

**COMMUNITIES IN SCHOOLS OF  
SOUTH CENTRAL TEXAS, INC.**

**Audited Financial Statements  
And  
Single Audit Reports**

**August 31, 2021**

**ADKF, P.C.**  
*Certified Public Accountants*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
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**August 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Communities In Schools of South Central Texas, Inc.  
New Braunfels, Texas

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Communities In Schools of South Central Texas Inc., which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of South Central Texas, Inc. as of August 31, 2021 and 2020, and its activities, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of state awards for the year ended August 31, 2021, as required by *Texas Uniform Grant Management Standards* and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 14, 2021 on our consideration of Communities In Schools of South Central Texas, Inc. 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 solely 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 Communities In Schools of South Central Texas, Inc.'s internal control over financial reporting and compliance.

***ADKF, PC***

ADKF, P.C.  
San Antonio, Texas  
December 14, 2021

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statements of Financial Position**  
**August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,003,820	\$ 810,896
Accounts receivable, net	145,364	188,248
Inventory	76,431	64,030
Prepaid expenses	16,831	10,461
Total current assets	<u>1,242,446</u>	<u>1,073,635</u>
Non-Current Assets:		
Property and equipment, net	884,770	906,842
Investments, certificate of deposit	102,143	101,635
Total non-current assets	<u>986,913</u>	<u>1,008,477</u>
<b>Total Assets</b>	<u><u>\$ 2,229,359</u></u>	<u><u>\$ 2,082,112</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 22,076	\$ 17,729
Long-term debt, current portion	15,818	347,041
Long-term debt, related party, current portion	9,206	8,845
Total current liabilities	<u>47,100</u>	<u>373,615</u>
Long-term debt, less current portion	427,168	712,806
Long-term debt, related party, less current portion	219,326	228,532
Total liabilities	<u>693,594</u>	<u>1,314,953</u>
Net Assets:		
Without donor restrictions:		
Available for operations	1,073,681	543,657
Designated for recurring school programs	28,494	26,664
Total without donor restrictions	<u>1,102,175</u>	<u>570,321</u>
With donor restrictions	433,590	196,838
Total net assets	<u>1,535,765</u>	<u>767,159</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,229,359</u></u>	<u><u>\$ 2,082,112</u></u>

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statement of Activities**  
**Year Ended August 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Government grants	\$ 1,084,442	\$ -	\$ 1,084,442
PPP Grant	601,700	-	601,700
Other grants and foundations	355,848	198,315	554,163
Service delivery agreements	1,967,500	-	1,967,500
Donations	369,591	179,949	549,540
Special events, net of expenses	148,608	-	148,608
Thrift store, net of expenses	178,901	-	178,901
	<u>4,706,590</u>	<u>378,264</u>	<u>5,084,854</u>
Other revenues:			
In-kind contributions	577,596	-	577,596
Interest	7,085	-	7,085
Other income	2,570	-	2,570
	<u>5,293,841</u>	<u>378,264</u>	<u>5,672,105</u>
<b>Expenses</b>			
Program services	4,152,511	-	4,152,511
Supporting services	706,540	-	706,540
Fundraising	44,448	-	44,448
	<u>4,903,499</u>	<u>-</u>	<u>4,903,499</u>
<b>Change in Net Assets</b>	390,342	378,264	768,606
Net assets released from restrictions	141,512	(141,512)	-
Net assets at beginning of year	<u>570,321</u>	<u>196,838</u>	<u>767,159</u>
<b>Net Assets at Year End</b>	<u>\$ 1,102,175</u>	<u>\$ 433,590</u>	<u>\$ 1,535,765</u>

