



CORLISS &
SOLOMON
PLLC

Guide to Audit Report Draft Package

October 11, 2019

Enclosed and bookmarked in this attached PDF document you will find the following items for your review:

1. Draft v1.0 of Audit
2. Proposed Adjusting Journal Entries
3. Communication with Those Charged with Governance
4. Management Representation Letter
5. Audit Draft Acceptance Form

Please take some time to review Items 1 through 5 in the PDF document.

Once you have completed your review, please contact us with any questions concerning any of these items. After these items have been reviewed, and necessary changes have been made, we will upload a revised Draft Package to DocuSign for sign-off.

Sincerely,

Corliss & Solomon, PLLC

Corliss & Solomon, PLLC
Asheville, North Carolina

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

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Table of Contents

Year Ended June 30, 2019

Independent Auditor's Report	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5 - 6
<i>Statement of Cash Flows</i>	7
Notes to Financial Statements.....	8 - 14



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, 2019, 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, 2019, 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 Children First/Communities in Schools of Buncombe County's 2018 financial statements, and our report, dated October 31, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Corliss & Solomon, PLLC
Asheville, North Carolina
October XX, 2019

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

As of June 30, 2019

(With summarized comparative totals as of June 30, 2018)

	2019	2018
<u>Assets</u>		
<u>Current Assets</u>		
Cash	\$ 440,094	\$ 472,439
Accounts Receivable	54,685	25,390
Grants and Contracts Receivable	192,864	110,906
Prepaid Expenses	7,046	6,082
Total Current Assets	694,689	614,817
<u>Long-Term Assets</u>		
Grants Receivable- Long Term	100,000	-
Endowment Fund	38,009	40,413
Property and Equipment, Net	20,000	22,492
Total Long-Term Assets	158,009	62,905
Total Assets	\$ 852,698	\$ 677,722
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 8,810	\$ 8,126
Accrued Liabilities	19,484	22,260
Total Current Liabilities	28,294	30,386
<u>Net Assets</u>		
Without Donor Restrictions	448,003	436,279
With Donor Restrictions	376,401	211,057
Total Net Assets	824,404	647,336
Total Liabilities and Net Assets	\$ 852,698	\$ 677,722

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, 2019

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and Revenue				
Government Grants/ Contracts	\$ 442,736	\$ -	\$ 442,736	\$ 424,767
Public Grants	40,777	440,744	481,521	263,969
Contributions	117,644	-	117,644	162,138
In-Kind Contributions	4,800	-	4,800	3,295
Program Service Fees	148,003	-	148,003	147,867
Endowment Income, Net of Fees	766	-	766	2,355
Interest Income	3,066	-	3,066	2,923
Special Events	28,307	17,507	45,814	38,154
Other Income	1,766	-	1,766	8,182
Net Assets Released from Restriction	292,907	(292,907)	-	-
Total Support and Revenue	1,080,772	165,344	1,246,116	1,053,650
Expenses				
Program Services:				
AmeriCorps	474,851	-	474,851	469,951
Advocacy	107,206	-	107,206	86,284
Family Resource Center	40,510	-	40,510	39,173
Learning Centers	52,335	-	52,335	117,035
Student Support Specialists	193,337	-	193,337	174,077
Total Program Services	868,239	-	868,239	886,520
Supporting Services:				
Management and General	127,678	-	127,678	125,128
Fundraising	73,131	-	73,131	98,339
Total Expenses	1,069,048	-	1,069,048	1,109,987
Change in Net Assets During Year	11,724	165,344	177,068	(56,337)
Net Assets at Beginning of Year	436,279	211,057	647,336	703,673
Net Assets End of Year	\$ 448,003	\$ 376,401	\$ 824,404	\$ 647,336

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

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

Statement of Functional Expenses

Year Ended June 30, 2019

(With summarized comparative for the prior year)

