

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT

FINANCIAL STATEMENTS

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Communities In Schools of Metropolitan Detroit

We have audited the accompanying financial statements of Communities In Schools of Metropolitan Detroit (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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.

Auditor's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of Metropolitan Detroit as of June 30, 2014, 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 Communities in Schools of Metropolitan Detroit's June 30, 2013 financial statements, and our report dated November 14, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

May 14, 2015

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	\$ 263,532	\$ 583,693
Grants and Contracts Receivable (Note 4)	379,841	328,703
Prepaid Expenses	147	12,235
Deposits	<u>6,000</u>	<u>6,965</u>
Total Current Assets	\$ 649,520	\$ 931,596
LONG-TERM ASSETS		
Property and Equipment (Note 6)	<u>5,152</u>	<u>7,840</u>
Total Assets	<u>\$ 654,672</u>	<u>\$ 939,436</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 110,765	\$ 438,362
Accrued Expenses	23,609	20,052
Refundable Advances	-	82,413
Note Payable (Note 6)	<u>-</u>	<u>100,000</u>
Total Current Liabilities	\$ 134,374	\$ 640,827
NET ASSETS		
Unrestricted	\$ 420,575	\$ 251,709
Temporarily Restricted (Note 7)	<u>99,723</u>	<u>46,900</u>
Total Net Assets	<u>\$ 520,298</u>	<u>\$ 298,609</u>
Total Liabilities and Net Assets	<u>\$ 654,672</u>	<u>\$ 939,436</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 905	\$ -	\$ 905	\$ 53,931
Contributions - In Kind	-	-	-	14,791
Grants and Contracts	1,319,522	307,701	1,627,223	1,945,851
Earned Income	6	-	6	-
Cost Reimbursement/Miscellaneous Income	3,291	-	3,291	-
Fundraising (Net of Fundraising Expense)	11,351	-	11,351	-
Net Assets Released From Restrictions - Satisfaction of Program Restrictions (Note 7)	<u>254,878</u>	<u>(254,878)</u>	<u>-</u>	<u>-</u>
 Total Public Support and Revenue	 <u>\$ 1,589,953</u>	 <u>\$ 52,823</u>	 <u>\$ 1,642,776</u>	 <u>\$ 2,014,573</u>
EXPENSES				
Program Services	\$ 1,434,537	\$ -	\$ 1,434,537	\$ 1,780,021
Supporting Services - Management and General	<u>86,550</u>	<u>-</u>	<u>86,550</u>	<u>62,834</u>
Total Expenses	<u>\$ 1,521,087</u>	<u>\$ -</u>	<u>\$ 1,521,087</u>	<u>\$ 1,842,855</u>
CHANGE IN NET ASSETS BEFORE OTHER EXPENSES (REVENUE)				
	<u>\$ 68,866</u>	<u>\$ 52,823</u>	<u>\$ 121,689</u>	<u>\$ 171,718</u>
Other Expenses (Revenue)				
Forgiveness of Debt	\$ (100,000)	\$ -	\$ (100,000)	\$ (83,008)
Total Other Expenses (Revenue)	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ (83,008)</u>
CHANGE IN NET ASSETS				
	\$ 168,866	\$ 52,823	\$ 221,689	\$ 254,726
NET ASSETS, Beginning of Year				
