

**CHILDREN FIRST/COMMUNITIES IN SCHOOLS
OF BUNCOMBE COUNTY, INC**

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Children First/Communities in Schools
of Buncombe County, Inc.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children First/Communities in Schools of Buncombe County, Inc.
Asheville, North Carolina

We have audited the accompanying financial statements of Children First/Communities in Schools of Buncombe County, Inc., which comprise the statement of financial position as of June 30, 2018, 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 Children First/Communities in Schools of Buncombe County, Inc. as of June 30, 2018, 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.

Carliss & Solomon, PLLC

Asheville, North Carolina
October 31, 2018

**Children First/Communities in Schools
of Buncombe County, Inc.**
Statement of Financial Position
As of June 30, 2018

Assets

Current Assets

Cash	\$	472,439
Accounts Receivable		25,390
Grants and Contracts Receivable		110,906
Prepaid Expenses		6,082
Total Current Assets		614,817

Long-Term Assets

Endowment Fund		40,413
Property and Equipment, Net		22,492
Total Long-Term Assets		62,905

Total Assets	\$	677,722
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	8,126
Accrued Liabilities		22,260
Total Current Liabilities		30,386

Net Assets

Unrestricted		436,279
Temporarily Restricted		189,657
Permanently Restricted		21,400
Total Net Assets		647,336

Total Liabilities and Net Assets	\$	677,722
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The accompanying notes are an integral part of these financial statements.

**Children First/Communities in Schools
of Buncombe County, Inc.**

Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>				
Government Grants/ Contracts	\$ 424,767	\$ -	\$ -	\$ 424,767
Public Grants	40,000	223,969	-	263,969
Contributions	142,118	20,020	-	162,138
In-Kind Contributions	3,295	-	-	3,295
Program Service Fees	147,867	-	-	147,867
Endowment Income, Net of Fees	-	2,355	-	2,355
Interest Income	2,923	-	-	2,923
Special Events	38,154	-	-	38,154
Other Income	8,182	-	-	8,182
Net Assets Released from Restrictions	245,361	(245,361)	-	-
Total Support and Revenue	<u>1,052,667</u>	<u>983</u>	<u>-</u>	<u>1,053,650</u>
<u>Expenses</u>				
Program Services:				
AmeriCorps	469,951	-	-	469,951
Advocacy	86,284	-	-	86,284
Family Resource Center	39,173	-	-	39,173
Learning Centers	117,035	-	-	117,035
Student Support Specialists	174,077	-	-	174,077
Total Program Services	886,520	-	-	886,520
Supporting Services:				
Management and General	125,128	-	-	125,128
Fundraising	98,339	-	-	98,339
Total Expenses	<u>1,109,987</u>	<u>-</u>	<u>-</u>	<u>1,109,987</u>
Change in Net Assets During Year	(57,320)	983	-	(56,337)
Net Assets at Beginning of Year	493,599	188,674	21,400	703,673
Net Assets End of Year	<u>\$ 436,279</u>	<u>\$ 189,657</u>	<u>\$ 21,400</u>	<u>\$ 647,336</u>

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

**Children First/Communities in Schools
of Buncombe County, Inc.**

Statement of Functional Expenses

June 30, 2018

	Program Services					Total Program Services
	AmeriCorps	Advocacy	Family Resource Center	Learning Centers	Student Support Specialists	
Salaries	\$ 332,607	\$ 68,690	\$ 20,900	\$ 89,077	\$ 140,304	\$ 651,578
Payroll Taxes	25,754	5,620	1,674	7,049	11,197	51,294
Employee Benefits	57,365	5,757	694	5,900	8,768	78,484
Total Personnel	415,726	80,067	23,268	102,026	160,269	781,356
Assistance to Individuals	-	-	5,862	-	100	5,962
Conferences and Meetings	1,330	1,123	-	-	-	2,453
Contract Labor	-	-	-	-	-	-
Fees and Charges	-	-	-	-	-	-
Insurance	8,245	-	-	-	-	8,245
Other Program Costs	7,191	451	3,764	5,503	1,919	18,828
Printing, Copier and Postage	1,003	102	1,388	939	111	3,543
Professional Fees	-	-	-	-	-	-
Rent	5,070	1,780	-	-	-	6,850
Repairs and Maintenance	-	-	1,192	2,328	-	3,520
Supplies	3,746	110	1,145	2,342	4,473	11,816
Technology and Software Support Services	38	428	-	-	75	541
Telephone and Internet	1,235	1,625	1,041	659	1,400	5,960
Training, Supervision and Education	17,780	60	38	-	3,310	21,188
Travel and Lodging	8,515	538	323	1,507	2,420	13,303
Utilities	72	-	1,152	1,731	-	2,955
Subtotal	469,951	86,284	39,173	117,035	174,077	886,520
Depreciation	-	-	-	-	-	-
In Kind Contributions	-	-	-	-	-	-
Total Expenses	\$ 469,951	\$ 86,284	\$ 39,173	\$ 117,035	\$ 174,077	\$ 886,520

