

Communities In Schools of the Gulf South, Inc.

Financial Statements

June 30, 2023

## TABLE OF CONTENTS

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

|                                                                                                                                                                                                                                          |    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| I. Independent Auditors' Report                                                                                                                                                                                                          | 1  |
| II. Financial Statements                                                                                                                                                                                                                 |    |
| a. Statement of Financial Position                                                                                                                                                                                                       | 4  |
| b. Statement of Activities                                                                                                                                                                                                               | 5  |
| c. Statement of Functional Expenses                                                                                                                                                                                                      | 6  |
| d. Statement of Cash Flows                                                                                                                                                                                                               | 7  |
| III. Notes to Financial Statements                                                                                                                                                                                                       | 8  |
| IV. Schedule of Compensation, Benefits, and<br>Other Payments to President                                                                                                                                                               | 18 |
| V. Independent Auditors' Report on Internal Control<br>over Financial Reporting and on Compliance and<br>Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with<br><i>Government Auditing Standards</i> | 19 |
| VI. Schedule of Findings and Responses                                                                                                                                                                                                   | 21 |
| VII. Summary Schedule of Prior Audit Findings                                                                                                                                                                                            | 22 |

# LeGlue & Company, CPAs, L.L.C.

October 27, 2023

## *Independent Auditors' Report*

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited 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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CIS as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CIS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Other Legal and Regulatory Requirements**

#### ***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 October 27, 2023 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Respectfully submitted,



LeGlue and Company, CPAs, L.L.C.

STATEMENT OF FINANCIAL POSITION

Communities In Schools of the Gulf South, Inc.

June 30, 2023

ASSETS

Current assets

|                                      |    |                  |
|--------------------------------------|----|------------------|
| Cash and cash equivalents            | \$ | 108,208          |
| Accounts receivable                  |    | 193,820          |
| Employee retention credit receivable |    | 661,430          |
| Prepaid expenses and deposits        |    | 34,214           |
| Inventory                            |    | <u>2,685</u>     |
| Total current assets                 |    | <u>1,000,357</u> |

Other assets

|                                              |  |                |
|----------------------------------------------|--|----------------|
| Operating right of use asset                 |  | 7,333          |
| Beneficial interest in assets held by others |  | <u>118,200</u> |
| Total other assets                           |  | <u>125,533</u> |

|  |  |                     |
|--|--|---------------------|
|  |  | <u>\$ 1,125,890</u> |
|--|--|---------------------|

LIABILITIES AND NET ASSETS

Current liabilities

|                                     |    |                |
|-------------------------------------|----|----------------|
| Accounts payable                    | \$ | 234,984        |
| Accrued expenses                    |    | 30,173         |
| Operating lease liability - current |    | 6,540          |
| Line of credit                      |    | <u>102,853</u> |
| Total current liabilities           |    | <u>374,550</u> |

|                                       |  |            |
|---------------------------------------|--|------------|
| Operating lease liability - long term |  | <u>685</u> |
|---------------------------------------|--|------------|

Net assets

|                            |  |                |
|----------------------------|--|----------------|
| Without donor restrictions |  | 651,195        |
| With donor restrictions    |  | <u>99,460</u>  |
| Total net assets           |  | <u>750,655</u> |

|  |  |                     |
|--|--|---------------------|
|  |  | <u>\$ 1,125,890</u> |
|--|--|---------------------|

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

|                                        | Without<br>Donor<br><u>Restrictions</u> | With<br>Donor<br><u>Restrictions</u> | <u>Total</u>      |
|----------------------------------------|-----------------------------------------|--------------------------------------|-------------------|
| <u>Revenue and other support</u>       |                                         |                                      |                   |
| Contributions                          | \$ 148,974                              | \$ 185,560                           | \$ 334,534        |
| Contract income                        | 2,827,531                               | -                                    | 2,827,531         |
| In-kind contributions                  | 13,969                                  | -                                    | 13,969            |
| State and local government             | -                                       | 450,000                              | 450,000           |
| Net assets released from restrictions  | <u>633,478</u>                          | <u>(633,478)</u>                     | <u>-</u>          |
| Total revenue and other support        | <u>3,623,952</u>                        | <u>2,082</u>                         | <u>3,626,034</u>  |
| <u>Expenses</u>                        |                                         |                                      |                   |
| Programs                               | 3,330,972                               | -                                    | 3,330,972         |
| Supporting services:                   |                                         |                                      |                   |
| General and administrative             | 549,882                                 | -                                    | 549,882           |
| Fundraising expenses                   | <u>1,967</u>                            | <u>-</u>                             | <u>1,967</u>      |
| Total expenses                         | <u>3,882,821</u>                        | <u>-</u>                             | <u>3,882,821</u>  |
| <u>Other income (expense)</u>          |                                         |                                      |                   |
| Board-designated endowment income, net | 8,386                                   | -                                    | 8,386             |
| Bad debt expense                       | (8,588)                                 | -                                    | (8,588)           |
| Other income                           | <u>664,848</u>                          | <u>-</u>                             | <u>664,848</u>    |
| Total other income                     | <u>664,646</u>                          | <u>-</u>                             | <u>664,646</u>    |
| Change in net assets                   | 405,777                                 | 2,082                                | 407,859           |
| Net assets - beginning of year         | <u>245,418</u>                          | <u>97,378</u>                        | <u>342,796</u>    |
| Net assets - end of year               | <u>\$ 651,195</u>                       | <u>\$ 99,460</u>                     | <u>\$ 750,655</u> |

