

**COMMUNITIES IN SCHOOLS
OF MIAMI, INC.**

FINANCIAL STATEMENTS, INDEPENDENT
AUDITORS' REPORT AND REPORT ON
COMPLIANCE

FOR THE YEAR ENDED
JUNE 30, 2016
(With Comparative Totals as of June 30, 2015)

COMMUNITIES IN SCHOOLS OF MIAMI, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors, Audit Committee and Executive Director
Communities in Schools of Miami, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Communities in Schools of Miami, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated November 30, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Verdyq, De Armas, & Trujillo LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 25, 2016

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 229,793	\$ 50,820
Contributions and grants receivable	263,119	296,563
Other receivables	2,961	7,232
Prepays and other assets	<u>32,250</u>	<u>39,262</u>
TOTAL CURRENT ASSETS	<u>528,123</u>	<u>393,877</u>
FURNITURE AND EQUIPMENT, net	448	825
ENDOWMENT - money market account	<u>20,000</u>	<u>20,000</u>
TOTAL ASSETS	<u>\$ 548,571</u>	<u>\$ 414,702</u>
 LIABILITIES AND NET ASSETS 		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 56,119	\$ 55,330
Deferred revenue	<u>232,361</u>	<u>46,650</u>
TOTAL CURRENT LIABILITIES	<u>288,480</u>	<u>101,980</u>
LONG TERM LIABILITIES		
Line of credit	-	30,000
TOTAL LONG TERM LIABILITIES	<u>-</u>	<u>30,000</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	239,488	236,374
Temporarily restricted	603	26,348
Permanently restricted	<u>20,000</u>	<u>20,000</u>
TOTAL NET ASSETS	<u>260,091</u>	<u>282,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 548,571</u>	<u>\$ 414,702</u>

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

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND SUPPORT					
Contributions and grants	\$ 2,121,807	\$ -	\$ -	\$ 2,121,807	\$ 2,382,174
Donations (in-kind):					
Services	151,441	-	-	151,441	555,727
Materials and supplies	35,307	-	-	35,307	22,388
Facilities	408,455	-	-	408,455	430,560
Interest	72	217	-	289	243
Net assets released from restrictions	25,962	(25,962)	-	-	-
TOTAL REVENUES AND SUPPORT	2,743,044	(25,745)	-	2,717,299	3,391,092
EXPENSES					
Program services:					
Americorp	674,807	-	-	674,807	951,863
Americorp Turnaround (ATSP)	509,408	-	-	509,408	806,320
Gear Up	365,060	-	-	365,060	300,240
Diplomas Now	434,412	-	-	434,412	584,865
PCS	590,450	-	-	590,450	645,104
NTS	-	-	-	-	1,332
TOTAL PROGRAM SERVICES	2,574,137	-	-	2,574,137	3,289,724
SUPPORTING SERVICES					
Fundraising	140,316	-	-	140,316	141,422
Management and general	25,477	-	-	25,477	22,496
TOTAL SUPPORTING SERVICES	165,793	-	-	165,793	163,918
TOTAL EXPENSES	2,739,930	-	-	2,739,930	3,453,642
CHANGE IN NET ASSETS	3,114	(25,745)	-	(22,631)	(62,550)
NET ASSETS - BEGINNING	236,374	26,348	20,000	282,722	345,272
NET ASSETS - ENDING	\$ 239,488	\$ 603	\$ 20,000	\$ 260,091	\$ 282,722

