COMMUNITIES IN SCHOOLS OF HAMPTON ROADS

Financial Statements

For the Years Ended June 30, 2026 and 2025

COMMUNITIES IN SCHOOLS OF HAMPTON ROADS

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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, 2026, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2026, 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, 2026, 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.

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.

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, 2025, were audited by us, and we expressed an unmodified opinion on those financial statements. The 2025 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.

Emphasis of Matter - Correction of Opening Net Assets

We draw attention to Note 14 to the financial statements, which describes a $172,382 adjustment to opening net assets without donor restrictions recorded in connection with the preparation of the June 30, 2026 financial statements. 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 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 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

August 25, 2026

Communities In Schools of Hampton Roads

As of June 30, 2026 and 2025

Statement of Financial Position

	2026	2025
Assets		
Current Assets		
Cash and cash equivalents	$ 612,193	$ 635,141
Accounts receivable	47,783	270,007
Total Current Assets	$ 659,976	$ 905,148
Non-Current Assets		
Investments	$ 1,140,552	$ 1,523,908
Property, Plant and Equipment	7,722	3,073
Right of Use Asset: Operating	876	12,242
Total Assets	$ 1,809,126	$ 2,444,371
Total Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 69,134	$ 56,590
Deferred Revenue	85,000	-
Lease Liability: Operating	1,267	-
Total Current Liabilities	$ 155,401	$ 56,590
Non-Current Liabilities		
Lease Liability: Operating	$ -	$ 17,328
Total Non-Current Liabilities	$ -	$ 17,328
Total Liabilities	$ 155,401	$ 73,918
Net Assets		
Net assets without donor restrictions	$ 1,018,991	$ 1,757,446
Net assets with donor restrictions	634,734	613,007
Total Net Assets	$ 1,653,725	$ 2,370,453
Total Liabilities and Net Assets	$ 1,809,126	$ 2,444,371

The accompanying Notes to the Financial Statements are an integral part of this statement

Communities In Schools of Hampton Roads

For the Year Ended June 30, 2026

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions and Grants	$ 1,362,877	$ 805,614	$ 2,168,491
Special Event	43,608	-	43,608
Investment Income	17,288	88,232	105,520
Donated Materials and Services/In Kind	150,000	-	150,000
Net Assets Released from Restrictions	872,119	(872,119)	-
Total Revenue and Support	$ 2,445,892	$ 21,727	$ 2,467,619
Expense			
Program Services	$ 2,566,807	$ -	$ 2,566,807
Management and General	291,426	-	291,426
Fundraising	274,225	-	274,225
Total Expense	$ 3,132,458	$ -	$ 3,132,458
Change in Net Assets	$ (686,566)	$ 21,727	$ (664,839)
Net Assets, beginning of year	$ 1,757,446	$ 613,007	$ 2,370,453
Prior period adjustments	$ (51,889)	$ -	$ -
Net Assets, end of year	$ 1,018,991	$ 634,734	$ 1,653,725

The accompanying Notes to the Financial Statements are an integral part of this statement

Communities In Schools of Hampton Roads

For the Year Ended 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

The accompanying Notes to the Financial Statements are an integral part of this statement

Communities In Schools of Hampton Roads

For the Year Ended June 30, 2026

Statement of Functional Expenses

			Fundraising	Total
Salaries, benefits, and payroll taxes	$ 2,541,154	$ 57,216	$ 257,474	2,855,844
In-kind donated space	-	150,000	-	150,000
Supplies	-	-	-	-
Office and Occupancy	-	46,596	-	46,596
Professional Fees	-	22,399	-	22,399
Insurance	4,977	-	-	4,977
Miscellaneous expenses	10,000	76	-	10,076
Travel	-	581	-	581
Training	-	9,745	-	9,745
Advertising/marketing	-	3,176	16,751	19,927
Depreciation	-	1,637	-	1,637
Other Program Expenses	10,676	-	-	10,676
Total expenses	$ 2,566,807	$ 291,426	$ 274,225	$ 3,132,458

For the Year Ended June 30, 2025

Statement of Functional Expenses

	Program	Management	Fundraising	Total
Salaries, benefits, and payroll taxes	$ 2,110,830	$ 42,152	$ 217,985	$ 2,370,967
In-kind donated space	-	150,000	-	150,000
Supplies	-	4,312	-	4,312
Office and Occupancy	-	30,356	-	30,356
Professional Fees	-	50,427	-	50,427
Insurance	4,539	-	-	4,539
Miscellaneous expenses	13,489	-	-	13,489
Travel	-	7,615	-	7,615
Training	-	69,376	823	70,199
Advertising/marketing	-	14,245	16,131	30,376
Depreciation	-	5,401	-	5,401
Other Program Expenses	17,501	-	-	17,501
Total expenses	$ 2,146,359	$ 373,884	$ 234,939	$ 2,755,182