	<u>251,709</u>	<u>46,900</u>	<u>298,609</u>	<u>43,883</u>
NET ASSETS, End of Year				
	<u>\$ 420,575</u>	<u>\$ 99,723</u>	<u>\$ 520,298</u>	<u>\$ 298,609</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</u>
Salaries	\$ 878,180	\$ 46,220	\$ 924,400	\$ 489,595
Fringes and Payroll Taxes	<u>210,196</u>	<u>13,417</u>	<u>223,613</u>	<u>93,838</u>
Total Compensation	\$ 1,088,376	\$ 59,637	\$ 1,148,013	\$ 583,433
Project Expense	186,120	-	186,120	1,096,488
Repairs and Maintenance	9,432	496	9,928	2,290
Special Events	3,994	347	4,341	32,863
Contractual Services	4,064	169	4,233	15,872
Interest	-	5	5	46
Office Supplies	15,848	490	16,338	14,703
Communication	5,473	349	5,822	25,873
Travel and Training	29,323	2,550	31,873	6,548
Insurance	27,825	1,465	29,290	8,819
Advertising	-	-	-	2,353
Printing and Reproduction	636	1,483	2,119	1,132
Professional Fees	2,077	17,335	19,412	21,715
Equipment Rental	6,180	395	6,575	625
Service Charges	-	1,383	1,383	3,972
Vehicle Expenses	542	28	570	345
Rent	13,862	-	13,862	5,041
Rent - Donated	-	-	-	11,341
Dues and Subscriptions	1,544	99	1,643	3,194
Postage and Delivery	3,488	184	3,672	3,346
Collaboration Support	7,964	-	7,964	2,632
Bad Debt Expense	<u>25,236</u>	<u>-</u>	<u>25,236</u>	<u>-</u>
Subtotal	\$ 1,431,983	\$ 86,416	\$ 1,518,399	\$ 1,842,631
Depreciation	<u>2,554</u>	<u>134</u>	<u>2,688</u>	<u>224</u>
Total Expenses	<u>\$ 1,434,537</u>	<u>\$ 86,550</u>	<u>\$ 1,521,087</u>	<u>\$ 1,842,855</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Changes in Net Assets	\$ 221,689	\$ 254,726
Adjustments to Reconcile Change in Net Assets to Cash (Used for) Provided by Operating Activities -		
Depreciation	2,688	224
Forgiveness of Debt	(100,000)	(83,008)
Decrease (Increase) in Prepaid Expenses	12,088	(1,529)
(Increase) Decrease in Grants and Contracts Receivable	(51,138)	267,049
Decrease (Increase) in Deposits	965	(615)
(Decrease) Increase Accounts Payable	(327,597)	56,854
Increase (Decrease) in Accrued Expenses	3,557	(96,837)
Increase (Decrease) in Refundable Advances	<u>(82,413)</u>	<u>(83,408)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (320,161)</u>	<u>\$ 313,456</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>\$ -</u>	<u>\$ (8,064)</u>
Net Cash Provided by (Used for) Investing Activities	<u>\$ -</u>	<u>\$ (8,064)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	<u>\$ -</u>	<u>\$ (40,000)</u>
Net Cash Provided by (Used for) Financing Activities	<u>\$ -</u>	<u>\$ (40,000)</u>
 Increase (Decrease) in Cash and Cash Equivalents	 \$ (320,161)	 \$ 265,392
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>583,693</u>	<u>318,301</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 263,532</u>	<u>\$ 583,693</u>
 Supplemental Disclosure:		
Interest Paid	<u>\$ 5</u>	<u>\$ 46</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **ORGANIZATION**