	Program Services					
	AmeriCorps	Advocacy	Family Resource Center	Learning Centers	Student Support Specialists	Total Program Services
Salaries	\$ 324,035	\$ 73,148	\$ 16,969	\$ 31,701	\$ 155,020	\$ 600,873
Payroll Taxes	25,058	5,674	1,346	2,644	12,307	47,029
Employee Benefits	61,187	5,136	1,104	3,714	14,424	85,565
Total Personnel	410,280	83,958	19,419	38,059	181,751	733,467
Assistance to Individuals	-	-	11,773	1,138	2,014	14,925
Conferences and Meetings	2,393	699	-	-	-	3,092
Contract Labor	-	-	-	-	-	-
Fees and Charges	-	-	-	-	-	-
Insurance	6,933	-	-	-	-	6,933
Other Program Costs	6,809	20	64	3,816	272	10,981
Partner Support	-	18,283	-	-	-	18,283
Printing, Copier and Postage	1,057	368	590	95	286	2,396
Professional Fees	-	-	-	-	-	-
Rent	5,170	1,816	-	-	-	6,986
Repairs and Maintenance	-	21	3,563	1,884	-	5,468
Supplies	4,980	132	1,827	2,074	2,642	11,655
Technology Support Services	-	485	-	-	-	485
Telephone and Internet	1,128	707	1,256	785	1,387	5,263
Training and Education	22,599	30	-	-	1,864	24,493
Travel and Lodging	13,502	687	47	1,865	3,121	19,222
Utilities	-	-	1,971	2,619	-	4,590
Subtotal	474,851	107,206	40,510	52,335	193,337	868,239
Depreciation	-	-	-	-	-	-
In Kind Contributions	-	-	-	-	-	-
Total Expenses	\$ 474,851	\$ 107,206	\$ 40,510	\$ 52,335	\$ 193,337	\$ 868,239

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

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

Statement of Functional Expenses

Year Ended June 30, 2019

(With summarized comparative for the prior year)

	Total Program Services	Supporting Services		Total 2019	Total 2018
		Management and General	Fundraising		
Salaries	\$ 600,873	\$ 49,394	\$ 53,052	\$ 703,319	\$ 760,707
Payroll Taxes	47,029	3,957	4,171	55,157	63,222
Employee Benefits	85,565	4,277	4,082	93,924	85,417
Total Personnel	733,467	57,628	61,305	852,400	909,346
Assistance to Individuals	14,925	151	-	15,076	6,112
Conferences and Meetings	3,092	1,172	7	4,271	3,820
Contract Labor	-	13,881	2,000	15,881	30,491
Fees and Charges	-	710	243	953	1,008
Insurance	6,933	17,889	-	24,822	22,621
Other Program Costs	10,981	6,357	521	17,859	20,539
Partner Support	18,283	-	-	18,283	
Printing, Copier and Postage	2,396	2,629	3,270	8,295	10,138
Professional Fees	-	7,650	-	7,650	7,100
Rent	6,986	5,170	1,816	13,972	13,701
Repairs and Maintenance	5,468	280	20	5,768	3,595
Supplies	11,655	851	715	13,221	15,198
Technology Support Services	485	2,421	2,238	5,144	6,314
Telephone and Internet	5,263	971	406	6,640	7,534
Training and Education	24,493	678	93	25,264	23,797
Travel and Lodging	19,222	951	497	20,670	15,944
Utilities	4,590	998	-	5,588	3,456
Subtotal	868,239	120,387	73,131	1,061,757	1,100,714
Depreciation	-	2,491	-	2,491	5,978
In Kind Contributions	-	4,800	-	4,800	3,295
Total Expenses	\$ 868,239	\$ 127,678	\$ 73,131	\$ 1,069,048	\$ 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, 2019

(With summarized comparative totals for the prior year)

	2019	2018
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 177,068	\$ (56,337)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation and Amortization	2,491	5,978
Endowment Income, Net of Fees	(766)	(2,355)
(Increase)/Decrease in Operating Assets:		
Accounts Receivable	(29,295)	25,253
Grants and Contracts Receivable	(181,958)	12,908
Prepaid Expenses	(964)	(3,956)
(Decrease)/Increase in Operating Liabilities:		
Accounts Payable	685	(14,154)
Accrued Liabilities	(2,776)	(29,219)
Net Cash Used by Operating Activities	(35,515)	(61,882)
<u>Cash Flows from Investing Activities</u>		
Distribution from Endowment	3,170	-
Purchase of Property and Equipment	-	(24,000)
Net Cash Provided (Used) by Investing Activities	3,170	(24,000)
Net Change in Cash	(32,345)	(85,882)
Cash and Equivalents, Beginning of Year	472,439	558,321
Cash and Equivalents, End of Year	\$ 440,094	\$ 472,439

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, 2019

1. Description of Organization, Corporate and Tax-Exempt Status

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

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.

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.

2. *Summary of Significant Accounting Policies*

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) 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 of long-lived assets are recognized as revenue 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.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, Children First/CIS considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

Investments are reported at fair value on the statement of financial position with realized and unrealized gains and losses reflected on the statement of activities.

