

Communities In Schools, Inc.

Audited Financial Statements

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*

Communities In Schools, Inc.

Audited Financial Statements

Years ended September 30, 2025 and 2024

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Report of Independent Auditors

Board of Directors
Communities In Schools, Inc.

Opinion

We have audited the financial statements of Communities In Schools, Inc. (CIS), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CIS as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CIS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
March 6, 2026

Communities In Schools, Inc.

Statements of Financial Position

As of September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 49,526,777	\$ 53,275,915
Cash held for restricted purposes	113,707	158,176
Investments	46,085,558	42,700,020
Pledges receivable, net	315,086	738,332
Government grants receivable	-	64,856
Accounts receivable, net	192,290	397,157
Other assets	1,039,816	1,142,553
Furniture and equipment, net	354,602	307,979
ROU asset - operating lease	<u>1,088,988</u>	<u>382,230</u>
Total assets	<u>\$ 98,716,824</u>	<u>\$ 99,167,218</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,148,636	\$ 2,794,613
Deferred revenue	165,800	75,000
Lease liability - operating lease	<u>1,181,995</u>	<u>474,592</u>
Total liabilities	<u>3,496,431</u>	<u>3,344,205</u>
Net assets:		
Without donor restrictions	17,610,462	19,425,420
With donor restrictions	<u>77,609,931</u>	<u>76,397,593</u>
Total net assets	<u>95,220,393</u>	<u>95,823,013</u>
Total liabilities and net assets	<u>\$ 98,716,824</u>	<u>\$ 99,167,218</u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.

Statement of Activities and Changes in Net Assets

Year ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Corporate, foundation and individual contributions	\$ 7,666,912	\$ 57,772,370	\$ 65,439,282
In kind contributions, see Note F	65,837,548	-	65,837,548
Grants-governmental agencies	-	134,407	134,407
Other revenue	1,189,375	-	1,189,375
Net assets released from restrictions:			
Satisfaction of program restrictions	59,208,638	(59,208,638)	-
Release of distribution of endowment earnings	<u>1,691,807</u>	<u>(1,691,807)</u>	<u>-</u>
Total support and revenue	<u>135,594,280</u>	<u>(2,993,668)</u>	<u>132,600,612</u>
Expenses			
Program services:			
Advocacy and thought leadership	1,175,053	-	1,175,053
Public awareness and communications	2,708,000	-	2,708,000
In kind services, see Note F	65,837,548	-	65,837,548
Student supports	<u>63,649,318</u>	<u>-</u>	<u>63,649,318</u>
Total program services	<u>133,369,919</u>	<u>-</u>	<u>133,369,919</u>
Supporting services:			
General and administrative	3,776,621	-	3,776,621
Fundraising	<u>3,025,682</u>	<u>-</u>	<u>3,025,682</u>
Total supporting services	<u>6,802,303</u>	<u>-</u>	<u>6,802,303</u>
Total expenses	<u>140,172,222</u>	<u>-</u>	<u>140,172,222</u>
Change in net assets before investment income	(4,577,942)	(2,993,668)	(7,571,610)
Investment income, net	<u>2,762,984</u>	<u>4,206,006</u>	<u>6,968,990</u>
Change in net assets	(1,814,958)	1,212,338	(602,620)
Net assets, beginning of year	<u>19,425,420</u>	<u>76,397,593</u>	<u>95,823,013</u>
Net assets, end of year	<u>\$ 17,610,462</u>	<u>\$ 77,609,931</u>	<u>\$ 95,220,393</u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.