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

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

Description	2016										2015	
	Program Services						Supporting Services				Total	Total
	Americorp	AmeriCorps Turnaround (ATSP)	Gear Up	Diplomas Now	PCS	Total Program Services	Fund Raising	Management and General	Total Supporting Services			
Salaries and Wages	\$ 358,970	\$ 301,083	\$ 200,262	\$ 164,276	\$ 231,520	\$ 1,256,111	\$ 79,468	\$ 141,916	\$ 221,384	\$ 1,477,495	\$ 1,731,076	
Payroll Taxes and Benefits	51,005	35,229	25,594	29,860	46,330	188,018	15,572	27,198	42,770	230,788	299,592	
TOTAL SALARIES AND RELATED EXPENSES	409,975	336,312	225,856	194,136	277,850	1,444,129	95,040	169,114	264,154	1,708,283	2,030,668	
Travel/Training/Meetings	6,500	2,661	2,494	4,480	3,232	19,367	-	4,462	4,462	23,829	25,913	
Equipment - Noncapital	8,152	924	492	1,989	1,962	13,519	-	866	866	14,385	7,128	
Insurance - Liability	3,232	2,415	825	3,508	2,407	12,387	-	3,654	3,654	16,041	16,920	
Space - Lease and Maintenance	-	-	596	3,504	2,100	6,200	-	13,798	13,798	19,998	23,352	
Communications	2,735	1,558	1,527	1,773	2,500	10,093	-	4,080	4,080	14,173	15,206	
Membership/Subsription	-	55	-	55	-	110	-	55	55	165	165	
Bank and Other Fees	579	10	-	-	-	589	750	8,068	8,818	9,407	8,165	
Reproduction	113	47	152	500	-	812	47	8,143	8,190	9,002	11,226	
Consumable Supplies	6,145	430	1,777	2,509	7,198	18,059	59	1,931	1,990	20,049	19,566	
Program Supplies	16,685	1,367	7,047	6,276	8,940	40,315	-	-	-	40,315	38,265	
Meals	580	-	3,675	4,016	10,521	18,792	-	-	-	18,792	16,636	
Background Checks	2,265	1,346	2,707	364	748	7,430	-	134	134	7,564	4,930	
Incentives/Field Trips	-	442	4,123	4,218	4,823	13,606	-	150	150	13,756	25,287	
Fundraising	-	-	-	-	-	-	28,487	-	28,487	28,487	26,725	
Audit	6,238	3,733	2,602	4,472	5,380	22,425	-	225	225	22,650	22,650	
Professional Fees	997	562	183	72	126	1,940	-	3,410	3,410	5,350	4,525	
Tutoring Services	-	-	-	-	-	-	-	-	-	-	743	
Other Purchased Services	243	53	-	-	1,803	2,099	-	1,378	1,378	3,477	15,727	
Subcontractors (partners and others)	4,200	-	-	85,230	70,755	160,185	-	-	-	160,185	118,602	
Grant Writing	-	-	-	-	-	-	-	-	-	-	-	
Software Maintenance	1,339	648	1,312	1,337	2,082	6,718	-	1,725	1,725	8,443	8,598	
Prior Period Expense	-	-	-	-	-	-	-	-	-	-	2,992	
Allocation of Administrative Salaries and Benefits	40,787	31,120	22,061	24,407	33,838	152,213	-	(152,213)	(152,213)	-	-	
Allocation of Administrative Other	11,783	8,962	6,495	6,810	9,904	43,954	-	(43,954)	(43,954)	-	-	
SUBTOTAL	522,548	392,645	283,924	349,656	446,169	1,994,942	124,383	25,026	149,409	2,144,351	2,443,989	
NON-CASH EXPENSES												
Depreciation	-	-	-	-	-	-	-	376	376	376	978	
Donated services	43,477	33,339	25,134	29,384	20,107	151,441	-	-	-	151,441	555,727	
Donated materials and supplies	7,958	1,024	1,142	7,012	2,163	19,299	15,933	75	16,008	35,307	22,388	
Donated facilities	100,824	82,400	54,860	48,360	122,011	408,455	-	-	-	408,455	430,560	
TOTAL NON-CASH EXPENSES	152,259	116,763	81,136	84,756	144,281	579,195	15,933	451	16,384	595,579	1,009,653	
TOTAL EXPENSES	\$ 674,807	\$ 509,408	\$ 365,060	\$ 434,412	\$ 590,450	\$ 2,574,137	\$ 140,316	\$ 25,477	\$ 165,793	\$ 2,739,930	\$ 3,453,642	

