COMMUNITIES IN SCHOOLS OF HAMPTON ROADS

Financial Statements

For the Years Ended June 30, 2025 and 2024

COMMUNITIES IN SCHOOLS OF HAMPTON ROADS

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities in Schools of Hampton Roads

Opinion
We have audited the accompanying financial statements of Communities in Schools of Hampton Roads (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Hampton Roads as of June 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Report on Prior-Year Financial Statements
The financial statements of Communities In Schools of Hampton Roads as of and for the year ended June 30, 2024, were audited by us, and expressed an unmodified opinion on those financial statements. The 2024 financial statements are presented for comparative purposes only and do not constitute the current year's financial statements. Accordingly, our opinion does not cover the prior-year financial statements.

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

Emphasis of Matter – Significant Audit Adjustments
As discussed in Note 16 to the financial statements, during the audit of the June 30, 2025 financial statements, management recorded a number of adjustments to correct errors identified in the accounting records. Our opinion is not modified with respect to this matter.

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.

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 the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 statement
- 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 the Organization's 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 the Organization's 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.

LaMichelle Hecht, CPA
Overhead Solutions
Group

LaMichelle Hecht

November 24, 2025

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Communities In Schools of Hampton Roads

June 30, 2025

Statement of Financial Position

		2025		2024
Assets				
Current Assets				
Cash and cash equivalents	$	635,141	$	2,342,051
Accounts receivable		270,007		102,643
Total Current Assets	$	905,148	$	2,444,694
Non-Current Assets				
Investments	$	1,523,908	$	510,372
Property, Plant and Equipment		3,073		8,475
Right of Use Asset: Operating		12,242		23,134
Total Assets	$	2,444,371	$	2,986,675
Total Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	56,590	$	40,452
Total Current Liabilities	$	56,590	$	40,452
Non-Current Liabilities				
Lease Liability: Operating	$	17,328	$	32,914
Total Non-Current Liabilities		17,328		32,914
Total Liabilities	$	73,918	$	73,366
Net Assets				
Net assets without donor restrictions		1,757,446		2,363,021
Net assets with donor restrictions		613,007		550,288
Total Net Assets	$	2,370,453	$	2,913,309
Total Liabilities and Net Assets	$	2,444,371	$	2,986,675

Communities In Schools of Hampton Roads

June 30, 2025

Statement of Activities

		Without Donor Restrictions		With Donor Restrictions		Total
Revenue and Other Support						
Contributions and Grants	$	1,670,242	$	285,862	$	1,956,104
Special Event		42,254		-		42,254
Investment Income		20,639		33,245		53,884
Other Income		10,084		-		10,084
Donated Materials and Services/In Kind		150,000		-		150,000
Net Assets Released from Restrictions		256,388		(256,388)		-
Total Revenue and Support	$	2,149,607	$	62,719	$	2,212,326
Expense						
Program Services		2,146,359				2,146,359
Management and General		373,884				373,884
Fundraising		234,939				234,939
Total Expense		2,755,182		-		2,755,182
Change in Net Assets		(605,575)		62,719		(542,856)
Net Assets, beginning of year		2,363,021		550,288		2,913,309
Net Assets, end of year		1,757,446		613,007		2,370,453

Communities In Schools of Hampton Roads

June 30, 2024

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions and Grants	$ 1,385,493	$ 1,039,021	2,424,514
Special Event	67,771		67,771
Investment Income	3,929	38,818	42,747
Other Income (expense)	187,743		187,743
Donated Materials and Services/In Kind	150,000		150,000
Net Assets Released from Restrictions	1,054,295	(1,054,295)	0
Total Revenue and Support	2,849,231	23,544	2,872,775
Expense			
Program Services	1,761,586		
Management and General	414,731		
Fundraising	238,969		
Total Expense	2,415,286	0	0
Change in Net Assets	433,945	23,544	457,489
Net Assets, beginning of year	1,929,076	526,744	2,455,820
Net Assets, end of year	2,363,021	550,288	2,913,309