Endowment

Consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted in North Carolina in 2009, Children First/CIS's policy continues to require the preservation of the original value of gifts donated to the perpetual endowment. Consistent with current U.S. GAAP, the portion of a donor-restricted endowment that is classified as restricted net assets is not reduced by losses on the investments of the fund, and accumulated investment income is restricted until appropriated for use. Investment income and gains on endowment funds are allocated to support general operations according to the purposes of the fund and donor instructions

Children First/CIS's considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Children First/CIS's, and (7) the organization's investment policies.

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.” Financial assets carried at fair value on a recurring basis by Children First/CIS consist of beneficial interest in an endowment fund.

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.

Grant and Contract 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.

Revenue and Revenue Recognition

Revenue is recognized when earned by delivering services. Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to net assets without donor restrictions and are reported on the statement of activities as “Net Assets Released from Restriction.”

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management

for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

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 an organization’s tax-exempt purpose may be subject to taxation as unrelated business income. Children First/CIS had less than \$1,000 of income from unrelated business activities during the 2018-19 fiscal year. Children First/CIS 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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Children First/CIS has implemented ASU 2016-14 and the presentation of these financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

The organization’s liquidity management plan is to invest cash in excess of daily requirements in a money market account.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are calculated as follows:

<u>As of June 30:</u>	<u>2019</u>
Financial Assets at year end:	
Cash and Cash Equivalents	\$ 440,094
Grants and Other Receivables	247,549
Endowment Fund	<u>38,009</u>
Total Financial Assets	<u>725,652</u>
Less amounts not available to be used in one year:	
Grants Receivable- Long Term	100,000
Endowment Fund	<u>38,009</u>
Total not available to be used in one year	<u>138,009</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 587,643</u></u>

Children First/CIS's goal is generally to maintain financial assets available for general expenditures to meet a minimum of 180 days of essential operating expenses (approximately \$500,000).

4. Cash and Equivalents

Cash and equivalents consist of year-end balances in the following accounts:

<u>As of June 30:</u>	<u>2019</u>	<u>2018</u>
Checking Accounts	\$ 254,614	\$ 249,902
Money Market Accounts	162,172	210,889
Undeposited Funds	23,308	11,648
Total Cash and Equivalents	<u>\$ 440,094</u>	<u>\$ 472,439</u>

5. Property and Equipment

Property and equipment consist of the following:

<u>As of June 30:</u>	<u>2019</u>	<u>2018</u>
Office Equipment and Furniture	\$ -	\$ 28,085
Vehicles	62,000	62,000
Leasehold Improvements	19,250	19,250
Less: Accumulated Depreciation	(61,250)	(86,843)
Property and Equipment, Net	<u>\$ 20,000</u>	<u>\$ 22,492</u>

Depreciation expense is \$2,491 and \$5,978 for the years ended June 30, 2019 and 2018, respectively.

6. Grants and Contracts Receivable

Grants and contracts receivable totaled \$142,864 and \$110,906 as of June 30, 2019 and 2018, respectively. 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. Grants receivable are expected to be collected in the following years:

<u>Years Ending June 30:</u>	
2020	\$ 192,864
2021	50,000
2022	50,000
Total Grants Receivable	<u>\$ 292,864</u>

7. 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 \$388,431 and \$331,409 for the year ended June 30, 2019 and 2018, respectively.

8. Operating Lease

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, 2019 was \$13,972.

9. 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>	
2020	\$ 4,200
2021	4,200
2022	4,200
2023	700
Total Remaining Obligations	<u>\$ 13,300</u>

10. 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 is shown below.

	<u>With Donor Restriction</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Balance as of June 30, 2018	\$ 19,013	\$ 21,400	\$ 40,413
Current Year Activity:			
Contributions Received	-	-	-
Investment Income	298	-	298
Investment Gains	745	-	745
Community Foundation Fees	(277)	-	(277)
Distributions to Children First/CIS	(3,170)	-	(3,170)
Balance as of June 30, 2019	<u>\$ 16,609</u>	<u>\$ 21,400</u>	<u>\$ 38,009</u>

11. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

<u>As of June 30:</u>	<u>2019</u>	<u>2018</u>
Family Resource Center	\$ 33,016	\$ 43,103
Advocacy	123,701	70,000
Development	150,000	-
Learning Centers	8,703	19,041
Student Support Specialists	22,972	38,500
Endowment Funds	38,009	40,413
Total With Donor Restrictions	<u>\$ 376,401</u>	<u>\$ 211,057</u>

12. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

As of June 30:	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Endowment Fund	\$ 38,009	\$ -	\$ -	\$ 38,009

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, 2018	\$ 40,413
Change in Value, Net (Note 9)	766
Distributions	(3,170)
June 30, 2019	\$ 38,009

13. 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.

