

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Communities in Schools of Los Angeles, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Communities in Schools of Los Angeles, Inc. (CISLA), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to CISLA'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 CISLA'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.

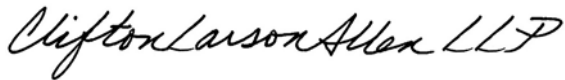
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CISLA as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, CISLA changed accounting policies related to presentation of its financial statements in 2019 as required by the provisions of Accounting Standards Update 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Pasadena, California
October 17, 2019

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 91,242	\$ 18,712
Contributions and Grants Receivable, net	731,400	141,182
Investments	173,393	238,089
Prepaid Expenses	6,475	-
Equipment, net of Accumulated Depreciation of \$6,476 in 2019 and \$2,026 in 2018	9,385	5,286
Total Assets	\$ 1,011,895	\$ 403,269
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 123,469	\$ 137,239
NET ASSETS		
Without Donor Restrictions	100,647	231,730
With Donor Restrictions	787,779	34,300
Total Net Assets	888,426	266,030
Total Liabilities and Net Assets	\$ 1,011,895	\$ 403,269

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			Total	Total
REVENUES				
Contributions	\$ 1,369,912	\$ 783,479	\$ 2,153,391	1,084,902
Grants and Contracts	323,700	-	323,700	382,865
Non-Cash Contributions	112,935	-	112,935	119,013
Special Events, Net of Expenses of \$216,703	486,129	-	486,129	317,128
Investment Return	4,405	-	4,405	6,095
Net Assets Released from Restrictions	30,000	(30,000)	-	-
Total Revenues	<u>2,327,081</u>	<u>753,479</u>	<u>3,080,560</u>	<u>1,910,003</u>
EXPENSES				
Program Services	1,695,337	-	1,695,337	1,831,593
General and Administrative	446,560	-	446,560	435,431
Fundraising	316,267	-	316,267	373,480
Total Expenses	<u>2,458,164</u>	<u>-</u>	<u>2,458,164</u>	<u>2,640,504</u>
CHANGE IN NET ASSETS	(131,083)	753,479	622,396	(730,501)
Net Assets - Beginning of Year	<u>231,730</u>	<u>34,300</u>	<u>266,030</u>	<u>996,531</u>
NET ASSETS - END OF YEAR	<u>\$ 100,647</u>	<u>\$ 787,779</u>	<u>\$ 888,426</u>	<u>\$ 266,030</u>

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,008,408	\$ 76,494	\$ 1,084,902
Grants and Contracts	382,865	-	382,865
Non-Cash Contributions	119,013	-	119,013
Special Events, Net of Expenses of \$165,027	317,128	-	317,128
Investment Return	6,095	-	6,095
Net Assets Released from Restrictions	237,194	(237,194)	-
Total Revenues	2,070,703	(160,700)	1,910,003
EXPENSES			
Program Services	1,831,593	-	1,831,593
General and Administrative	435,431	-	435,431
Fundraising	373,480	-	373,480
Total Expenses	2,640,504	-	2,640,504
CHANGE IN NET ASSETS	(569,801)	(160,700)	(730,501)
Net Assets - Beginning of Year	801,531	195,000	996,531
NET ASSETS - END OF YEAR	\$ 231,730	\$ 34,300	\$ 266,030

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 622,396	\$ (730,501)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,450	2,026
Unrealized Gains on Investments	-	(419)
Bad Debt	15,250	11,990
Changes in Assets and Liabilities:		
Contributions and Grants Receivable	(605,468)	110,764
Prepaid Expenses	(6,475)	-
Accounts Payable and Accrued Expenses	(13,770)	39,070
Net Cash Provided (Used) by Operating Activities	16,383	(567,070)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(194,305)	(184,431)
Proceeds from Sales of Investments	259,000	748,576
Purchase of Equipment	(8,548)	(7,312)
Net Cash Provided by Investing Activities	56,147	556,833
 NET CHANGE IN CASH	72,530	(10,237)
Cash - Beginning of Year	18,712	28,949
 CASH - END OF YEAR	\$ 91,242	\$ 18,712
 NONCASH INVESTING ACTIVITIES		
Collections from Contributions Receivable through Stock Investment	\$ -	\$ 135,000