Communities In Schools of Hampton Roads

June 30, 2025

Statement of Functional Expense

	Program Services	Management and General	Fundraising	Total	Year Ended June 30, 2024
Salaries, benefits, and payroll taxes	$ 2,110,830	$ 42,152	$ 217,985	$ 2,370,967	$2,100,892.00
Supplies	-	4,312	-	4,312	2,277.00
Office and Occupancy	-	30,356	-	30,356	194,830.00
Professional Fees	-	200,427	-	200,427	16,327.00
Insurance	4,539	-	-	4,539	4,409.00
Miscellaneous expenses	13,489	-	-	13,489	7,369.00
Travel	-	7,615	-	7,615	11,065.00
Training	-	69,376	823	70,199	6,176.00
Fundraising feesAdvertising/marketing	-	14,245	16,131	30,376	42,768.00
IT/Computer expenses	-	-	-	-	-
Depreciation	-	5,401	-	5,401	6,024
Other Program Expenses	17,501	-	-	17,501	23,146
Total expenses	$ 2,146,359	$ 373,884	$ 234,939	$ 2,755,182	$ 2,415,283

June 30, 2024

Statement of Functional Expense

	Program Services	Management and General	Fundraising	Total	Year Ended June 30, 2023
Salaries, benefits, and payroll taxes	$ 1,738,440	$ 153,260	$ 209,192	$ 2,100,892	$ 1,423,250
Supplies	-	2,277	-	2,277	21,004
Office and Occupancy	-	194,830	-	194,830	121,600
Professional Fees	-	16,327	-	16,327	4,500
Insurance	-	4,409	-	4,409	3,518
Miscellaneous expenses	-	7,369	-	7,369	4,827
Travel	-	11,065	-	11,065	2,963
Training	-	6,176	-	6,176	28,001
Fundraising feesAdvertising/marketing	-	12,991	29,777	42,768	32,083
IT/Computer expenses	-	-	-	-	7,103
Depreciation	-	6,024	-	6,024	4,050
Other Program Expenses	23,146	-	-	23,146	21,600
Total expenses	$ 1,761,586	$ 414,728	$ 238,969	$ 2,415,283	$ 1,674,499

Communities In Schools of Hampton Roads

June 30, 2025

Statement of Cash Flows

	2025	2024
Cash flows from operating activities:		
Increase (Decrease) in net position	(542,856)	457,489
Depreciation and amortization	5,401	10,683
(Increase)/Decrease in accounts receivable	(167,364)	295,297
(Increase)/Decrease in other assets and liabilities	(4,694)	0
Increase/(Decrease) in accrued expenses	16,139	35,650
Net cash provided by (used in) operating activities	(693,375)	799,119
Cash flows from investing activities:		
Capital Dispositions	-	-
Purchase of investments	(1,013,535)	(38,818)
Net cash provided by (used in) investing activities	(1,013,535)	(38,818)
Cash flows from financing activities:		
	-	-
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(1,706,910)	760,301
Cash and cash equivalents at the beginning of the year	2,342,051	1,581,750
Cash and cash equivalents at the end of the year	635,141	2,342,051

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the organization

Communities In Schools of Hampton Roads (CIS) is a nonprofit corporation incorporated in December 2011 for the purpose of encouraging high risk or troubled students to complete their formal education, prepare for work, and become self-sufficient and responsible members of the community. The Organization coordinates community resources in order to help high risk students, and to assist them in preparing for life and to graduate from school.

Basis of accounting

The accounting system is maintained and financial reports are prepared in accordance with the accrual basis of accounting. Under generally accepted accounting principles, the organization is required to report information regarding its financial position and activities according to two classes of net assets: those with donor restrictions and those without.

Cash equivalents

The Organization maintains its cash balances in bank accounts, which at times may exceed federally insured limits. Management believes the Organization is not exposed to any significant credit risk related to these balances. Cash and cash equivalents decreased significantly during the year; however, this decrease was expected, as a substantial portion of these funds was intentionally reallocated to investment accounts in accordance with the Organization's investment strategy.

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed on the straight line method over the estimated useful lives (generally 5 years) of the assets. Expenditures for repairs and maintenance are expensed in the year in which they were incurred. The Organization capitalizes all equipment over $1,000 purchased.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor- imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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. 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. The Organization has no net assets with perpetual donor restrictions.

