795</u></b>	<b>\$ <u>589,253</u></b>

**Liabilities and Net Assets**

<b>LIABILITIES</b>		
Accounts payable	\$ 18,114	\$ 14,050
Accrued expenses and liabilities	16,037	10,877
Grant advances	60,000	62,437
Obligations under capital leases	<u>4,136</u>	<u>-</u>
Total liabilities	98,287	87,364
<b>NET ASSETS</b>		
Unrestricted	168,405	196,951
Temporarily restricted	<u>597,103</u>	<u>304,938</u>
	<u>765,508</u>	<u>501,889</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>863,795</u></b>	<b>\$ <u>589,253</u></b>

See notes to financial statements.

**Communities in Schools of Delaware, Inc.**

**Statement of Activities**

**For the Year Ended June 30, 2015  
With Summarized Comparative Information  
for the Year Ended June 30, 2014**

			Totals	
	Unrestricted	Temporarily Restricted	2015	2014
<b>REVENUES AND OTHER SUPPORT</b>				
21st Century grant	\$ 221,195	\$ -	\$ 221,195	\$ 272,929
Contributions	198,148	879,031	1,077,179	478,103
Funding from affiliate	-	220,460	220,460	169,422
Gifts-in-kind	-	-	-	2,490
Investment income	504	-	504	382
Miscellaneous income	13,553	-	13,553	12,801
Program revenue	458,500	-	458,500	342,000
State grants	205,790	-	205,790	205,790
Net assets released from restrictions	<u>807,326</u>	<u>(807,326)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	1,905,016	292,165	2,197,181	1,483,917
<b>EXPENSES</b>				
Program services	1,692,001	-	1,692,001	1,373,689
Administration	107,899	-	107,899	90,459
Fund raising	<u>133,662</u>	<u>-</u>	<u>133,662</u>	<u>108,220</u>
Total expenses	<u>1,933,562</u>	<u>-</u>	<u>1,933,562</u>	<u>1,572,368</u>
<b>CHANGE IN NET ASSETS</b>	(28,546)	292,165	263,619	(88,451)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>196,951</u>	<u>304,938</u>	<u>501,889</u>	<u>590,340</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 168,405</u>	<u>\$ 597,103</u>	<u>\$ 765,508</u>	<u>\$ 501,889</u>

See notes to financial statements.

**Communities in Schools of Delaware, Inc.**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2015  
With Summarized Comparative Information  
for the Year Ended June 30, 2014**

	Program Services	Administration	Fund Raising	Totals	
				2015	2014
Bad debt expense	\$ -	\$ 2,722	\$ -	\$ 2,722	\$ -
Bank service charge	-	2,597	-	2,597	1,534
Depreciation	43,575	811	-	44,386	42,357
Dues and subscription	5,209	363	484	6,056	2,862
Employee benefits	136,386	9,515	12,687	158,588	94,642
Insurance	10,605	740	986	12,331	9,459
Interest expense	-	1,872	-	1,872	329
Marketing	10,661	744	992	12,397	6,370
Occupancy costs	28,667	2,000	2,667	33,334	26,212
Office expenses	6,434	449	599	7,482	1,489
Payroll taxes	89,756	6,262	8,349	104,367	91,645
Printing	3,059	213	284	3,556	6,157
Professional fees	40,981	2,859	3,812	47,652	49,171
Program events	26,226	-	-	26,226	10,818
Program service expenses	141,558	-	-	141,558	77,239
Program supplies	37,603	-	-	37,603	93,878
Recognition and awards	9,586	-	-	9,586	11,101
Salaries	1,039,325	72,400	97,000	1,208,725	995,718
Training	14,197	991	1,321	16,509	15,462
Travel	33,916	2,366	3,155	39,437	23,801
Utilities	14,257	995	1,326	16,578	12,124
<b>TOTALS</b>	<b>\$ 1,692,001</b>	<b>\$ 107,899</b>	<b>\$ 133,662</b>	<b>\$ 1,933,562</b>	<b>\$ 1,572,368</b>

See notes to financial statements.

**Communities in Schools of Delaware, Inc.**

**Statements of Cash Flows**

**For the Year Ended June 30, 2015  
With Comparative Information for  
the Year Ended June 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 263,619	\$ (88,451)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	44,386	42,357
Changes in assets and liabilities		
Decrease in accounts receivable	9,151	53,872
(Increase) decrease in grants receivable	(37,523)	13,598
Increase in outstanding promises to give	(279,177)	(200,000)
Decrease in prepaid expense	-	573
Increase in security/tender deposits	-	(618)
Increase (decrease) in accounts payable	4,064	(19,129)
Increase in accrued expenses and liabilities	5,160	2,646
Decrease in grant advances	<u>(2,437)</u>	<u>(36,982)</u>
Net cash provided by (used in) operating activities	7,243	(232,134)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(25,388)	-
Purchase of property and equipment	<u>(6,000)</u>	<u>(9,339)</u>
Net cash used in investing activities	(31,388)	(9,339)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of capital lease obligation	<u>(617)</u>	<u>-</u>
Net cash used in financing activity	<u>(617)</u>	<u>-</u>
Net decrease in cash	(24,762)	(241,473)
CASH - BEGINNING OF YEAR	<u>202,011</u>	<u>443,484</u>
CASH - END OF YEAR	<u>\$ 177,249</u>	<u>\$ 202,011</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 1,872</u>	<u>\$ 329</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment purchased by capital lease	<u>\$ 4,753</u>	<u>\$ -</u>

See notes to financial statements.