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

|                                    | <u>Program</u>            | <u>General and<br/>Administrative</u> | <u>Fundraising</u>        | <u>Total</u>              |
|------------------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| Salaries                           | \$ 2,530,904              | \$ 201,368                            | \$ -                      | \$ 2,732,272              |
| Payroll benefits                   | 481,394                   | 35,567                                | -                         | 516,961                   |
| Contract services                  | -                         | 500                                   | -                         | 500                       |
| School programs                    | 205,684                   | -                                     | -                         | 205,684                   |
| Facilities                         | 47,502                    | 25,736                                | -                         | 73,238                    |
| General and administration         | 684                       | 35,324                                | -                         | 36,008                    |
| Interest expense                   | -                         | 7,503                                 | -                         | 7,503                     |
| Travel                             | -                         | 15,138                                | -                         | 15,138                    |
| Conferences, conventions, training | 19,042                    | -                                     | -                         | 19,042                    |
| Advocacy                           | 30,000                    | -                                     | -                         | 30,000                    |
| Professional fees                  | -                         | 184,731                               | -                         | 184,731                   |
| Supplies and small equipment       | -                         | 30,831                                | -                         | 30,831                    |
| Marketing and public relations     | 8,370                     | 1,477                                 | -                         | 9,847                     |
| Volunteer expenses                 | 1,560                     | 712                                   | -                         | 2,272                     |
| Printing and copying               | 4,261                     | -                                     | -                         | 4,261                     |
| Recognitions                       | 1,571                     | 3,666                                 | -                         | 5,237                     |
| Food and meetings                  | -                         | 7,329                                 | -                         | 7,329                     |
| Fundraising expenses               | -                         | -                                     | 1,967                     | 1,967                     |
|                                    | <u>                  </u> | <u>                  </u>             | <u>                  </u> | <u>                  </u> |
| Total                              | <u>\$ 3,330,972</u>       | <u>\$ 549,882</u>                     | <u>\$ 1,967</u>           | <u>\$ 3,882,821</u>       |

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

|                                                                                            |                   |
|--------------------------------------------------------------------------------------------|-------------------|
| <u>Cash flows from operating activities</u>                                                |                   |
| Change in net assets                                                                       | <u>\$ 407,859</u> |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                   |
| Gain on investment, net                                                                    | (8,386)           |
| Bad debt expense                                                                           | 8,588             |
| Decrease (increase) in operating assets:                                                   |                   |
| Accounts receivable                                                                        | (133,553)         |
| Employee retention credit receivable                                                       | (661,430)         |
| Prepaid expenses                                                                           | (6,900)           |
| Inventory                                                                                  | 4,525             |
| Operating lease right of use asset                                                         | (108)             |
| Increase (decrease) in operating liabilities:                                              |                   |
| Accounts payable                                                                           | 221,239           |
| Accrued expenses                                                                           | <u>(13,807)</u>   |
| Net cash used in operating activities                                                      | <u>(181,973)</u>  |
| <u>Cash flows from financing activities</u>                                                |                   |
| Net activity on line of credit                                                             | <u>101,128</u>    |
| Net cash provided by financing activities                                                  | <u>101,128</u>    |
| <u>Net decrease in cash and cash equivalents</u>                                           | (80,845)          |
| <u>Cash and cash equivalents, beginning of year</u>                                        | <u>189,053</u>    |
| <u>Cash and cash equivalents, end of year</u>                                              | <u>\$ 108,208</u> |
| <u>Supplemental disclosure of cash flow information</u>                                    |                   |
| Cash paid during the year for interest                                                     | <u>\$ 7,503</u>   |

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

### Note 1 – Summary of Significant Accounting Policies

The following explanatory comments are submitted relative to the nature of operations and summary of significant accounting policies of Communities In Schools of the Gulf South, Inc.:

(a) *Nature of Operations*

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, Acadiana, and the East Baton Rouge regions. As of June 30, 2023, CIS provided services to thirteen schools in the Greater New Orleans area, nineteen schools in the Acadiana region, and two schools in East Baton Rouge. CIS's primary program activity is coordination of school-wide services, inclusive of mentoring, case management, mental health services, 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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

(b) Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

(c) 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

CIS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include amounts held in bank demand accounts, short-term certificates of deposit and highly liquid money market funds. The carrying amount of money market funds approximates fair value due to the short maturity of these instruments.