Statement of Activities and Changes in Net Assets

Year ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Corporate, foundation and individual contributions	\$ 9,090,575	\$ 50,948,882	\$ 60,039,457
In kind contributions, see Note F	39,620,974	-	39,620,974
Grants-governmental agencies	-	52,061	52,061
Other revenue	1,148,733	-	1,148,733
Net assets released from restrictions:			
Satisfaction of program restrictions	36,224,989	(36,224,989)	-
Release of distribution of endowment earnings	<u>1,366,408</u>	<u>(1,366,408)</u>	<u>-</u>
Total support and revenue	<u>87,451,679</u>	<u>13,409,546</u>	<u>100,861,225</u>
Expenses			
Program services:			
Advocacy and thought leadership	1,075,067	-	1,075,067
Public awareness and communications	3,494,481	-	3,494,481
In kind services, see Note F	39,620,974	-	39,620,974
Student supports	<u>47,177,893</u>	<u>-</u>	<u>47,177,893</u>
Total program services	<u>91,368,415</u>	<u>-</u>	<u>91,368,415</u>
Supporting services:			
General and administrative	4,380,316	-	4,380,316
Fundraising	<u>3,686,787</u>	<u>-</u>	<u>3,686,787</u>
Total supporting services	<u>8,067,103</u>	<u>-</u>	<u>8,067,103</u>
Total expenses	<u>99,435,518</u>	<u>-</u>	<u>99,435,518</u>
Change in net assets before investment income	(11,983,839)	13,409,546	1,425,707
Investment income, net	<u>3,623,718</u>	<u>6,471,314</u>	<u>10,095,032</u>
Change in net assets	(8,360,121)	19,880,860	11,520,739
Net assets, beginning of year	<u>27,785,541</u>	<u>56,516,733</u>	<u>84,302,274</u>
Net assets, end of year	<u>\$ 19,425,420</u>	<u>\$ 76,397,593</u>	<u>\$ 95,823,013</u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.
Statement of Functional Expenses

Year ended September 30, 2025

	Advocacy & Thought Leadership	Public Awareness & Communication	Student Supports	General & Administrative	Fundraising	Total
Salaries	\$ 337,461	\$ 1,221,935	\$ 5,856,614	\$ 2,380,039	\$ 1,456,927	\$ 11,252,976
Employee benefits	87,183	310,170	1,560,440	623,122	379,288	2,960,203
Network investment	435,000	-	52,018,514	-	-	52,453,514
Other contracted services	214,135	267,369	1,760,133	119,761	307,712	2,669,110
Travel, meals, & conferences	63,437	16,842	688,976	20,765	25,513	815,533
Rent & storage fees	9,637	58,289	273,112	129,569	61,372	531,979
Advertising	300	729,896	-	11,018	106,733	847,947
Hardware & software purchases	17,720	28,594	886,575	195,828	154,371	1,283,088
Internet services	1,843	21,761	198,764	32,205	13,675	268,248
Depreciation	1,243	7,273	149,942	16,715	7,916	183,089
Other	7,094	45,871	256,248	247,599	512,175	1,068,987
Total incurred expenses	<u>1,175,053</u>	<u>2,708,000</u>	<u>63,649,318</u>	<u>3,776,621</u>	<u>3,025,682</u>	<u>74,334,674</u>
In kind services	-	59,253,793	-	-	6,583,755	65,837,548
Total expenses	<u><u>\$ 1,175,053</u></u>	<u><u>\$ 61,961,793</u></u>	<u><u>\$ 63,649,318</u></u>	<u><u>\$ 3,776,621</u></u>	<u><u>\$ 9,609,437</u></u>	<u><u>\$ 140,172,222</u></u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.