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statement of Activities**  
**Year Ended August 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Government grants	\$ 1,135,793	\$ -	\$ 1,135,793
Other grants and foundations	341,600	50,000	391,600
Service delivery agreements	1,887,000	-	1,887,000
Donations	270,320	361,394	631,714
Special events, net of expenses	283,681	-	283,681
Thrift store, net of expenses	86,808	-	86,808
	<u>4,005,202</u>	<u>411,394</u>	<u>4,416,596</u>
Other revenues:			
In-kind contributions	715,161	-	715,161
Interest	4,145	-	4,145
Other income	2,606	-	2,606
	<u>4,727,114</u>	<u>411,394</u>	<u>5,138,508</u>
<b>Expenses</b>			
Program services	4,316,183	-	4,316,183
Supporting services	734,003	-	734,003
Fundraising	47,436	-	47,436
	<u>5,097,622</u>	<u>-</u>	<u>5,097,622</u>
<b>Change in Net Assets</b>	(370,508)	411,394	40,886
Net assets released from restrictions	391,026	(391,026)	-
Net assets at beginning of year	549,803	176,470	726,273
	<u>570,321</u>	<u>196,838</u>	<u>767,159</u>
<b>Net Assets at Year End</b>	<u>\$ 570,321</u>	<u>\$ 196,838</u>	<u>\$ 767,159</u>

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2021**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and employee benefits	\$ 3,318,921	\$ 457,782	\$ 38,149	\$ 3,814,852
Insurance	22,559	3,076	-	25,635
Professional services	9,165	31,689	-	40,854
Occupancy	9,909	9,909	-	19,818
Program expenses	283,284	35,795	-	319,079
Marketing and community outreach	7,438	7,235	-	14,673
Volunteer support	1,170	-	-	1,170
Fundraising	-	1,979	6,299	8,278
Supplies, equipment, and technology	31,169	531	-	31,700
Travel and training	13,617	4,539	-	18,156
Depreciation	4,754	26,934	-	31,688
	<u>3,701,986</u>	<u>579,469</u>	<u>44,448</u>	<u>4,325,903</u>
In-kind contributions	<u>450,525</u>	<u>127,071</u>	<u>-</u>	<u>577,596</u>
	<u>\$ 4,152,511</u>	<u>\$ 706,540</u>	<u>\$ 44,448</u>	<u>\$ 4,903,499</u>
Special events costs not included above:				
Food and beverages			\$ 4,136	
Facilities rental			10,308	
Other direct costs			<u>54,653</u>	
			<u>\$ 69,097</u>	

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and employee benefits	\$ 3,235,028	\$ 446,211	\$ 37,184	\$ 3,718,423
Insurance	23,881	3,256	-	27,137
Professional services	6,863	23,730	-	30,593
Occupancy	9,548	9,549	-	19,097
Program expenses	420,935	53,188	-	474,123
Marketing and community outreach	1,649	1,603	-	3,252
Volunteer support	21	-	-	21
Fundraising	-	3,221	10,252	13,473
Supplies, equipment, and technology	19,829	338	-	20,167
Travel and training	36,470	12,157	-	48,627
Depreciation	4,133	23,415	-	27,548
	<u>3,758,357</u>	<u>576,668</u>	<u>47,436</u>	<u>4,382,461</u>
In-kind contributions	<u>557,826</u>	<u>157,335</u>	<u>-</u>	<u>715,161</u>
	<u>\$ 4,316,183</u>	<u>\$ 734,003</u>	<u>\$ 47,436</u>	<u>\$ 5,097,622</u>
Special events costs not included above:				
Food and beverages			\$ 17,075	
Facilities rental			1,175	
Other direct costs			<u>25,171</u>	
			<u>\$ 43,421</u>	