The accompanying Notes to the Financial Statements are an integral part of this statement

Communities In Schools of Hampton Roads

For the Years Ended June 30, 2026 and 2025

Statement of Cash Flows

	2026	2025
Cash flows from operating activities:		
Increase (Decrease) in net assets	$ (716,728)	$ (542,856)
Depreciation and amortization	1,637	5,401
(Increase)/Decrease in Accounts Receivable	222,224	(167,364)
(Increase)/Decrease in Right-of-use asset	11,366	(4,694)
Increase/(Decrease) in Operating Lease Liability	(16,061)	-
Increase/(Decrease) in Deferred Revenue	85,000	-
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	12,544	16,138
Net cash provided by (used in) operating activities	$ (400,018)	$ (693,375)
Cash flows from investing activities:		
Proceeds from maturity of certificate of deposits	$ 383,356	$ -
Purchase of investments	-	(1,013,535)
Purchase of Property, Plant, and Equipment	(6,286)	-
Net cash provided by (used in) investing activities	$ 377,070	$ (1,013,535)
Cash flows from financing activities:		
Net cash provided by (used in) financing activities	$ -	$ -
Net increase (decrease) in cash and cash equivalents	$ (22,948)	$ (1,706,910)
Cash and cash equivalents at the beginning of the year	$ 635,141	$ 2,342,051
Cash and cash equivalents at the end of the year	$ 612,193	$ 635,141

The accompanying Notes to the Financial Statements are an integral part of this statement

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

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid short-term investments that are readily convertible to known amounts of cash and have an original maturity of three months or less. Cash equivalents generally carry an insignificant risk of changes in value. 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.

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 purchases over $1,000.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contributions, Pledges, and Accounts Receivable

Revenue from contributions, including unconditional promises to give, is recognized when the contribution is unconditional. Contributions are reported as increases in net assets with or without donor restrictions based on the existence and nature of donor-imposed restrictions. Donor restrictions are released when the specified purpose has been fulfilled or the stipulated time has elapsed.

The Organization evaluates grants and contracts to determine whether each arrangement is a contribution or an exchange transaction. An arrangement is accounted for as an exchange transaction when the resource provider receives commensurate value in return. Revenue from exchange transactions is recognized as the related performance obligations are satisfied. Amounts received before the related performance obligations are satisfied are reported as deferred revenue or contract liabilities.

A contribution is conditional when the agreement includes both a barrier that must be overcome and either a right of return of transferred assets or a right of release from the promisor's obligation. Conditional contributions are not recognized as revenue until the conditions are substantially met. Cash received before conditions are satisfied is reported as a refundable advance. Unconditional contributions that are restricted for use in future periods are reported as support with donor restrictions until the time restriction expires.

Accounts receivable are stated at amounts management expects to collect. Management evaluates collectibility based on a review of specific accounts, historical experience, and current conditions. Receivables deemed uncollectible are written off when identified.

Investment income from the endowment fund is recognized as earned and reported within net assets with donor restrictions according to specific donor stipulations or governing spending policies. Donor-imposed restrictions are released when a restriction expires, such as when the stipulated time has elapsed or the purpose has been fulfilled.

Donated property, materials, or services

Contributed nonfinancial assets are recognized as contribution revenue at fair value on the date received. The Organization's contributed nonfinancial assets consist principally of donated use of office space at participating schools. The donated space is used in the Organization's program and administrative activities and is not sold or otherwise monetized. Unless otherwise specified by the donor, contributed nonfinancial assets are reported without donor restrictions.

The fair value of donated office space is estimated using market rental rates for comparable office space in the Hampton Roads area, adjusted for location, size, condition, and the period of use.

Contributed services are recognized when the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased by the Organization.

Functional expenses

The costs 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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Internal Revenue Service has determined that the Organization is exempt from Federal income tax under Section 501(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.

Leases

In accordance with Financial Accounting Standards Board (FASB) guidance, specifically ASU No. 2016-02, Leases (Topic 842), the Organization has implemented standards designed to improve transparency by recognizing right-of-use (ROU) assets and lease liabilities. This accounting framework requires that operating leases be recorded on the statement of financial position, ensuring that financial statement users can effectively evaluate the timing and uncertainty regarding cash flows related to lease obligations.

Effective July 1, 2024, the Organization adopted this policy, marking a formal change in accounting principles during the preceding fiscal year. The provisions of this new standard were applied as of the initial date of adoption.

During the transition period, the Organization utilized the available package of practical expedients. As a result, management did not perform a reassessment of existing contracts for lease components, previous lease classifications, or the treatment of unamortized initial direct costs. Consequently, existing lease agreements maintained their prior classifications as either finance or operating leases under the transition guidance.

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 that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and receivables. The Organization maintains its cash deposits with financial institutions located in Hampton Roads, Virginia. Deposits are insured by the Federal Deposit Insurance Corporation up to applicable limits. At June 30, 2026 and 2025, the Organization’s bank deposit balances exceeded federally insured limits by approximately $346,023 and 367,916 respectively. The Organization has not experienced any losses on these accounts.