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

**Children First/Communities in Schools
of Buncombe County, Inc.**

Statement of Functional Expenses

June 30, 2018

Supporting Services

	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 651,578	\$ 38,864	\$ 70,265	\$ 760,707
Payroll Taxes	51,294	6,405	5,523	63,222
Employee Benefits	78,484	1,869	5,064	85,417
Total Personnel	781,356	47,138	80,852	909,346
Assistance to Individuals	5,962	150	-	6,112
Conferences and Meetings	2,453	1,367	-	3,820
Contract Labor	-	30,491	-	30,491
Fees and Charges	-	309	699	1,008
Insurance	8,245	14,376	-	22,621
Other Program Costs	18,828	952	759	20,539
Printing, Copier and Postage	3,543	2,572	4,023	10,138
Professional Fees	-	7,100	-	7,100
Rent	6,850	5,071	1,780	13,701
Repairs and Maintenance	3,520	75	-	3,595
Supplies	11,816	2,039	1,343	15,198
Technology and Software Support Services	541	3,591	2,182	6,314
Telephone and Internet	5,960	966	608	7,534
Training, Supervision and Education	21,188	1,478	1,131	23,797
Travel and Lodging	13,303	974	1,667	15,944
Utilities	2,955	501	-	3,456
Subtotal	886,520	119,150	95,044	1,100,714
Depreciation	-	5,978	-	5,978
In Kind Contributions	-	-	3,295	3,295
Total Expenses	\$ 886,520	\$ 125,128	\$ 98,339	\$ 1,109,987

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

**Children First/Communities in Schools
of Buncombe County, Inc.**

Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows from Operating Activities

Change in Net Assets	\$	(56,337)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation and Amortization		5,978
Endowment Income, Net of Fees		(2,355)
(Increase)/Decrease in Operating Assets:		
Accounts Receivable		25,253
Grants and Contracts Receivable		12,908
Prepaid Expenses		(3,956)
(Decrease)/Increase in Operating Liabilities:		
Accounts Payable		(14,154)
Accrued Liabilities		(29,219)
Net Cash Used by Operating Activities		<u>(61,882)</u>

Cash Flows from Investing Activities

Purchase of Property and Equipment		<u>(24,000)</u>
Net Cash Used by Investing Activities		<u>(24,000)</u>

Net Change in Cash		(85,882)
Cash and Equivalents, Beginning of Year		<u>558,321</u>
Cash and Equivalents, End of Year	\$	<u>472,439</u>

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

**Children First/Communities in Schools of
Buncombe County, Inc.**

Notes to Financial Statements

Year Ended June 30, 2018

1. *Description of Organization and Summary of Significant Accounting Policies*

Description of the Organization

Children First/Communities in Schools (Children First/CIS) is a local non-profit committed to advocating and empowering children and families living in poverty. This is achieved through education and direct services such as the Family Resource Center at Emma, our after-school Learning Centers, Project POWER/AmeriCorps, and Student Support Specialists in Emma Elementary, Johnston Elementary, Estes Elementary, Claxton Elementary, and Eblen Intermediate.

In addition to direct services, Children First/CIS engages in public policy advocacy campaigns to build opportunity for children and families. In response to the growing incidence of child poverty, Children First/CIS created The Success Equation, which unites the community to reduce and prevent the incidence of poverty and its impact on children in Buncombe County.

The Organization's programs are comprised of:

- The Family Resource Center at Emma (FRCE) assists English-speaking and Latino families in crisis annually through emergency assistance (food pantry, clothing closet, emergency financial assistance), information and referral, case management, parenting classes and a community garden.
- The Project POWER/AmeriCorps program provides mentoring and enrichment activities to youth living in Buncombe County.
- Learning Centers are safe haven afterschool programs for 40 at-risk elementary school aged youth living in two public housing complexes and a section 8 apartment complex. Children receive homework help, a healthy snack, and enrichment activities. The program also includes a parent involvement component, and a six-week summer camp.
- The school-based Student Support Specialists connect students and their families to critical community resources, with the goal of empowering students to stay in school and achieve in life.
- In addition to direct services, Children First/CIS engages in public policy advocacy to build opportunity for children and families. Through education and outreach, Children First/CIS builds a community-based advocacy voice for our vulnerable children, youth, and their families. Our central campaign is The Success Equation – a local movement that unites the community to reduce the root causes of poverty and their impact on children, resulting in an environment where all children thrive.

Corporate and Tax-Exempt Status

Children First was established in 1976 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the Organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the Organization considers all unrestricted, highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Money market funds with investment companies are considered cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item.

Contracts and Grants Receivable

Contracts and grants receivable that are expected to be collected within one year are recorded at net realizable value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount is included in contracts or grant revenue.

Endowments

With the enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in North Carolina in 2009, Children First/CIS elected to retain its policy which calls for the preservation of the original value of permanently restricted contributions and grants. Consistent with current U.S. GAAP, the permanently restricted net assets of an endowment are not reduced by losses on the investments of the fund, and accumulated investment income

is temporarily restricted until appropriated for use. Investment income and gains on endowment funds are allocated to support general operations according to the purpose of the fund and donor instructions.