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Statements of Cash Flows**  
**Years Ended August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Change in net assets	\$ 768,606	\$ 40,886
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	31,688	27,548
PPP Grant	(601,700)	-
Change in operating assets and liabilities:		
Accounts receivable	42,884	(81,424)
Inventory	(12,401)	(21,562)
Prepaid expenses	(6,370)	2,436
Accounts payable	4,347	1,951
Net cash provided (used) by operating activities	<u>227,054</u>	<u>(30,165)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(9,616)	(23,984)
Net investment activity	<u>(508)</u>	<u>(1,008)</u>
Net cash (used) by investing activities	<u>(10,124)</u>	<u>(24,992)</u>
<b>Financing Activities</b>		
Receipt of PPP Loan	-	601,700
Principal payments on long-term debt	<u>(24,006)</u>	<u>(23,031)</u>
Net cash (used) provided by financing activities	<u>(24,006)</u>	<u>578,669</u>
Change in cash and cash equivalents	192,924	523,512
Cash and cash equivalents at beginning of year	<u>810,896</u>	<u>287,384</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,003,820</u>	<u>\$ 810,896</u>
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$ 30,012	\$ 30,238
Cash paid for income taxes	-	-

*See notes to audited financial statements.*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization:* Communities In Schools of South Central Texas, Inc. (CISSCTX or Organization) was organized as a nonprofit corporation on December 15, 1992 for the purpose of coordinating and delivering human services to at-risk youth and their families in South Central Texas. This is accomplished through the supportive environment of the public schools. CISSCTX endeavors to enable the participants to have access to a broad range of needed social and educational services.

*Basis of Presentation:* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CISSCTX and changes therein are classified and reported as follows:

*Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions. *Grants and contributions gifted for recurring programs are generally not considered "restricted" under GAAP,* though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

*With Donor Restrictions:* Net assets subject to donor-imposed restrictions, that are more restrictive than CISSCTX's mission and purpose, that will be met by actions of CISSCTX and/or the passage of time. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

*Principles Determining Scope of Reporting Entity:* The accompanying financial statements have been prepared as of August 31, the fiscal year end of CISSCTX. For contract periods which differ from the fiscal year of CISSCTX, the financial statements include those portions of each grant accrued (earned) during CISSCTX's fiscal year.

*Revenue Recognition:* The performance obligation of delivering program services is simultaneously received and consumed by clients; therefore, the revenue is recognized as services are provided. Contributions are recognized when cash, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. A portion of revenue is derived from cost-reimbursable government grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions.

*Contributions:* Gifts of cash and other assets are reported as restricted support if they are not a part of the regular mission of the Organization and if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

*Service Delivery Agreements:* School districts in Caldwell, Comal and Guadalupe Counties have entered into agreements for CISSCTX to facilitate the academic and personal success of students who may be experiencing the effects of at-risk environments by providing the full range of the Organization's services.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on hand and deposits held by financial institutions with maturities of three months or less.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

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

*Accounts Receivable:* Represents the amounts due for program services that are paid by federal, state, and local grants on a reimbursement basis; that is when qualifying expenses are incurred by the Organization, both a receivable and revenue are recorded. These services were provided primarily in July and August and reimbursed in September and October. Accounts receivable are reported as outstanding principal, net of an allowance for doubtful accounts if deemed necessary. The allowance is generally determined based on an account-by-account review and historic trends. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. An allowance was not required at August 31, 2021 and 2020. Interest is generally not charged on the receivables.

*Inventory:* Inventory consists primarily of donated goods utilized by the Thrift Store operated by the Organization. The inventory is valued at its estimated wholesale fair market value.

*Property and Equipment:* Property and equipment is valued at historical cost or estimated fair value at the date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three years for equipment and thirty-nine years for buildings.

*Certificate of Deposit:* Certificates of deposit may have maturities in excess of one year and are not expected to be utilized by the Organization within the next 12-month period. Accordingly, they are classified as non-current on the Statement of Financial Position.

*Employee Benefit Plan:* The Organization has a 403(b) plan that is eligible to substantially all employees to participate after 90 days of employment. Employees may contribute a percentage of their annual compensation up to the limit allowed by the IRS. The Organization's Board of Directors determines annually any employer contribution to the Plan. The Organization contributions to the Plan totaled approximately \$12,000 in 2021 and 2020.