The Organization also holds a significant beneficial interest in assets held by the Hampton Roads Community Foundation. See Note 11 for additional information regarding the fair value of this investment.

NOTE 3 - RELATED PARTIES

The Organization receives donated use of office space at participating schools. The arrangement provides the Organization with access to office space over a period of several years. The aggregate fair value of the donated office space associated with the multi-year arrangement was estimated to be $150,000 per year

The contributed use of the office space was recognized as in-kind contribution revenue and occupancy expense in accordance with the applicable accounting guidance. The office space is used in the Organization's program and administrative activities and is not subject to donor-imposed restrictions.

The estimated fair value of the donated office space was determined using market rental rates for comparable office space in the Hampton Roads area, adjusted for location, size, condition, and the expected period of use.

NOTE 4 - AGREEMENTS

The Organization has multiple memoranda of understanding with various Hampton Roads school districts. These agreements outline each party's responsibilities. Under the agreements, CIS provides student-support services intended to help students remain in school and continue their academic programs.

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

Net assets with donor restrictions are restricted by donors for specified programs, purposes, or future periods. Activity in net assets with donor restrictions for the year ended June 30, 2026 was as follows:

Net assets with donor restrictions	**Amount**
Net assets with donor restrictions, beginning of year	$ 613,007
Contributions and grants with donor restrictions	805,614
Investment income with donor restrictions	88,232
Less: Net assets released from restrictions	(872,119)
Net assets with donor restrictions, end of year	$ **634,734**

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2026, 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	$ 612,193
Accounts receivable	47,783
Investments	1,140,552
Total financial assets	**1,800,528**
Less: Board-designated reserve fund	(508,703)
Less: Donor-restricted net assets	(634,734)
Financial assets available to meet cash needs for general expenditures within one year	**$ 657,091**

The Organization manages its liquidity by monitoring cash flows monthly, maintaining cash and short-term investments, and considering expected operating needs through the annual budgeting process. The Board reviews liquidity and reserve levels periodically, and Board-designated amounts may be made available when necessary upon approval of the Board of Directors.

NOTE 8 - OFFICE FURNITURE, FIXTURES, AND EQUIPMENT

As of June 30, 2026 and 2025, the balance in office furniture, fixtures, and equipment was composed of the following:

	2026	2025
Fixed assets, at historical cost	$ 27,667	$21,381
Accumulated depreciation	19,945	18,308
Net cost	$ 7,722	$ 3,073

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

The Organization has established a Board-designated reserve fund to support ordinary operations during periods when operating inflows are below expenditures. At June 30, 2026, the reserve totaled $508,703 consisting of invested in a money market mutual fund held in a brokerage account. The money market mutual fund is reported in investments and measured using Level 1 inputs; the bank money market deposit account is included in cash and cash equivalents. The reserve balance at June 30, 2025 was $491,681

NOTE 10 - CONTRIBUTED SERVICES

The Organization uses the services of volunteers in various ways. However, the nature of the services does not meet the criteria for recognition in the financial statements. During the year ended June 30, 2026, volunteers donated time to support various events at the schools served by the Organization. Some volunteers were unpaid interns. The Organization does not have a reliable, practical basis for estimating the value of these 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**	**2026 Fair Value**
Money-market reserve account	Level 1	$ 508,703
Beneficial interest in assets held by Hampton Roads Community Foundation	Level 3	631,849
Total investments		**$ 1,140,552**

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, 2026, total investment income was $105,520, of which $17,288 related to unrestricted reserve accounts and $88,232 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)

The Organization leases office space under a noncancelable operating lease that expires August 31, 2026.

Lease cost for the year ended June 30, 2026 was $32,487, included in occupancy expense. The weighted-average remaining lease term at June 30, 2026 was 0.08 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, 2026 were $876 and $1,267, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	**Amount**
2027	$ 1,360
Total future lease payments	**$1,360**

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2026, management identified two public-school support revenue items totaling $172,382 that had been recognized in the year ended June 30, 2025 but related to fiscal year 2026. These items consisted of $74,757 related to Hampton High School funding and $97,625 related to Virginia Beach Public Schools funding.

Accordingly, the Organization decreased beginning net assets without donor restrictions by $172,382 and recognized the corresponding amounts as revenue during the year ended June 30, 2026. These adjustments affected the timing of revenue recognition and the presentation of beginning net assets but had no effect on total net assets as of June 30, 2026.

Management evaluated the effect of these adjustments and concluded that they were not material to the previously issued June 30, 2025 financial statements. Accordingly, the 2025 financial statements have not been restated, and beginning net assets presented in the 2026 statement of activities have been adjusted to reflect these corrections.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 25, 2026 the date the financial statements were issued.