(e) 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, 2023.

(f) Inventory

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

(g) 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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

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.

### (h) Classification of Net Assets

The financial statements of CIS have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires 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.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

### (i) Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next fiscal year are recorded at their net realizable value. 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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### (j) Contributed Materials and Services

The 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, 2023, with fair values on the dates of donation of \$13,969. CIS did not receive any significant contributed professional services for the year ended June 30, 2023.

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 3,700 for the year ended June 30, 2023. These contributions of in-kind services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition.

### (k) 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.

### (l) 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.

### (m) Employer Retention Credit Receivable

The Employee Retention Credit (ERC) allows eligible employers to receive reimbursement for a portion of wages paid to employees. Originally included in the Coronavirus Aid, Relief and Economic Security (CARES) Act, the ERC was also funded and modified by other pieces of COVID-19-related legislation. CIS filed for the ERC in the fiscal year ended June 30, 2023, and anticipates collecting the credits in fiscal year 2024. In accordance with ASC 958-605, nonprofits can recognize the ERC revenue and any corresponding receivables in the period that they determine the conditions are substantially met under the conditional contribution model in ASC 958-605.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### (n) Implementation of new lease recognition guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under this guidance, lessees and lessors are required to recognize a right-of-use (ROU) asset and corresponding lease liability on the consolidated balance sheets 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. In addition, the new standard requires enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. CIS elected this transition method and adopted Topic 842 using the modified retrospective approach in 2023 with a cumulative effect of initially applying the new standard recognized in net assets without donor restrictions on July 1, 2022. The adoption of the new standard resulted in no change to net assets without donor restrictions on July 1, 2022.

Upon adoption, CIS recognized an operating lease right-of-use asset of \$13,055 and operating lease liability of \$12,855. The adoption of the standard did not have a material impact on the statement of financial position and statement of activities or cash flows. The amortization of the right of use asset is included in facilities expense. For more information on the CIS's lease arrangements refer to Note 9 – Leases.

### (o) Functional Allocations 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. Personnel expense have been allocated based on time and effort. Rent, office equipment rentals, telephone and internet, utilities, computer subscriptions, website, office supplies, and postage expenses have been allocated based on square footage. Agency, partner agencies designations, non-partner agencies designations, professional fees, golf tournament expenses, campaign expenses, third party fees, awards, travel and conference, liability insurance, worker's compensation insurance, dues and memberships, printing, and licenses and permits, have been allocated based on actual expenses.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### (p) Income Taxes

CIS is a Louisiana nonprofit organization under Section 509(a)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than a private foundation. CIS's management believes that CIS continues to operate in a manner that preserves its tax-exempt status.

## Note 2 – Uninsured Deposits

CIS maintains cash on deposit with adequately capitalized financial institutions located in Southeast Louisiana. At times, deposits may exceed Federal Deposit Insurance Corporation ("FDIC") maximum coverage (\$250,000 per financial institution). At June 30, 2023, CIS had no deposits in excess of FDIC limits.

## Note 3 – Accounts Receivable

Accounts receivable consist of pledges, including donor designations, for the 2023 and 2022 campaigns. The receivable balance at June 30, 2023 was \$193,820. Management anticipates collecting the full net receivable balance.

## Note 4 – 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. CIS did not take any distributions for the year ended June 30, 2023.

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, 2023.

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.

#### Note 4 – Beneficial Interest in Assets Held by Others (Continued)

CIS had the following endowment-related activities for the year ended June 30, 2023:

|                                                  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>June 30, 2023 |
|--------------------------------------------------|----------------------------------|----------------------------|------------------------|
| Beneficial interest in assets at<br>July 1, 2022 | \$ 35,353                        | \$ 74,461                  | \$ 109,814             |
| Board-designated endowment<br>gain, net          | 8,386                            | -                          | 8,386                  |
| Distribution from endowment                      | -                                | -                          | -                      |
| Total endowment funds                            | <u>\$ 43,739</u>                 | <u>\$ 74,461</u>           | <u>\$ 118,200</u>      |

#### Note 5 – 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.



## Note 5 – Fair Value Measurement and Disclosures (Continued)

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

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, 2023, are as follows:

### Fair Value Measurements at Reporting Date Using

|                                                 | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total      |
|-------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------|
| Beneficial interest in assets<br>held by others | \$ -                                                                       | \$ -                                                      | \$ 118,200                                         | \$ 118,200 |
| Total assets at fair value                      | \$ -                                                                       | \$ -                                                      | \$ 118,200                                         | \$ 118,200 |

A reconciliation of the beginning and ending balance of beneficial interest in assets held by others is included within Note 4.