*Income Taxes:* CISSCTX is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements. In addition, the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

*Functional Allocation of Expenses:* The costs of providing the services and other activities of the Organization have been summarized on a functional basis as a supplemental schedule to the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Donated Services, Material, and Facilities:* The Organization may receive services, supplies, and equipment without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in a like amount. In-kind contributions are measured and recorded at fair value on the date of donation. Equipment and other non-cash donations are recorded as contributions at estimated fair value determined at the date of the donation. The fair market value of in-kind contributions for the year ended August 31, 2021 totaled \$577,596, consisting of \$165,600 for monthly facility rent and \$411,996 for professional services, clothing, food, office supplies, and school supplies. The fair market value of in-kind contributions for the year ended August 31, 2020 totaled \$715,161, consisting of \$165,425 for monthly facility rent and \$549,736 for professional services, clothing, food, office supplies, and school supplies. Donated contributions and services are reported as in-kind contributions on the statement of activities.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

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

*Special Events:* Costs associated with special events are netted against the related revenue, and totaled approximately \$69,000 in 2021 and \$43,000 in 2020.

*Thrift Store:* The Organization owns a thrift store. Costs associated with the thrift store are netted against the related revenue, and such costs totaled approximately \$211,000 in 2021 and \$163,000 in 2020.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash and investments (including restricted assets) with financial institutions, and limits the amount of credit exposure, although it may from time to time have cash balances or investments in excess of that insured by the FDIC. The Organization periodically assesses the financial condition of the institutions and believes the risk of loss is minimal.

*Commitments and Contingencies:* CISSCTX participates in state grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Management does not believe there are any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Approximately 23% and 29% of support and revenues are derived from government grants for the year ending June 30, 2021, and 2020, respectively.

*New Accounting Pronouncement:* In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit: Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed non-financial assets by enhancing the presentation and disclosures. The update includes the presentation of contributed non-financial assets as a separate line item in the statement of activities while disclosing disaggregated information about the types of contributed non-financial assets, how the contribution was used and various other disclosures. The effective date is for periods beginning after June 15, 2021 with early adoption permitted. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

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

*Recently Adopted Accounting Pronouncements:* The Agency adopted Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which clarified how the new revenue recognition standard applied to not-for-profit organizations. The pronouncement was adopted effective September 1, 2019 using the modified retrospective method. While adoption of this standard required additional disclosures, adoption did not have a significant impact on the financial statements and no adjustments were made to prior periods.

**NOTE B - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Texas Education Agency	\$ 106,919	\$ 153,278
Hill Scholarship Fund	9,708	10,708
Texas Parks and Wildlife Department	28,737	23,658
Other	-	604
	<u>\$ 145,364</u>	<u>\$ 188,248</u>

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at August 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 253,945	\$ 253,945
Building and improvements	714,846	712,096
Equipment	92,963	86,097
Total property and equipment	1,061,754	1,052,138
Less accumulated depreciation	<u>(176,984)</u>	<u>(145,296)</u>
Property and equipment, net	<u>\$ 884,770</u>	<u>\$ 906,842</u>

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

**NOTE D - LONG-TERM DEBT AND LINE OF CREDIT**

	<u>2021</u>	<u>2020</u>
First Commercial Bank, \$528,000, interest at 4.25%, with monthly installments of \$2,862, maturing May 2040.	\$ 442,986	\$ 458,147
Note payable to Keith Moore, Board Member, with interest at 4.00%, monthly installments of \$1,515, secured by the building, maturing February 2039.	228,532	237,377
PPP Loan payable to First Commercial, See Note E.	-	601,700
First Commercial Bank, \$100,000 line of credit, interest at 2.45%, guaranteed by a certificate of deposit held at First Commercial Bank, maturing June 2022.	<u>-</u>	<u>-</u>
	<u>\$ 671,518</u>	<u>\$ 1,297,224</u>