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

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,631)	\$ (62,550)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	376	978
(Increase) decrease in assets:		
Contributions and grants receivable	33,444	3,052
Other receivables	4,271	(1,075)
Prepays and other assets	7,013	445
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	789	(26,036)
Deferred revenue	185,711	(59,334)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>208,973</u>	<u>(144,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of furniture and equipment	-	(950)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(30,000)	30,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(30,000)</u>	<u>30,000</u>
NET INCREASE (DECREASE) IN CASH	178,973	(115,470)
CASH - BEGINNING	<u>50,820</u>	<u>166,290</u>
CASH - ENDING	<u>\$ 229,793</u>	<u>\$ 50,820</u>

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

**COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Nature of Activities

Communities in Schools of Miami, Inc. (the “Organization”) is a not-for-profit corporation incorporated under the laws of the State of Florida on January 27, 1989. The Organization provides a myriad of services to children in grades K-12 to help them stay in school and prepare for life. The Organization creates programs and partnerships and utilizes volunteers to deliver the services at twenty-three schools and community based sites throughout Miami-Dade County (the “County”).

The following describes the Organization’s programs:

AmeriCorps Programs

AmeriCorps members help to provide two program initiatives as part of their one year of service pledge to the community: Miami Reads!, the school-based literacy tutoring for reading-delayed elementary school students, and Out-of-School Programs (afterschool and summer camps) that offer quality activities such as homework help, tutoring, reading, computer labs, life skills, arts enrichment, and fitness at two sites in high-need neighborhoods.

Gear Up

The goal of GEARUP is to create early awareness of higher education and prepare students to graduate and go on to college. Services include but are not limited to tutoring, mentoring, and college immersion programs.

Bridges to Graduation/Diplomas Now

This program provides comprehensive drop-out prevention services to middle and high school students who have a history of academic and/or behavioral challenges. Services include mentoring, counseling, tutoring, and leadership development.

Partners for Community Success (PCS)

A placed-based service partnership with community agencies working together to provide care coordination services to children and youth residing in North Miami and North Miami Beach. Services provided by the collaborative address student attendance and behavior in school, child maltreatment, and family health access.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the accounting standards for financial statements of not-for-profit organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash in banks and support from major grantors.

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(Continued)

Cash in Banks

At various times during the year, the Organization may have cash in excess of federally insured limits. However, the Organization maintains its cash in what management believes to be high quality financial institutions, which the Organization believes limits their risks.

Grants

The Organization has various grant agreements with The Children's Trust. The grants support the ability of the Organization to provide the Bridges to Graduation/Diplomas Now program, Out of School programs and the Violence Intervention Project as described above. Revenue from the grants represents approximately \$862,244 or 31% of total revenue and support for the year ended June 30, 2016.

Income Taxes

The Organization is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

There are no reserves held for uncertain tax positions at June 30, 2016. Tax years that are open under the statute of limitations remain subject to examination by the IRS. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2013.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 7 years. The Organization capitalizes all acquisitions of fixed assets in excess of \$750 that have a useful life greater than one year. When items are sold or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to activities. Repairs and maintenance are charged to expense as incurred.

Donated Property and Equipment

Donated property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restricted when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

The Organization accounts for contributions in accordance with accounting standards for contributions received and contributions made. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized as revenues in the period received, until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions, which are restricted by the donor, are reported as increases in unrestricted net assets if the

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Contributions (Continued)

restriction expires in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All contributions receivable are due in less than one year.

Donated Services

Donated services are recognized as contributions at fair value, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fundraising and other services throughout the year that are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported period. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or by program classification. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 25, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment as of June 30, 2016 is as follows:

Furniture and equipment	\$	43,214
Less accumulated depreciation		(42,766)
		<u>448</u>

Depreciation expense was \$376 for the year ended June 30, 2016.