Communities In Schools of Metropolitan Detroit (CIS), is a partnership of private and public education institutions, human service agencies, community organizations, and business interests. CIS helps students who are in high risk environments to overcome barriers, achieve successes, and graduate from high school with the skills necessary for higher education and/or meaningful employment. CIS accomplishes this by developing and nurturing partnerships and collaborations among existing community resources and institutionalizing the delivery of supportive services in public schools and alternative education.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of CIS have been prepared on the accrual basis of accounting.

Financial Statement Presentation

CIS has adopted FASB, "Financial Statements of Not-for-Profit Organizations." The accompanying financial statements have been prepared to conform to its requirements.

Recognition of Contributions

In accordance with FASB, "Accounting for Contributions Received and Contributions Made," contributions received with no conditions are recorded as unrestricted, temporarily restricted, or permanently restricted revenue at the time the promise to give is obtained, depending on the existence and/or nature of any donor restrictions. Conditional pledges are not recorded as revenue until the conditions are substantially met, at which time the contributions become unconditional.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible to cash within ninety (90) days of purchase.

Advertising

Advertising costs are expensed as incurred.

Property and Equipment

Property and equipment are stated at cost or fair value at the date of acquisition. Donated property and equipment are recorded at estimated fair market value at the date of the donation. Property and equipment are depreciated using the straight-line method over the following useful lives:

Equipment	5 – 7 years
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Expense Allocation

CIS allocates its expenses on a functional basis to program services and supporting services. Expenses that can be identified with a specific program or supporting services are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various generally accepted bases as management deemed appropriate.

Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Income Tax Status

CIS is exempt from federal income tax under Sections 501(c)(3) of the Internal Revenue Code.

(3) **CUSTODIAL CREDIT RISK OF BANK DEPOSITS**

Custodial Credit risk of bank deposits is the risk that in the event of a bank failure, CIS's deposits may not be returned. CIS places its cash with high credit qualified financial institutions. The amounts on deposit at financial institutions were fully covered by federal depository insurance. At year end, CIS bank deposits were \$269,100 of which \$16,149 was uninsured.

(4) **GRANTS AND CONTRACTS RECEIVABLE**

CIS grants and contracts receivable consist of the following at June 30, 2014:

DPS	\$ 258,871
Ypsilanti Community Schools	7,000
Education Achievement Authority	73,154
Ecorse Public Schools	3,500
United Way	23,748
Southwest Solutions	<u>13,568</u>
Total Grants and Contracts Receivable	<u>\$ 379,841</u>

During the year, DPS receivables of \$475,236 were deemed uncollectible and were offset against the allowance for doubtful account of \$450,000 and \$25,236 was charged to bad debt expense.

(5) **PROPERTY AND EQUIPMENT**

At June 30, 2014 property and equipment consisted of the following:

	Beginning of <u>Year</u>	<u>Additions</u>	<u>Retirements</u>	End of <u>Year</u>
Furniture and Equipment	\$ 19,968	\$ -	\$ -	\$ 19,968
Total	\$ 19,968	\$ -	\$ -	\$ 19,968
Less Accumulated Depreciation	<u>(12,128)</u>	<u>(2,688)</u>	-	<u>(14,816)</u>
Total Net	<u>\$ 7,840</u>	<u>\$ (2,688)</u>	<u>\$ -</u>	<u>\$ 5,152</u>

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

(6) **NOTE PAYABLE**

On July 8, 2011, CIS entered into a Loan Settlement Agreement with Michigan Commerce Bank for the repayment of their line of credit. The agreement was for an immediate payment of \$400,000 and an additional payment of \$100,000 when CIS collected the outstanding receivables from Detroit Public Schools (DPS). At June 30, 2014, DPS receivables were deemed uncollectible and the \$100,000 outstanding loan, that was unsecured and payment of the loan contingent on the collection of DPS receivables, was written off. See Note 4.

(7) **NET ASSETS**

Temporarily Restricted Net Assets

Temporarily restricted net assets represent unexpended grant funds and contributions received as of June 30, 2014:

Restricted for program activities:

Ford Foundation	\$ 69,417
CIS Michigan	7,178
Transition	10,000
CIS National Diplomas	2,000
Lions Academy	10,769
Children's Inc.	<u>359</u>
Total Temporarily Restricted Net Assets	<u>\$ 99,723</u>

Net Assets Released from Grantor Restrictions

Purpose Restricted accomplished:

Ford Scholarship	\$ 2,000
CIS National - Diplomas NOW	139,734
CIS National - Costco	21,900
Lions Academy	65,000
Special Events	5,661
Children's, Inc.	17,761
CIS Michigan	<u>2,822</u>
Total Net Assets Released from Restrictions	<u>\$ 254,878</u>

COMMUNITIES IN SCHOOLS OF METROPOLITAN DETROIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

(8) **LEASE**

Communities In Schools is operating under a month to month lease agreement for space. The lease expense for June 30, 2014 was \$13,862.

(9) **2013 FINANCIAL DATA**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CIS's financial statements for the year ended June 30, 2013.

(10) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 14, 2015, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether changes in the financial statements would be required.