

**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.**

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CORLISS &
SOLOMON
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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, 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.

Carliss & Solomon, PLLC

Asheville, North Carolina
October 25, 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 and Cash Equivalents | \$ 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 and Contracts 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 | - | - | - | 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 | 1,075,972 | 165,344 | 1,241,316 | 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 | 53,431 | - | 53,431 | 117,035 |
| Student Support Specialists | 194,732 | - | 194,732 | 174,077 |
| Total Program Services | 870,730 | - | 870,730 | 886,520 |
| Supporting Services: | | | | |
| Management and General | 120,387 | - | 120,387 | 125,128 |
| Fundraising | 73,131 | - | 73,131 | 98,339 |
| Total Expenses | 1,064,248 | - | 1,064,248 | 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 | - | - | - | 1,096 | 1,395 | 2,491 |
| In Kind Contributions | - | - | - | - | - | - |
| Total Expenses | \$ 474,851 | \$ 107,206 | \$ 40,510 | \$ 53,431 | \$ 194,732 | \$ 870,730 |

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)

| | <u>Supporting Services</u> | | | <u>Total 2019</u> | <u>Total 2018</u> |
|------------------------------|-----------------------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| 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 | - | - | - | - | 3,295 |
| Total Expenses | \$ 870,730 | \$ 120,387 | \$ 73,131 | \$ 1,064,248 | \$ 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 and Cash Equivalents | (32,345) | (85,882) |
| Cash and Cash Equivalents, Beginning of Year | 472,439 | 558,321 |
| Cash and Cash 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. The organization is funded primarily by contributions and grants.

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, 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 a 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.

Contracts and Grants 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. The organization 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 Cash Equivalents

Cash and cash 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 \$292,864 and \$110,906 as of June 30, 2019 and 2018, respectively. Children First/CIS has established relationships with these funders and award letters detail the terms and conditions. The organization considers these receivables to be fully collectible and as such no allowance for doubtful accounts has been established. Present value discount on long term receivables were not considered material and no amount recognized on the financial statements presented. 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. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in income.

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 for \$350 per month under a five-year lease ending August 2022. 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:

| <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 | \$ 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):

| | <u>Endowment Fund</u> |
|--------------------------------|-----------------------|
| July 1, 2018 | \$ 40,413 |
| Change in Value, Net (Note 10) | 766 |
| Distributions | (3,170) |
| June 30, 2019 | <u>\$ 38,009</u> |

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 25, 2019, which is the date the financial statements were available to be issued.