Grants, Contributions, Pledges, and Accounts Receivable

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets without donor restrictions when received. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Revenue from government grants and contracts for use in specific activities is recognized in the period during which the grant or contract expenditures were incurred in compliance with the grantor's restrictions. Cash received in excess of revenue recognized is recorded as deferred revenue.

Management determines the allowance for uncollectible accounts by reviewing and identifying specific troubled accounts on an annual basis by using historical experience. Receivables are written off when deemed uncollectible.

Donated property, materials, or services

Property and materials donated to the Organization are recorded at fair market value, if available, at the time of receipt.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ***continued***

Functional expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Identifiable costs are assigned to the appropriate functional category. Salaries and benefits for employees who spend time on more than one category are allocated based on an estimate of the time spent on each function. Non-salary employment costs are allocated based on the calculated salary ratio.

Income taxes

The Internal Revenue Service has determined that the Organization is exempt from Federal income tax under Section (c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible under Section 170 of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Code.

Adoption of New Accounting Standard

Leases

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02,
Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under this standard, disclosures are required to meet the objectives of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2024, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balance with high quality financial institutions located in Hampton Roads, Virginia. The Organization has not experienced any losses on such accounts. As of June 30, 2025, the Organization held the majority of its cash in multiple accounts. At year end, the balances of some of those accounts were above the federally insured limits of $250,000. The Organization also has a sizeable beneficiary interest in assets held at the Hampton Roads Community Foundation.

NOTE 3 - RELATED PARTIES

The Organization is provided minimal office space at no cost by each of the schools in which they operate. The value of this office space is recorded in the statement of activities as contributions-in-kind of $150,000

NOTE 4 - AGREEMENTS

The Organization has multiple memorandums of understanding with various Hampton Roads school districts. These agreements outline the responsibilities of each party; whereby CIS will provide support for students in order to ensure students stay in school and continue with the academic program.

These agreements are usually in effect for five years and may be terminated given ninety days notice by either party.

NOTE 5 - RETIREMENT PLAN

The Organization has a Section 401(k) retirement plan. The plan covers all eligible employees and all eligible employees may make discretionary contributions. The balances in the plan are not material to the Organization and are the assets of the participating employee

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Grants and contributions with temporary donor restrictions received during fiscal year 2024 consisted of $285,862 of funding from private corporations, foundations, and government agencies which were released during the course of the current year as purpose restrictions were met. As of June 30, 2025, $613,007 of the net assets were restricted for use during the upcoming fiscal year.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2025, all of the assets of the organization are expected to be available for use in the next twelve months, with the exception of the beneficiary interest in assets held at the Hampton Roads Community Foundation. The Organization ensures liquidity of assets by investing them in cash equivalents. The Organization's management and board of directors monitor the amount of cash on hand relative to the amount of cash being spent.

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets at year-end	**Amount**
Cash and cash equivalents	$ 635,141
Accounts receivable	270,007
Investments	1,523,908
Total financial assets	**2,429,056**
Less: Board-designated reserve fund	(491,681)
Less: Donor-restricted net assets	(613,007)
Financial assets available to meet cash needs for general expenditures within one year	**$ 1,324,368**

The Organization maintains adequate liquidity to meet its obligations for the next fiscal year. Cash flows are monitored on a monthly basis, and the board reviews liquidity as part of the budgeting and reserve policy process. Board-designated amounts can be made available if necessary upon approval of the Board of Directors.

NOTE 8 - OFFICE FURNITURE, FIXTURES, AND EQUIPMENT

As of June 30, 2024 and 2025, the balance in office furniture, fixtures, and equipment was composed of the following:

	2025	2024
Fixed assets, at historical cost	$ 21,381	$21,381
Accumulated depreciation	18,308	12,906
Net cost	$ 3,073	$ 8,475

NOTE 9 - NET ASSETS DESIGNATED BY THE ORGANIZATION AS A RESERVE FUND

The Organization has established a money market account, designated as a reserve fund to cover ordinary operating expenses in the event there is a period of time when contributions are less than expenses. The balance in the reserve account as of June 30, 2025 and 2024 is $491,681 and $483,992, respectively.