Grant and Contract Revenue Recognition

Governmental grant and contract revenue arising from exchange transactions are recognized in income as related expenses are incurred. Grants considered to be contributions are recognized when awarded. Grant revenue from Federal and State agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grants. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as "Net assets released from restrictions." Contributions whose restrictions are satisfied in the same period they were recognized into income are reported as unrestricted.

In-Kind Contributed Goods and Services

Children First/CIS recognizes in-kind contributions of goods and services at the estimated fair market value at the date of receipt. Contributed services are recognized if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fair Value Measurements

In accordance with U.S. GAAP, Children First/CIS follows "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." Items carried at fair value on a recurring basis by Children First/CIS consist of beneficial interest in an endowment fund.

Income Taxes/Uncertain Tax Positions

Children First/CIS is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. Children First had no income from unrelated business activities in 2017-18 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). Children First believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

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

Functional Allocation of Expenses

Children First/CIS reports its expenses in the functional areas of Program, Management and General and Fundraising. Expenses that can be identified with a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

2. Cash and Equivalents

As of June 30, 2018, cash and equivalents consists of seven accounts held at five financial institutions. Funds are held as follows:

Checking Accounts	\$ 249,902
Money Market Accounts	210,889
Undeposited Funds	<u>11,648</u>
Total Cash and Equivalents	<u>\$ 472,439</u>

Children First/CIS cash deposits did not exceed the \$250,000 FDIC limit as of June 30, 2018. Management monitors its deposit account balances and believes that Children First is not exposed to any significant credit risks on these balances.

3. Property and Equipment

Property and Equipment consists of the following as of June 30, 2018:

Office Equipment and Furniture	\$ 28,085
Vehicles	62,000
Leasehold Improvements	19,250
Less: Accumulated Depreciation	<u>(86,843)</u>
Property and Equipment, Net	<u>\$ 22,492</u>

Depreciation and amortization expense was \$5,978 for the year ended June 30, 2018.

4. Grants and Contracts Receivable

As of June 30, 2018, grants and contracts receivable totaled \$110,906 consisting of awards to be received from various funding sources. Children First/CIS has established relationships with these funders and award letters detailing the terms of the award. The organization considers these receivables to be fully collectible and as such no allowance for doubtful accounts has been established.

5. AmeriCorps Grants

Children First/CIS serves as a host agency of the AmeriCorps Project POWER program through the NC Commission on Volunteerism and Community Service. Under this program, Children First/CIS places AmeriCorps members within its own organization and in other affiliated organizations. Children First/CIS receives AmeriCorps grant funding for stipends paid to members and associated costs of running the program. The grant requires Children First/CIS to obtain a match of in-kind services from the host sites as a condition of the award. This in-kind match consists of personnel costs totaling \$331,409 for the year ended June 30, 2018.

6. Operating Lease Obligations

Children First/CIS leases office space in the Community Services Building owned by the United Way of Asheville and Buncombe County, Inc. Annual rent expense for the year ended June 30, 2018 was \$13,701.

7. Lease Commitments

Children First/CIS leases a copier under a five-year lease ending August 2022 for \$350 per month. Future minimum lease obligations by year are shown below:

<u>Years Ending June 30:</u>	
2019	\$ 4,200
2020	4,200
2021	4,200
2022	4,200
2023	700
Total Remaining Obligations	<u>\$ 17,500</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 consisted of the following:

Family Resource Center at Emma	\$ 43,103
Advocacy	70,000
Learning Centers	19,041
Student Support Specialists	38,500
Unappropriated Endowment Funds	19,013
Total Temporarily Restricted Net Assets	<u>\$ 189,657</u>

9. Endowment Fund

Children First/CIS maintains the Children First- Anderson/Longstreet Endowment Fund at the Community Foundation of Western North Carolina. Activity in the fund during the audit year by net asset class is shown below.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Value as of June 30, 2017	\$ 16,658	\$ 21,400	\$ 38,058
Current Year Activity:			
Contributions Received	-	-	-
Investment Income	336	-	336
Investment Gains	2,318	-	2,318
Community Foundation Fees	(299)	-	(299)
Distributions to Children First/CIS	-	-	-
Endowment Value as of June 30, 2018	<u>\$ 19,013</u>	<u>\$ 21,400</u>	<u>\$ 40,413</u>

10. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

<u>As of June 30:</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Fund	<u>\$ 40,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,413</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based partially on unobservable inputs.

Beneficial interest in community foundation, fair values provided by the foundation are used without adjustment. The applicable unobservable estimates are developed by foundation.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Endowment Fund
July 1, 2017	\$ 38,058
Change in Value, Net (Note 9)	2,355
Distributions	-
June 30, 2018	<u>\$ 40,413</u>

11. *Contingencies*

Children First/CIS receives grants and contracts from federal and state agencies, as well as from private foundations, to be used for specific programs. The organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the organization.

12. *Subsequent Events*

In July 2018, the Organization renewed its office lease for one additional year expiring June 30, 2019.

Subsequent events have been evaluated through October 31, 2018, which is the date the financial statements were available to be issued.