# Communities in Schools of Delaware, Inc.

## Notes to Financial Statements

### Note A - Summary of Significant Accounting Policies

#### 1. Nature of Business and Organization

Communities in Schools of Delaware, Inc. (the Organization) operates programs at various schools throughout Delaware to ensure that students and their families receive the services needed to keep children in school and learning successfully. The Organization receives the majority of its revenue from the State of Delaware, contributors, and support from the various school districts in which it operates.

#### 2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its authoritative guidance codified in Accounting Standards Codification 958, *Not-for-Profit Entities*. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

#### 3. Revenue Recognition

##### a. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Unconditional promises to make contributions are recorded as support in the period the Organization receives the promise. Promises to make contributions that are expected to be paid over a period in excess of one year are discounted and recorded at their present value. Conditional promises to make contributions are recorded as support in the period the condition is met.

##### b. Governmental Grants

The Organization receives grant revenue from the Delaware Department of Education's 21st Century Community Learning Center grant. In addition, the Organization receives grant revenue from the

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**3. Revenue Recognition (Continued)**

**b. Governmental Grants (Continued)**

Office of Juvenile Justice and Delinquency Prevention. This revenue is recognized as allowable expenses for this program are incurred by the Organization.

**c. Program Revenue**

The Organization receives income for services that are provided to schools throughout the State of Delaware. Program revenue is recognized when the service is provided.

**4. Income Taxes**

The Organization is a nonprofit organization organized under the laws of the State of Delaware and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is not exempt from taxes to the extent it has unrelated business taxable income (UBTI). During the years ended June 30, 2015 and 2014, the Organization had no UBTI. The Organization is no longer subject to federal or state tax examinations for fiscal years ended prior to 2011.

**5. Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**6. Investments**

Investments are stated at fair market value based on an allocation provided by Delaware Community Foundation (DCF).

**7. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

## **Communities in Schools of Delaware, Inc.**

### **Notes to Financial Statements (Continued)**

#### **Note A - Summary of Significant Accounting Policies (Continued)**

##### **7. Use of Estimates (Continued)**

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **8. Accounts Receivable**

Accounts receivable consist of short-term receivables that arise in the normal course of business. The Organization performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Accounts are generally considered past due after 30 days. Past due receivables do not accrue interest.

Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectibility of specific accounts. At June 30, 2015 and 2014, accounts receivable are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided. Uncollectible accounts receivable are charged off when management determines that all reasonable collection efforts have been exhausted.

##### **9. Donated Assets**

Donations of property, equipment, and other noncash donations are recorded as support at their estimated fair value at the date of donation.

##### **10. Contributed Services**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not receive services that met the criteria for recognition for the years ended June 30, 2015 and 2014.

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**11. Property and Equipment**

Property and equipment are valued at cost. Maintenance, repairs, and minor renewals are charged directly to expenses as incurred. Additions and betterments to property and equipment are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the related assets. The useful lives for purposes of computing depreciation are as follows:

Furniture and equipment	5 years
Leasehold improvements	15 years

**12. Subsequent Events**

The Organization has evaluated subsequent events through January 5, 2016, which is the date the financial statements were available to be issued.

**13. Fair Value Measurements**

The Organization applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1: Valuations are based on quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations are based on inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1.

Level 3: Valuations are based on information that is unobservable and significant to the overall fair value measurement.

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**13. Fair Value Measurements (Continued)**

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At June 30, 2015, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

**Note B - Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk are principally cash deposits. The Organization maintains cash balances at highly rated financial institutions within the operating area. The balances, at times, may exceed federally insured limits. Accounts at these institutions are insured by FDIC insurance for up to \$250,000. The Organization had no amounts in excess of the insured limit at June 30, 2015 and 2014.

**Note C - Promises to Give**

The Organization has received pledges related to expanding their basic needs and resources in Kent County, which will be collected as follows at June 30, 2015:

Receivable in less than one year	\$479,177
Receivable in one to five years	<u>-</u>
Total	<u>\$479,177</u>

No allowances for uncollectible accounts have been provided for since all pledges are deemed fully collectible.