Statement of Functional Expenses

Year ended September 30, 2024

	Advocacy & Thought Leadership	Public Awareness & Communication	Student Supports	General & Administrative	Fundraising	Total
Salaries	\$ 294,915	\$ 1,284,802	\$ 6,021,540	\$ 2,307,497	\$ 1,964,115	\$ 11,872,869
Employee benefits	76,369	322,577	1,517,336	580,723	492,061	2,989,066
Network investment	450,000	-	31,433,989	-	-	31,883,989
Other contracted services	199,802	511,151	4,507,757	149,776	125,735	5,494,221
Travel, meals, & conferences	11,270	69,206	1,419,642	500,742	68,926	2,069,786
Rent & storage fees	13,424	78,148	387,841	191,761	113,781	784,955
Advertising	-	1,139,726	-	14,381	570,107	1,724,214
Hardware & software purchases	17,183	29,716	874,668	210,896	122,904	1,255,367
Internet services	1,558	13,886	366,760	67,878	17,787	467,869
Depreciation	2,502	14,538	386,592	60,640	21,571	485,843
Other	8,044	30,731	261,768	296,022	189,800	786,365
Total incurred expenses	1,075,067	3,494,481	47,177,893	4,380,316	3,686,787	59,814,544
In kind services	-	35,658,876	-	-	3,962,098	39,620,974
Total expenses	<u>\$ 1,075,067</u>	<u>\$ 39,153,357</u>	<u>\$ 47,177,893</u>	<u>\$ 4,380,316</u>	<u>\$ 7,648,885</u>	<u>\$ 99,435,518</u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.

Statements of Cash Flows

Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ (602,620)	\$ 11,520,739
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in fair value of investments	(4,157,140)	(7,135,782)
Depreciation and amortization	183,089	485,842
Present value discount on pledges receivable	(6,478)	6,478
Noncash lease expense	467,902	736,037
Changes in assets and liabilities:		
Pledges receivable	429,724	3,116,690
Government grants receivable	64,856	26,477
Accounts receivable, net	204,867	(283,251)
Other assets	102,737	(131,002)
Accounts payable and accrued liabilities	(645,977)	(831,154)
Deferred revenue	90,800	63,500
Lease liability	<u>(467,257)</u>	<u>(899,358)</u>
Net cash from operating activities	(4,335,497)	6,675,216
Cash flows from investing activities		
Purchase of investments	(8,890,376)	(9,212,975)
Sale of investments	9,661,977	9,696,757
Purchase of furniture and equipment	<u>(229,711)</u>	<u>(106,602)</u>
Net cash from investing activities	<u>541,890</u>	<u>377,180</u>
Change in cash and cash equivalents	(3,793,607)	7,052,396
Cash and cash equivalents, beginning of year	<u>53,434,091</u>	<u>46,381,695</u>
Cash and cash equivalents, end of year	<u>\$ 49,640,484</u>	<u>\$ 53,434,091</u>
Cash and cash equivalents		
Cash and cash equivalents	\$ 49,526,777	\$ 53,275,915
Cash held for restricted purposes	<u>113,707</u>	<u>158,176</u>
	<u>\$ 49,640,484</u>	<u>\$ 53,434,091</u>

See accompanying notes to the financial statements.

Communities In Schools, Inc.

Notes to Financial Statements

Years ended September 30, 2025 and 2024

Note A - Organization and Significant Accounting Policies

Organization

Communities In Schools, Inc. (CIS) was incorporated in Georgia on April 28, 1977 and commenced operations in June 1977. CIS is a not-for-profit corporation, the purpose of which is to surround students with a community of support, empowering them to stay in school and achieve in life. CIS works through four primary areas to achieve its mission:

Public Awareness and Communications – Building awareness of CIS' commitment to student engagement by reconnecting with students, supporting student and family recovery, and addressing educational inequities.

Student Supports – Working with CIS state offices and local affiliates to build capacity within the CIS network as well as evaluating and disseminating evidence-based program practices.

Advocacy and Thought Leadership – Educating legislators, public officials, and the general public on a non-partisan basis on the types of and benefits of public policies conducive to improving public education, by means of research, publications, lectures and legislative involvement. Establish CIS as a thought leader in integrated student supports including keeping abreast of trends about the sectors and educating partners in the education field through convening and printed materials.

External Services – Working with licensed partners including state and local governments, school districts and non-profit organizations to provide a variety of services including implementing the CIS model, provide training opportunities on integrated student supports and providing turn around school services as well as providing organizational development consulting to new affiliates. These activities are included under Student Supports in the statement of functional expenses.