14. Subsequent Events

Subsequent events have been evaluated through **October XX, 2019**, which is the date the financial statements were available to be issued.

**Children First/Communities in Schools
of Buncombe County, Inc.**
Proposed Adjusting Journal Entries
For the Audit Year Ended June 30, 2019

<u>Date</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
<u>AJE 1</u>			
06/30/2019	In Kind Donation Expense	4,800.00	
	In Kind Donation Income		4,800.00
		\$ 4,800.00	\$ 4,800.00

To post in kind donation for modular offices

<u>AJE 2</u>			
06/30/2019	12110: Prepaid Insurance	2,520.04	
	59500-010: General Insurance Expense	87.96	
	52090-010: Workers Comp Insurance Expense		2,608.00
		\$ 2,608.00	\$ 2,608.00

To adjust prepaid expenses, client provided entry



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee, Board of Trustees, and Management
Children First/Communities in Schools of Buncombe County, Inc.
Asheville, North Carolina

We have audited the financial statements of Children First/Communities in Schools of Buncombe County, Inc. (Children First/CIS) for the year ended June 30, 2019, and have issued our report thereon dated **October XX, 2019**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 26, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the organization are described in Note 1 to the financial statements. For the year ending June 30, 2019 the organization implemented Accounting Standards Update 2016-14. This standard brings with it three major changes to the way not-for-profit entities present their financial statements and associated footnote disclosures. These changes are summarized as follows:

- *Presentation of Financial Statements for Not-for-Profit Entities* – This change reduced the three net asset category presentation of Unrestricted, Temporarily Restricted and Permanently Restricted into two categories: With Restrictions and Without Restrictions.
- *Liquidity Disclosure* – This footnote required organizations to present both qualitative and quantitative information regarding the organization's liquidity and available resources. This disclosure is made in Note 3 of the notes to the financial statements.
- *Presentation of Functional Expenses* – Prior to the implementation of this standard the organization was not required to separate its expenses by functional area. With this new standard the organization is required to make this presentation either on the face of the financial statements or in a footnote disclosure. Since, the organization has historically presented a Statement of Functional Expenses, there was no change to the financial statement presentation from the standard. The standard also requires expanded footnote description of the allocation process. The new language is made in Note 2 of the notes to the financial statements under functional allocation of expenses.

We noted no transactions entered by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates can be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Financial Statement Disclosures

Certain financial statement disclosures can be particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were

- Note 3 – Mentioned above, this is the new disclosure required under ASU2016-14. In it, Children First/CIS identifies the assets available to meet general expenditures over the next twelve months.
- Note 7 – Describes the AmeriCorps program
- Note 10 – Discloses the details of the Anderson/Longstreet Endowment Fund
- Notes 11 Net Assets With Donor Restrictions – this note lists the composition of restricted net assets that existed as of June 30, 2019.

The financial statement disclosures are neutral, consistent, and clear.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have provided our audit proposed adjustments to management, who has agreed that the adjustments are immaterial and will not be included in the audited financial statements. Management has also represented to us that they will post these adjustments to the organization's books.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **October XX, 2019**.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in working with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the, Board of Directors and Management of Children First/Communities in Schools of Buncombe County, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Corliss & Solomon, PLLC
Asheville, North Carolina
October XX, 2019

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

50 S. French Broad Ave #246
Asheville, NC 28801

Management Representation Letter

Corliss & Solomon, PLLC

This representation letter is provided in connection with your audit of the financial statements of Children First/Communities in Schools of Buncombe County, Inc., which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of (date) _____, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) In regard to the financial statement preparation and form 990 nonattest service performed by you, we have—
 - a) Assumed all management responsibilities.
 - b) Designated Natasha Adwaters, Executive Director and Morgan Bost Finance Coordinator with support from Wade Rogers, Contract CPA which collectively possess suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.

- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 8) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 9) We are in agreement with the adjusting journal entries you have proposed.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 13) We acknowledge our responsibility to distribute to the board of directors the Communication with Those Charged with Governance and any other letters intended for the board.

Information Provided

- 14) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 19) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 20) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements

in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- 21) We have disclosed to you the identity of the organization's related parties and all the related-party relationships and transactions of which we are aware.
- 22) The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 24) Children First/Communities in Schools of Buncombe County, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Natasha Adwaters, Executive Director

Morgan Bost, Finance and Operations Coordinator