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 – RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

As of June 30, 2016, the balance of \$603 is presented as temporarily restricted net assets and can only be used towards outstanding grant deliverables from various funders. Temporarily restricted net assets are held in cash as of June 30, 2016.

Permanently Restricted Net Assets

Permanently restricted net assets represent endowment funds received by the Organization for deposit in low risk interest bearing financial instruments. Donor stipulations do not allow the Organization access to these funds; however, interest earned can be used for operations. Therefore, interest earned on these funds is classified as temporarily restricted until appropriated for expenditure. Permanently restricted net assets are held and classified in the Endowment money market account as of June 30, 2016.

NOTE 4 – DONATED SERVICES, MATERIALS AND SUPPLIES, AND FACILITIES

Donated services, materials and supplies, and facilities for the year ended June 30, 2016 are as follows and were used in all four programs administered by the Organization.

	Services	Materials and Supplies	Facilities	Total
Miami-Dade County Public Schools	\$ 136,196	\$ -	\$ 361,140	\$ 497,336
Miami-Dade County Parks and Recreation	-	-	41,428	41,428
Miami Rescue Mission	6,120	300	4,087	10,507
Other	9,125	35,007	1,800	45,932
Total	<u>\$ 151,441</u>	<u>\$ 35,307</u>	<u>\$ 408,455</u>	<u>\$ 595,203</u>

NOTE 5 – DEFINED CONTRIBUTION PLAN

The Organization has a deferred compensation plan for its employees under Section 403b of the Internal Revenue Code. The Organization’s contributions to the deferred compensation plan were \$6,672 for the year ended June 30, 2016.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Line of Credit

The Organization entered into a line of credit agreement with a bank in the amount of \$75,000. The line of credit was renewed during the year and expires on April 14, 2017. Interest is paid monthly on the unpaid principal balance at a rate of 5.069% and the principal is due on demand. As of June 30, 2016, there was no outstanding balance on the line of credit.

Grants Contingency

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the Organization expects such amounts, if any, would not have a material adverse effect on the Organization’s financial position.

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease

Effective August 18, 2015, the Organization entered into a commercial lease agreement for its new office space for five years. Payments under the lease increase annually based on an escalating schedule.

The Organization is committed under an operating lease for two copier machines through April 2017. Minimum monthly lease payments due under the lease are \$358.

Future minimum annual rentals on noncancelable operating leases including the one year extension are approximately as follows:

Fiscal year ending June 30:	
2017	\$ 22,708
2018	19,702
2019	20,294
2020	20,902
2021	3,501
Total	<u>\$ 87,107</u>

Total rent expense for the year ended June 30, 2016 was approximately \$18,500.

NOTE 7 – ENDOWMENTS

Interpretation of Relevant Law

The State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with the FUPMIFA, the Organization 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 effect 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 the Organization

COMMUNITIES IN SCHOOLS OF MIAMI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

Summary of Endowment Assets:

Endowment net asset composition by type of fund as of June 30, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 603	\$ 20,000	\$ 20,603
Board designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>\$ 603</u>	<u>\$ 20,000</u>	<u>\$ 20,603</u>

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 386	\$ 20,000	\$ 20,386
Investment income including realized and unrealized gains	-	217	-	217
Total investment return	<u>-</u>	<u>217</u>	<u>-</u>	<u>217</u>
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
Other changes	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 603</u>	<u>\$ 20,000</u>	<u>\$ 20,603</u>

NOTE 8 – CONCENTRATION OF REVENUES AND SUPPORT

Revenues and support generated from two grantors, The Children’s Trust and AmeriCorps, amounted to approximately 41% and 19%, respectively of the Organization’s total contributions and grants for the year ended June 30, 2016.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Communities in Schools of Miami, Inc.
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities in Schools of Miami, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Verdega, De Armas, & Trujillo LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 25, 2016