National and Local Organizations

CIS developed a replication plan to build a network of locally supported not-for-profit organizations responsible for implementing CIS programs in local communities. CIS' separately incorporated local organizations' activities are not included in CIS' financial statements. There were 96 local, 4 state and 4 regional affiliates, and 90 local, 6 state and 8 regional affiliate CIS organizations at September 30, 2025 and 2024, respectively.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred. Additionally, as required by GAAP, CIS reports its net assets as follows:

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

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

Net Assets With Donor Restriction – 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. 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. For net assets held in perpetuity, the donors of these assets permit CIS to use all or part of the income earned on related investments for either general or donor-specified purposes. Distributions are released from restriction when they are drawn down by CIS.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

CIS considers all cash and highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Throughout the year, CIS has cash balances in financial institutions that are in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Management does not consider these balances to be a significant credit risk.

Cash Held for Restricted Purposes

CIS maintains certain funds as collateral under the terms of its corporate office-operating lease. These monies are reflected as cash held for restricted purposes on the statement of financial position.

Investments and Fair Value Measurements

Investments are recorded at fair value. Investment income or loss, including realized and unrealized gains and losses, net of fees, is included in the statement of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Investments and Fair Value Measurements

GAAP establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities traded in active markets that CIS has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates of fair value are made using methods, models and assumptions that management believes are relevant to the particular asset or liability, which may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

During 2025 and 2024, CIS' endowment was invested in equity, US fixed income, and alternative assets comprised of hedge funds and real estate and infrastructure. A portion of the hedge fund holdings are not publicly traded; their fair value is based on CIS' pro-rata share of the net asset value of the respective funds at the statement of financial position date, which are based on the fair value of the underlying securities held by each respective fund. These investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

These alternative investments are open-ended funds that offer subscription and redemption options to investors. Subscription provisions are monthly, and redemption provisions are quarterly and require up to 95 business day written notice prior to execution. As of September 30, 2025 and 2024, there are unfunded commitments related to these investments as described in Note C - Investments and Fair Value Measurement.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Risks and Uncertainties

CIS invests in various investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Pledges and Grants Receivable

Unconditional promises to give are recorded as contributions in the period the promise is made. Contributions and grants receivable primarily consist of amounts due for federal and nonfederal grants. Contributions and grants receivable are presented at their net realizable value. CIS management periodically reviews the status of all receivable balances for collectability based on its knowledge of the relationship with the donor and the age of the receivable balance. As a result of these reviews, CIS does not believe an allowance for doubtful accounts is necessary as of September 30, 2025 and 2024. See Note B for additional information.

Accounts Receivable

Trade receivables are carried at original invoice amount less an estimate made for credit losses based on management's judgment and analysis of creditworthiness, past collection experience, and other relevant factors. In management's opinion, all receivables are fully collectible; therefore no allowance for credit loss has been recorded as of September 30, 2025 and 2024. Amounts recorded as accounts receivable as of September 30, 2025 and 2024 are expected to be collected within one year.

Credit Losses

CIS measures expected credit losses on financial assets held at amortized cost and financial assets not measured at fair value, and records an allowance for credit loss when management determines a credit loss exists. Allowances for credit losses are recorded as contra-assets that reduce the corresponding financial assets on the statements of financial position, with the offset recorded as credit loss income (expense) in the statements of activities. As the estimate of expected credit losses changes with subsequent evaluations, those increases and decreases are recognized in the statement of activities. CIS writes off uncollectible amounts against the allowance for credit losses when it determines that a financial asset is partially or fully uncollectible.

Furniture and Equipment

Fixed assets are stated at cost when acquired, or fair value when donated. All fixed assets greater than \$5,000 are capitalized at cost. Furniture, equipment and software are depreciated using the straight-line method over the estimated useful life of the asset, ranging from three to five years. The office cubicles and leasehold improvements are depreciated using the straight-line method over the lesser of their estimated useful life or the life of the office lease when the asset is put into service.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Leases

CIS determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. CIS records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. CIS has elected the risk free rate as the discount rate for all its underlying leased assets. The lease term includes options to extend the lease that CIS is not reasonably certain to exercise. ROU assets are subject to review for impairment.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. CIS has elected as an accounting policy not to record ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services based on headcount and actual time and expenses incurred.