NOTE 10 - CONTRIBUTED SERVICES

The Organization uses the services of volunteers in various ways. However, the nature of the services do not meet the requirement for recognition in the financial statements. During the year ended June 30, 2025, volunteers donated their time to work on various events in the schools which the Organization serves. Some of these volunteers were classified as unpaid interns. The organization has no reliable, practical way of estimating the value of those donated services.

NOTE 11 - FAIR VALUE MEASUREMENTS

Investments are reported at fair value in accordance with ASC 820, *Fair Value Measurement.* Fair value is the price that would be received to sell an asset in an orderly transaction at the measurement date. The inputs used to measure fair value are classified in the following hierarchy:

- **Level 1:** Quoted prices in active markets for identical assets.
- **Level 2:** Observable inputs other than quoted prices.
- **Level 3:** Unobservable inputs supported by little or no market activity.

Investment type	**Fair-value hierarchy**	**2025 Fair Value**
Money-market reserve account	Level 1	$ 491,681
Beneficial interest in assets held by Hampton Roads Community Foundation	Level 3	543,617
Certificates of deposit and other marketable investments	Level 2	488,610
Total investments		**$ 1,523,908**

Changes in the value of the beneficial interest are recognized as investment income in the accompanying Statement of Activities. The Organization uses valuation information provided by the Community Foundation and by financial institutions to determine the fair value of its holdings.

NOTE 12 - INVESTMENT RETURN POLICY

Investment income consists of interest, dividends, and realized and unrealized gains and losses on investments and is reported net of external investment fees in the Statement of Activities.

For the year ended June 30, 2025, total investment income was $53,884, of which $20,639 related to unrestricted reserve accounts and $33,245 represented distributions from the Hampton Roads Community Foundation endowment.

The Organization’s investment objective is preservation of capital with moderate growth to support operations and long-term sustainability. Investments are governed by a board-approved investment policy.

NOTE 13 – LEASES (ASC 842)

Future minimum annual commitments under the lease are as follows:

The Organization leases office space under a non-cancelable operating lease that expires **August 1, 2026.**

Lease cost for the year ended June 30, 2025 was **$30,356**, included in occupancy expense. The weighted-average remaining lease term at June 30, 2025 was **1.1 years**, and the weighted-average discount rate used to measure the lease liability was **3 percent.**

The right-of-use asset and corresponding lease liability recognized at June 30, 2025 were **$12,242** and **$17,328**, respectively.

Future minimum lease payments are as follows:

Year Ending June 30	**Amount**
2026	$ 34,000
2027	5,833
Total future lease payments	**$ 39,833**

NOTE 14- RECLASSIFICATION OF PRIOR YEAR FINANCIAL INFORMATION

In preparing the current year's financial statements, certain reclassifications have been made to the prior year figures to conform to the current year presentation. These reclassifications were made for the purpose of improving comparability between periods and more accurately reflecting the nature of transactions in the financial statements.

The reclassifications did not impact the previously reported net income (loss), changes in net assets, or cash flows. All such changes have been reflected in the comparative figures presented in this financial statement.

NOTE 15 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 24, 2025 the date the financial statements were issued.

NOTE 16 – SIGNIFICANT AUDIT ADJUSTMENTS (2025 AUDIT)

During the audit of the financial statements for the year ended June 30, 2025, management, in consultation with the auditors, identified and recorded several material adjustments necessary to correct errors and properly classify balances within the Organization’s accounting records. These audit adjustments primarily affected cash and cash equivalents, accounts receivable, fixed assets, lease liabilities, payroll accruals, grants, and related revenue and expense classifications.
The most significant adjustments included:

- Correction of beginning balances and bank accounts to properly state cash and retained earnings.
- Recording of right-of-use (ROU) asset and lease liability amortization and recognition of current-year depreciation.
- Recording of accrued payroll and payroll taxes at year-end.
- Adjustments to accounts receivable and grant revenue to properly reflect 2025 grant activity.
- Reclassification of payroll service fees, training expenses, and professional services to correct expense accounts.
- Reclassification of certain grant and public-school support revenue to the correct income categories.

The combined effect of these adjustments increased 2025 net income by approximately **$158,000**, and corrected classification errors in multiple accounts. All proposed adjustments were reviewed and recorded by management prior to issuance of these financial statements.
The final balances presented herein reflect management’s acceptance of all auditor-proposed adjustments, ensuring that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).