**Note D - Property and Equipment**

Property and equipment consisted of the following as of June 30,:

	<u>2015</u>	<u>2014</u>
Property and equipment	\$ 236,606	\$ 225,853
Less: accumulated depreciation	<u>107,085</u>	<u>62,699</u>
	<u>\$ 129,521</u>	<u>\$ 163,154</u>

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note D - Property and Equipment (Continued)**

Depreciation expense for the years ended June 30, 2015 and 2014 was \$44,386 and \$42,357, respectively.

**Note E - Investments**

Investments were composed of the following at June 30, 2015:

	<u>Cost</u>	<u>Market</u>
Unrestricted net assets		
DCF	\$ <u>25,000</u>	\$ <u>25,388</u>

The relationship between cost and market values of investments held at June 30, 2015 was as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of year	\$ <u>25,000</u>	\$ <u>25,388</u>	\$ <u>388</u>
Increase in unrealized appreciation			388
Realized loss			<u>(277)</u>
Net gain			\$ <u>111</u>

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

<u>Description</u>	<u>Fair Value Measurements 6/30/2015</u>	<u>Fair Value Measurements at June 30, 2015 Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DCF	\$ <u>25,388</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,388</u>

DCF is a pooled investment fund that manages investments on behalf of various individuals and nonprofit organizations. DCF reports the fair value of investments held to each of its members by allocating a portion of the total fair value of its investment portfolio, as determined by DCF management, to each of its members based on the respective amounts placed with DCF for management. The Organization does not hold ownership to the underlying investments, and DCF does not report individual units or share information

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note E - Investments (Continued)**

with the Organization. Because of this, the Organization's management is unable to independently determine fair value based on observable inputs and has classified the full investment in DCF as Level 3.

More information on DCF's holdings and other financial information may be obtained in their audited financial statements at [http://www.delcf.org/about\\_financials.html](http://www.delcf.org/about_financials.html).

**Note F - Revolving Line of Credit**

The Organization has a revolving line of credit with TD Bank for \$50,000. Borrowings under the line of credit bear interest at the prime rate plus 1.49%, which was 4.74% at June 30, 2015. Interest payments are due monthly. All borrowings are secured by the Organization's assets. As of June 30, 2015 and 2014, the Organization did not have any advances outstanding against the line of credit.

**Note G - Major Contributors**

Net funding included contributions from two major contributors totaling 42% and 34% of total support and revenue for the years ended June 30, 2015 and 2014, respectively.

**Note H - Lease Commitment**

The Organization leases its office space from a third party under a lease expiring on September 30, 2020. Rent expense under this agreement for the years ended June 30, 2015 and 2014 was \$19,023 and \$14,267, respectively. The minimum future rental payments to be paid under the noncancellable operating lease for the next five years and thereafter is as follows:

2016	\$	23,536
2017		25,041
2018		25,041
2019		25,041
2020		25,041
Thereafter		<u>6,260</u>
Total minimum lease payments	\$	<u>129,960</u>

**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note H - Lease Commitment (Continued)**

The Organization is also the lessee of equipment under capital leases expiring in 2018. The assets and liabilities under capital leases have been recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets have been depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases was included in depreciation expense for the year ended June 30, 2015 and 2014.

The following is a summary of property held under capital leases at June 30,:

	<u>2015</u>	<u>2014</u>
Photocopy equipment	\$ <u>4,753</u>	\$ <u>-</u>
Accumulated depreciation	\$ <u>891</u>	\$ <u>-</u>

The cost of this property was included in equipment on the statements of financial position.

Minimum future lease payments under capital leases as of June 30, 2015 for each of the next four years and in the aggregate are as follows:

2016	\$ 2,340
2017	2,340
2018	2,340
2019	<u>390</u>
Total minimum lease payments	7,410
Less: amount representing interest	<u>3,274</u>
Present value of net minimum lease payments	\$ <u>4,136</u>



**Communities in Schools of Delaware, Inc.**

**Notes to Financial Statements (Continued)**

**Note I - Retirement Plan**

The Organization has adopted a 401(k) savings plan covering substantially all employees. The Organization is not required to make any contributions to the plan. For the years ended June 30, 2015 and 2014, administration expenses charged to operations were \$420 and \$0, respectively.

**Note J - Temporarily Restricted Net Assets**

Temporarily restricted net assets were available under the following programs at June 30,:

	<u>2015</u>	<u>2014</u>
College and Career Readiness	\$ 4,522	\$ 15,000
Salary Support	82,762	17,500
Diplomas Now	15,590	-
PHASE Mentoring Program	-	-
Aspire Local High School	320,570	-
Basic Needs & Resources	<u>173,659</u>	<u>272,438</u>
Total temporarily restricted net assets	<u>\$ 597,103</u>	<u>\$ 304,938</u>

**Note K - Reclassifications**

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported changes in the net assets.