Support and Revenues

Other revenue

Goods provided - CIS recognizes revenue from sales of advisory and training products which are considered the performance obligations. CIS satisfies the performance obligations once the product is provided to the customer which is when the customer takes title. CIS' revenue is measured based on the amount of fixed consideration that is expected to be received and is agreed upon with the customer. Sales advisory and products are generally not returnable. Amounts received in advance are recorded as deferred revenue and recognized as revenue once the performance obligation has been satisfied. Training products are generally not returnable. Revenue is recognized once the training has been delivered. Payment is due based on the terms of the individual agreements with customers.

Services rendered - CIS recognizes revenue from services when the services are provided which is considered the performance obligation. CIS satisfies the performance obligations once the advisory services have been provided over the agreed upon time frame. CIS' revenue is measured based on the amount of fixed consideration that is expected to be received and is agreed upon with the customer. Services provided are generally not returnable. Amounts received in advance are recorded as deferred revenue and recognized as revenue once the performance obligation has been satisfied. Payment is due based on the terms of the individual agreements with customers.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Support and Revenues

Grants and contributions

Grants and contributions are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance obligation or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Grants and contributions received prior to meeting the conditions are reported as refundable advances in the statements of financial position. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions. When a donor restriction expires, through accomplishment of a purpose or expiration of a time restriction, net assets with donor restriction are reclassified as net assets without donor restriction and reported as net assets released from restriction in the statements of activities. However, contributions and related investment revenue which are both received and released from restriction in the same year are reported as net assets without donor restriction in that year.

A portion of CIS' revenue is derived from cost-reimbursable grants from various sources. Amounts received are recognized as revenue without donor restriction when expenses have been incurred in compliance with specific contracts or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statements of financial position. Grants receivable represent amounts expended and not yet reimbursed under a Federal grant awarded to CIS.

In kind contributions

Contributed nonfinancial assets and services are recorded in the accompanying statement of activities and changes in net assets at their estimated fair value in the year received.

Income Tax Status

CIS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified by the Internal Revenue Service as a publicly supported organization.

Management has concluded that CIS has properly maintained its exempt status. In accordance with GAAP, CIS has concluded that there are no uncertain tax positions and has further concluded that revenue within the statement of activities has been properly classified as exempt as of September 30, 2025.

Subsequent Events

CIS has evaluated subsequent events for disclosure and recognition through March 6, 2026, the date on which these financial statements were available to be issued.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Endowment Funds

CIS reports its endowment activity in accordance with the accounting guidance for Endowments of Not-for-Profit Organizations, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). CIS has made the required disclosures in Note J, *Endowment Funds*.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note B - Pledges Receivable

Pledges receivable represent unconditional promises to give by donors. At September 30, pledges receivable are comprised as follows:

	<u>2025</u>	<u>2024</u>
Receivable within one year	\$ 315,086	\$ 669,810
Receivable in one to three years	-	75,000
	<u>315,086</u>	<u>744,810</u>
Discount to present value	-	(6,478)
Pledges receivable, net	<u>\$ 315,086</u>	<u>\$ 738,332</u>

The multi-year pledges receivable were discounted at 4.62% at September 30, 2024.

Note C - Investments and Fair Value Measurements

Investment income recorded in the statements of activities consisted of the following for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 2,953,331	\$ 3,092,223
Change in fair value, net	4,157,140	7,135,782
Investment fees	(141,481)	(132,973)
Investment income, net	<u>\$ 6,968,990</u>	<u>\$ 10,095,032</u>

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note C - Investments and Fair Value Measurements (Continued)