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,302,264	\$ 221,134	\$ 143,914	\$ 1,667,312
Professional Fees	9,932	141,569	113,201	264,702
Payroll Taxes	115,206	13,092	7,855	136,153
Employee Benefits	123,869	15,016	8,234	147,119
Program Related Expenses	88,163	-	-	88,163
Occupancy	36,165	19,693	10,490	66,348
Telephone and Technology	2,662	4,543	1,351	8,556
Conference	2,626	11,411	138	14,175
Marketing and Promotion	-	-	13,732	13,732
Miscellaneous	2,718	4,025	16,856	23,599
Bad Debt	-	15,250	-	15,250
General Liability Insurance	7,282	827	496	8,605
Depreciation	4,450	-	-	4,450
Total Functional Expenses	<u>\$ 1,695,337</u>	<u>\$ 446,560</u>	<u>\$ 316,267</u>	<u>\$ 2,458,164</u>
Fundraising Events	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,703</u>	<u>\$ 216,703</u>
Total Expenses	<u>\$ 1,695,337</u>	<u>\$ 446,560</u>	<u>\$ 532,970</u>	<u>\$ 2,674,867</u>

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,393,302	\$ 234,392	\$ 219,597	\$ 1,847,291
Professional Fees	12,164	117,635	77,342	207,141
Payroll Taxes	118,504	18,315	17,302	154,121
Employee Benefits	125,049	14,996	12,119	152,164
Program Related Expenses	121,119	-	-	121,119
Occupancy	24,144	20,120	20,120	64,384
Telephone and Technology	7,518	4,953	11,097	23,568
Conference	12,510	5,832	1,144	19,486
Marketing and Promotion	7,023	2,096	7,244	16,363
Miscellaneous	1,897	4,147	6,560	12,604
Bad Debt	-	11,990	-	11,990
General Liability Insurance	6,713	767	767	8,247
Depreciation	1,650	188	188	2,026
Total Functional Expenses	<u>\$ 1,831,593</u>	<u>\$ 435,431</u>	<u>\$ 373,480</u>	<u>\$ 2,640,504</u>
Fundraising Events	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,027</u>	<u>\$ 165,027</u>
Total Expenses	<u>\$ 1,831,593</u>	<u>\$ 435,431</u>	<u>\$ 538,507</u>	<u>\$ 2,805,531</u>

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION

Communities in Schools of Los Angeles, Inc. (CISLA) is a California nonprofit corporation dedicated to surrounding students with a community of support, empowering them to stay in school and achieve in life. Since its founding in 2007, CISLA has supported more than 40,000 students and their families through an integrated student supports model, and CISLA has seen excellent results. In June 2018, 100% of CISLA case-managed seniors graduated and they achieved a 96% overall graduation rate. In the 2018-2019 school year, CISLA will serve more than 9,000 students to decrease dropout rates and increase rates of eighth grade culmination and high school graduation. CISLA will operate in eight, Title 1 middle and high schools, including Clinton Middle School, Hamilton High School, Hollenbeck Middle School, Liechty Middle School, Mendez High School, Santee High School, Mark Twain Middle School and Webster Middle School.

On August 24, 2016, CISLA entered into a master agreement with Los Angeles Unified School District (LAUSD) to provide in-school academic support, mentoring, positive behavior support, restorative justice practices, and case management to LAUSD students. The master agreement is effective for the period August 15, 2016 to August 14, 2019, with two remaining one-year renewal options.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of CISLA have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are reported as follows:

Net Assets Without Donor Restrictions

Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the board of trustees or management for specific purposes.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition or construction of long-lived assets are released when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair Value Standards (ASC 820-10) establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments

Investments are stated at fair value. The estimated fair value of investments is based on quoted market prices. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statements of activities.

Equipment

Equipment that is purchased is stated at cost; donated assets are stated at fair value at the date of acquisition. CISLA capitalizes equipment purchase of \$500 or more. CISLA uses the straight-line method for the computation of depreciation over three years on equipment.

Contributions and Grants Receivable

Promises to give are recorded as income and as receivables. Contributions and grants are classified as with and without donor restriction based on donor-imposed stipulations. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible pledges is estimated by management based on such factors as prior collections history, type of contribution and the nature of the fund raising activity.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts

CISLA receives grants and contracts to support its programs at various schools and are recorded as grants and contracts receivable and revenues. Grants and contracts revenue is considered an exchange transaction as a reciprocal transfer between two entities that results in one of the entities acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations. Revenue is recognized for these services as such services are provided.

Contributions

Contributions that constitute unconditional promises to give (pledges) are recorded as receivables and revenues. For financial reporting purposes, CISLA distinguishes between contributions without donor restrictions and contributions with donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions. Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as without restriction if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

Non-Cash Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CISLA. Donated rent and other non-cash donations are recorded as contributions at their fair value at the date of donation.

Concentration of Credit Risk

CISLA maintains its cash in an interest bearing checking account at a recognized financial institution. The Federal Deposit Insurance Corporation insures cash accounts up to statutory limits. CISLA's cash accounts may exceed insured limits at times; CISLA has not experienced any losses in such accounts.