## Note 6 – Accrued Employee Leave

The CIS full-time office based employees may earn up to twelve (12) vacation days each year. CIS fulltime 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 \$21,069 at June 30, 2023 and is included in accrued expenses in the accompanying statement of financial position.

### Note 7 – 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 has been renewed through October 2024. Outstanding borrowings under the credit agreement are unsecured. At June 30, 2023, the outstanding balance was \$102,853, with an annual rate of interest of 7%.

### Note 8 – Net Assets With Donor Restrictions

For the year ended June 30, 2023, CIS had the following net assets with donor restrictions activities:

|                                                     | <u>Amount</u>    |
|-----------------------------------------------------|------------------|
| Net assets with donor restrictions at July 1, 2022  | \$ 97,378        |
| Contributions                                       | 635,560          |
| Released from restrictions                          | <u>(633,478)</u> |
| Decrease in net assets with donor restrictions      | <u>2,082</u>     |
| Net assets with donor restrictions at June 30, 2023 | <u>\$ 99,460</u> |

As of June 30, 2023, net assets with donor restrictions consisted of grants of \$185,560 and \$450,000 on a government grant that are time and purpose restricted, and an endowment fund of \$74,461 that is perpetually restricted.

### Note 9 – Leases

CIS has operating leases for the rent of office space in New Orleans, Lafayette and Baton Rouge. Payments range from \$3,311, \$750, and \$545 respectively throughout the terms of the leases, and are due on the first day of each month. The New Orleans and New Iberia leases are month to month leases, as such they do not meet the requirements for the new lease standard, Topic 842. Rent expense for the year ended June 30, 2023, was \$61,597.

CIS elected the practical expedient not to separate lease and non-lease components for all of their Baton Rouge lease.

The Baton Rouge lease is set to expire in September 2024. Minimum future lease payments on the Baton Rouge lease are \$6,540 and \$1,090 for the years ending June 30, 2024 and 2025, respectively. Future lease payments include imputed interest of \$405. As of June 30, 2023, the remaining lease term for the lease is 14 months. The weighted average discount rate associated with operating leases is approximately 8%.

#### Note 10 – 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, 2023 were \$43,864. These expenses are included in program and general and administrative expenses on the statement of activities.

#### Note 11 – Liquidity and Availability of Financial Resources

CIS has \$302,028 of financial assets available within one year of the financial position dated June 30, 2023 consisting of cash and cash equivalents of \$108,208, and accounts receivable of \$193,820. 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. 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 – Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require CIS's 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's management has analyzed the tax positions taken by CIS, and has concluded that, at June 30, 2023, there were 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.

#### Note 13 – Subsequent Events

Management has evaluated subsequent events through October 27, 2023, and no items were noted for disclosure. No additional subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO PRESIDENT

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

Agency Head Name: Amanda Schroeder, President

|                                   | Total      |
|-----------------------------------|------------|
| Salaries                          | \$ 113,479 |
| Benefits - health insurance       | 4,800      |
| Benefits - retirement             | 2,270      |
| Deferred compensation             | -          |
| Workers compensation              | 219        |
| Benefits - life insurance         | 209        |
| Benefits - long term disability   | -          |
| Benefits - FICA and Medicare      | 8,681      |
| Benefits - unemployment insurance | 95         |
| Car allowance                     | -          |
| Vehicle provided by government    | -          |
| Cell phone                        | 646        |
| Dues                              | -          |
| Vehicle rental                    | 142        |
| Per diem                          | -          |
| Reimbursements                    | 111        |
| Travel                            | 1,320      |
| Registration fees                 | 450        |
| Conference travel                 | -          |
| Unvouchered expenses              | -          |
| Meetings and conventions          | -          |
| Other                             | -          |
| Total                             | \$ 132,422 |

See independent auditors' report.

# LeGlue & Company, CPAs, L.L.C.

October 27, 2023

## **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***

### ***Independent Auditors' Report***

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

We have audited 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, the financial statements of Communities In Schools of the Gulf South, Inc. ("CIS"), which comprise the statement of financial position as of June 30, 2023, and the related statements 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 October 27, 2023.

### **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) as a basis for designing 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 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 CIS'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



LeGlue and Company, CPAs, L.L.C.

SCHEDULE OF FINDINGS AND RESPONSES

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified \_\_\_ Yes  X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses \_\_\_ Yes  X No

Noncompliance material to financial statements noted \_\_\_ Yes  X No

Section II – Financial Statement Findings – No findings noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Communities In Schools of the Gulf South, Inc.

Year ended June 30, 2022

Section II – Financial Statement Findings – No findings noted.