Investments at September 30, 2025 are classified as the following in accordance with the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Mutual funds	\$ 7,868,964	\$ -	\$ -	\$ 7,868,964
U.S. Fixed Income	8,089,460	-	-	8,089,460
Equity	21,850,144	-	-	21,850,144
Real Estate & Infrastructure	1,362,912	-	-	1,362,912
Hard Assets	<u>746,236</u>	-	-	<u>746,236</u>
Total investments	<u>\$ 39,917,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>39,917,716</u>
Alternative investment funds valued using practical expedient				<u>6,167,842</u>
Total fair value of investments				<u>\$ 46,085,558</u>

Investments at September 30, 2024 are classified as the following in accordance with the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Mutual funds	\$ 6,696,403	\$ -	\$ -	\$ 6,696,403
U.S. Fixed Income	8,444,837	-	-	8,444,837
Equity	19,721,782	-	-	19,721,782
Real Estate & Infrastructure	1,455,145	-	-	1,455,145
Hard Assets	<u>881,158</u>	-	-	<u>881,158</u>
Total investments	<u>\$ 37,199,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>37,199,325</u>
Alternative investment funds valued using practical expedient				<u>5,500,695</u>
Total fair value of investments				<u>\$ 42,700,020</u>

During 2025 and 2024, CIS held positions in several alternative investment funds. The estimated fair value, remaining commitment, and redemption requirements in alternative investment funds at September 30, 2025 are summarized as follows:

	<u>Fair Value</u>	<u>Remaining Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 5,480,526	\$ 3,466,532	Quarterly	Up to 95 days
Real Estate & Infrastructure	\$ 687,316	\$ 700,000	Quarterly	Up to 95 days

The estimated fair value, remaining commitment, and redemption requirements in alternative investment funds at September 30, 2024 are summarized as follows:

	<u>Fair Value</u>	<u>Remaining Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 4,816,409	\$ 3,466,532	Quarterly	Up to 95 days
Real Estate & Infrastructure	\$ 684,286	\$ 700,000	Quarterly	Up to 95 days

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note C - Investments and Fair Value Measurements (Continued)

Investments in alternative investment funds are typically valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies or their administrators, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. CIS applies the practical expedient to its investments in private investment companies, unless it is probable that CIS will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that CIS will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, CIS considers other factors in addition to the net asset valuation, such as features of the investment, including subscriptions and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

CIS' holdings contain investments in hedge funds and real estate investments not publicly traded and are value based on the unit net asset value of each fund. At September 30, 2025 and 2024, these holdings are \$6,167,842 and \$5,500,695, respectively, of CIS' investment portfolio. The investment strategies of these holdings are as follows:

Fund valued with NAV	Investment Strategy
Clarion Private Investors, LLC	Real estate fund
Grosvenor Alternative Investments	Globally diversified, multi-strategy fund

Note D - Furniture and Equipment

Fixed assets consists of the following as of September 30:

	2025	2024
Furniture	\$ 23,802	\$ 288,341
Equipment	2,567,359	2,648,665
Leasehold improvements	18,110	501,029
	2,609,271	3,438,035
Accumulated depreciation and amortization	(2,254,669)	(3,130,056)
Furniture and equipment, net	\$ 354,602	\$ 307,979

Note E - Related Parties

CIS receives cash from grants and contributions designated by the grantors to be given to specific state and local CIS affiliates. The total amount held by CIS and owed to affiliates was \$747,387 and \$702,952 as of September 30, 2025 and 2024, respectively. The amount owed to affiliates is recorded within accounts payable and accrued liabilities on the statements of financial position.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note E - Related Parties (Continued)

Certain members of the CIS Board of Directors have made contributions and/or pledges to CIS. These contributions approximated 0.70% of CIS' total support and revenues in 2025 and 2024. Total outstanding pledges receivable from members of the CIS Board of Directors totaled approximately 17.56% and 8.73% of total pledges receivable in 2025 and 2024, respectively. The contributions received were made to support the general operations of CIS and designated funds for college and career readiness support and innovation challenge awards.