Concentration of Revenue

For the years ended June 30, 2019 and 2018, two donors and one donor provided 24% and 33% of CISLA's total contribution revenue, respectively; one organization and two organizations provided 100% of total grants and contracts revenues, respectively. As of June 30, 2019, two donors accounted for 84% of contributions and grants receivable.

Income Taxes

CISLA is a nonprofit, tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income and state franchise taxes on related income pursuant to Section 501(a) of the Code and similar provisions of the California Franchise Tax Code. CISLA does not engage in any significant unrelated trades or businesses. Accordingly, no provision for income taxes is required.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by CISLA are more likely than not to be sustained upon examination.

Functional Allocation of Expenses

Management's estimate of the functional expenses shared between program, management and general, and fundraising is based on a reasonable and consistent basis. Salaries and related expenses are allocated based upon the estimated time expended by the employees. Other expenses are allocated according to management's estimates or on a direct basis.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through October 17, 2019, the date that these financial statements were available to be issued. There were no other subsequent events that would require adjustments or disclosures in these financial statements.

New Accounting Pronouncements Adopted During the Year

In 2018, CISLA changed accounting policies related to presentation of financial statements by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 has been applied retrospectively to all periods (except liquidity and availability discussed in Note 3 which is as of and for the year ended June 30, 2019) presented which resulted in no change to the previously reported net assets.

New Accounting Pronouncements Effective in Future Accounting Periods

ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. It is effective for fiscal years beginning after December 15, 2018.

ASU 2018-08 Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions received, the effective date is for annual periods beginning after December 15, 2018; for contributions made, the effective date is for annual periods beginning after December 15, 2019.

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date at June 30, 2019, comprise the following:

Cash	\$	91,242
Contributions and Grants Receivable		731,400
Investments		<u>173,393</u>
		996,035
Less:		
Net assets with donor restrictions		<u>(702,779)</u>
		<u><u>\$ 293,256</u></u>

CISLA receives significant grants and contributions each year from grantors and donors, which are available to meet annual cash needs for general expenditures and for specific purposes within the program mission. CISLA spend approximately 70% of the expenses in program, of which, portion of it is funded by donor restricted contributions. The entity forecasts its future cash flows and monitors its liquidity on a weekly basis. As of and for the year ended June 30, 2019, liquidity and availability satisfied cash needs.

NOTE 4 CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2019 and 2018, contributions and grants receivable is as follows:

	<u>2019</u>	<u>2018</u>
Contributions and Grants Receivable	\$ 756,200	\$ 148,172
Less: Bad Debt Allowance	(15,250)	(6,990)
Less: Present Value Discount at 3%	(9,550)	-
Total	<u><u>\$ 731,400</u></u>	<u><u>\$ 141,182</u></u>

Future collections of contributions and grants receivable are expected as follows:

<u>Year ending June 30,</u>	
2020	\$ 362,200
2021	217,000
2022	<u>177,000</u>
	<u><u>\$ 756,200</u></u>

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table presents investments measured at fair value on a recurring basis at June 30, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Fidelity Government Money Market	\$ 173,393	\$ 173,393	\$ -	\$ -

	2018			
	Total	Level 1	Level 2	Level 3
Fidelity Government Money Market	\$ 238,089	\$ 238,089	\$ -	\$ -

Investment return for the years ended June 30, 2019 and 2018 was \$4,405 and \$6,095, respectively.

NOTE 6 NON-CASH CONTRIBUTIONS

During the years ended June 30, 2019 and 2018, CISLA received donated services and rent from an organization that received no economic benefit in return. The fair value of the professional services is based on number of hours and hourly fees that providers normally charge for such services. The following non-cash contributions are included in the financial statements at fair value:

	2019	2018
Legal and Professional Development Services	\$ 43,447	\$ 49,822
Parking	33,632	32,052
Rent	28,800	28,800
Utilities and Maintenance	4,800	4,800
Office Expenses	2,256	3,539
Total	\$ 112,935	\$ 119,013

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	2019	2018
Subjected to Passage of Time	\$ 85,000	\$ 30,000
For the Purpose of Scholarship	4,205	4,300
For the Purpose of Program Expansion in Watts	676,000	-
Others	22,574	-
Total	\$ 787,779	\$ 34,300

COMMUNITIES IN SCHOOLS OF LOS ANGELES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2019</u>	<u>2018</u>
Subjected to Passage of Time	\$ 30,000	\$ 195,000
For the Purpose of Scholarship	-	40,730
Others	-	1,464
Total	<u>\$ 30,000</u>	<u>\$ 237,194</u>

NOTE 8 RETIREMENT PLAN

In September 1, 2015, CISLA adopted a 401(k) defined contribution retirement trust (the Plan) covers substantially all of its full time employees. CISLA may make discretionary contributions to the Plan. For the years ended June 30, 2019 and 2018, CISLA did not make any contributions to the plan.