Note F - In Kind Contributions

Total donated services recorded for fiscal year 2025 and 2024 was \$65,837,548 and \$39,620,974, respectively. In 2025 and 2024, in-kind contributions consisted of donated media services from the Causeway Agency, these services were recorded at fair value using the current rates of the professionals providing the services. The services benefited the public awareness and communications program as well as fundraising, and were recorded without donor restrictions.

Note G - Retirement Plans

CIS sponsors a defined contribution pension plan (the Plan). All CIS employees are eligible to participate in the Plan immediately upon hiring. Employees are eligible to receive CIS' voluntary and matching contributions after they have completed one full year of service with CIS. At the Board's discretion, CIS makes contributions to the Plan. During the years ending September 30, 2025 and 2024, these contributions were 3 percent of an employee's salary and a matching component of up to 3 percent of an employee's contribution. CIS contributed \$545,502 and \$495,520 to the Plan in 2025 and 2024, respectively. The Plan is exempt from federal income taxes under Section 403(b) of the IRC. CIS is the Plan sponsor.

During the year ending September 30, 2013, CIS created a deferred compensation 457 plan. This plan was created for the benefit of certain executive employees. CIS contributed approximately \$25,000 to the Plan in 2025 and 2024. The related assets and liabilities for the plan are included in CIS' statements of financial position within other assets and accounts payable and accrued liabilities.

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note H - Leases

CIS entered into an operating lease for office space in Arlington, Virginia which ran from September 2014 through March 2025. In December 2024, CIS relocated its office to a new facility. Concurrently, CIS ceased use of its previous office space, which had a lease expiration date of March 31, 2025. As a result of the early abandonment of the previous lease, CIS recognized an impairment loss of \$191,115 in the statement of activities, which represents the write-off of the remaining right-of-use Asset at the cease-use date. The related lease liability for the previous office was settled in accordance with the original lease terms through March 2025.

On June 17, 2024, CIS entered into an operating lease for new office space in Arlington, Virginia which runs from December 2024 through July 2030. The lease contains yearly rental increases.

CIS' lease costs, terms and discount rates are as follows for the years ending September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease cost:		
Lease cost	\$ 319,831	\$ 722,611
Impairment loss	<u>191,115</u>	<u>-</u>
Total lease cost	<u>\$ 510,946</u>	<u>\$ 722,611</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 520,301	\$ 935,931
ROU assets obtained in exchange for new operating lease liabilities	\$ 1,184,661	\$ -

Weighted-average remaining lease term - operating leases	4.8 years	0.5 years
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Weighted-average discount rate - operating leases	3.91 %	4.12 %
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Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note H - Leases (Continued)

Future minimum lease payments and reconciliation to the statement of financial position as of September 30, 2025 are as follows:

	<u>Operating</u>
2026	\$ 253,550
2027	261,156
2028	268,991
2029	277,060
2030	<u>237,107</u>
Total undiscounted future lease payments	1,297,864
Less: present value adjustment	<u>(115,869)</u>
Lease liability	<u><u>\$ 1,181,995</u></u>

Note I - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for use in programs or a specific time period specified by donors. The net assets released from donor restrictions for the year ended September 30, 2025 and 2024 are attributable to expenses incurred related to these specific programs or time period. Net assets with donor restrictions were released from restrictions for the following programs or by the passage of time during 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions:		
Public awareness and communications	\$ 68,712	\$ 10,743
Student supports	57,395,022	34,932,300
Advocacy & thought leadership	109,390	350,000
General & administrative	<u>1,635,514</u>	<u>931,946</u>
	<u><u>\$ 59,208,638</u></u>	<u><u>\$ 36,224,989</u></u>

The net assets with donor restrictions of CIS are available for the following programs or purposes as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Public awareness and communications	\$ 11,437	\$ -
Student supports	37,886,969	38,347,980
Advocacy & thought leadership	60,741	143,186
General & administrative	908,595	1,500,043
Fundraising	-	178,802
Endowment corpus	25,010,080	25,010,080
Endowment earnings	<u>13,732,109</u>	<u>11,217,502</u>
	<u><u>\$ 77,609,931</u></u>	<u><u>\$ 76,397,593</u></u>

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note J - Endowment Funds

CIS' endowment funds consist of an individual donor fund as of September 30, 2025 and 2024 established for various purposes. The endowment is a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

CIS is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. The Board of Directors of CIS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless the fund donor stipulates the contrary.

CIS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. CIS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of CIS

Return Objectives and Risk Parameters

CIS has adopted investment and spending policies for endowment assets that attempt to maintain the real purchasing power of the Fund and provide a stable source of liquidity and financial support for the mission of CIS. Under these policies, the board acknowledges the importance of preserving capital but recognizes the necessity of accepting risk if the Fund is to be able to meet its long-term investment goals.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, CIS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note J - Endowment Funds (Continued)

Strategies Employed for Achieving Objectives

The current asset allocation for endowment funds targets a composition of 65% in equities and 15% in fixed income and cash, with allowance of up to 25% in alternative investments as approved by the Board of Directors.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the Fund will be made in accordance with UPMIFA as adopted by the Commonwealth of Virginia. UPMIFA allows the institution to determine the prudent amount to be appropriated for expenditure from endowment funds within the restrictions of any gift agreements.

The policy spending rate for the Fund shall be 4 percent of the Fund's average balance at the end of the prior three fiscal years. In the case that investment returns for the prior fiscal year are in the negative and/or the endowment balance has lost value such that it is nearing the original value of gifts donated to the permanent endowment the Finance Committee may determine that a lesser amount will be distributed and submit the proposed reduced amount for Board approval.

Appropriations from the Fund in excess of the policy spending rate may be made when CIS has a unique, non-routine special initiative that is underfunded. In such cases, the Committee will determine the prudent amount to be appropriated and submit the proposed appropriation for Board approval. Any other special appropriations or decision not to spend the amount indicated by the policy spending rate must also be approved in advance by the Board of Directors.

Endowment net assets, by fund, were comprised of the following as of September 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
Original gift amount required to be maintained	\$ -	\$ 25,010,080	\$ 25,010,080
Amounts subject to appropriation	-	13,732,109	13,732,109
Total endowment net assets	<u>\$ -</u>	<u>\$ 38,742,189</u>	<u>\$ 38,742,189</u>

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note J - Endowment Funds (Continued)

Endowment net assets, by fund, were comprised of the following as of September 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
Original gift amount required to be maintained	\$ -	\$ 25,010,080	\$ 25,010,080
Amounts subject to appropriation	-	11,200,705	11,200,705
Total endowment net assets	<u>\$ -</u>	<u>\$ 36,210,785</u>	<u>\$ 36,210,785</u>

The changes in the endowment net assets are as follows for the year ended September 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 36,210,785	\$ 36,210,785
Investment return, net	-	4,223,211	4,223,211
Expenditure appropriations	-	(1,691,807)	(1,691,807)
Total endowment net assets	<u>\$ -</u>	<u>\$ 38,742,189</u>	<u>\$ 38,742,189</u>

The changes in the endowment net assets are as follows for the year ended September 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 31,123,085	\$ 31,123,085
Investment return, net	-	6,454,108	6,454,108
Expenditure appropriations	-	(1,366,408)	(1,366,408)
Total endowment net assets	<u>\$ -</u>	<u>\$ 36,210,785</u>	<u>\$ 36,210,785</u>

Communities In Schools, Inc.

Notes to Financial Statements (Continued)

Note K - Liquidity and Availability of Resources

CIS' financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 39,764,027	\$ 31,951,508
Accounts receivable	192,290	397,157
Government grants receivable	-	64,856
Pledges receivable	315,086	669,810
Reserves appropriated for current use	2,075,000	4,000,000
Short-term investments	7,872,706	6,696,404
Long-term investments appropriated for current use	<u>1,600,000</u>	<u>1,680,000</u>
	<u>\$ 51,819,109</u>	<u>\$ 45,459,735</u>

CIS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CIS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CIS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.