Maturities of long-term debt will result in the following principal requirements:

Year Ending August 31,

2022	\$ 25,024
2023	26,085
2024	27,190
2025	28,343
2026	29,544
Thereafter	<u>535,332</u>
	<u>\$ 671,518</u>

**NOTE E - PAYCHECK PROTECTION PROGRAM**

CISSCTX received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). The loan proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, benefits, rent, and utilities. The Agency applied for forgiveness, and on May 28, 2021, the SBA fully approved the Agency's application. The PPP grant of \$601,700 is shown as PPP grant in the statement of activities and reported on the statement of cash flows as a non-cash adjustment to net cash provided by operating activities for the year ended August 31, 2021.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

**NOTE F - ENDOWMENT FUND**

The Organization is the sole beneficiary of a fund maintained by The New Braunfels Area Community Foundation (NBACF). Requests of principal from the fund may be made commencing in 2018. All requests must be in writing and have the unanimous consent from the Organization’s Board of Directors, with the Board of Directors of the NBACF having final authority to approve or deny any request. The Organization may request up to 10% of the fund balance in any one fiscal year. The value of the fund was \$111,331 and \$90,727 as of August 31, 2021 and 2020, respectively, and is not recognized in the Organization’s statement of financial position as the fund is not under its control.

**NOTE G - NET ASSETS**

Net assets designated for recurring school programs and net assets with donor restrictions include the following at August 31:

	<u>2021</u>	<u>2020</u>
Without Donor Restriction, Designated for Recurring School Programs:		
School supplies	<u>\$ 28,494</u>	<u>\$ 26,664</u>
With Donor Restrictions (time and purpose restricted):		
SOS and counseling services	65,717	10,197
Project success/alumni	192,583	92,953
Salaries and benefits	132,000	50,000
Specific assistance to clients	43,290	41,888
Wurstfest	<u>-</u>	<u>1,800</u>
	<u>\$ 433,590</u>	<u>\$ 196,838</u>

**NOTE H - FAIR VALUE MEASUREMENTS**

In accordance with U.S. generally accepted accounting principles, CISSCTX utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 inactive markets
  - inputs other than quoted prices that are observable for the asset or liability
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

**NOTE H - FAIR VALUE MEASUREMENTS - continued**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to measure fair value nor transfers between levels.

*Certificate of Deposit:* Valued at its cost plus accrued interest.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments measured at fair value as follows:

	<b>Fair Value Measurements Using</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<i>August 31, 2021</i>				
Certificate of deposit	\$ 102,143	\$ -	\$ -	\$ 102,143
Investments measured at fair value	<u>\$ 102,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,143</u>
<i>August 31, 2020</i>				
Certificate of deposit	\$ 101,635	\$ -	\$ -	\$ 101,635
Investments measured at fair value	<u>\$ 101,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,635</u>

**NOTE I - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

Accounting standards require management to discuss its financial resources that are available as of year-end which may be utilized for operations over the next 12-month period. The Organization has approximately \$1,242,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. This consist of cash, accounts receivable, inventory, and prepaid expenses at year-end. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization also has a line of credit in the amount of \$100,000 which is available in the event of an unanticipated liquidity need.

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Audited Financial Statements**  
**August 31, 2021 and 2020**

**NOTE J - COVID-19**

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which could impact the Organization's operations. Mandated and voluntary closings have caused various business disruptions and created volatility in the economy. While these disruptions are currently expected to be temporary, there is considerable uncertainty around the duration or the effect of the stock market. Any related financial impact and duration cannot be reasonably estimated at this time. The Organization is dependent on contributions and grants from individuals, corporations, and foundations throughout the surrounding area. It is unknown if funding from these traditional sources will continue to be available in the same amounts or align with the focus of the Organization.

**COMMUNITIES IN SCHOOLS OF  
SOUTH CENTRAL TEXAS, INC.**

**Single Audit Reports  
State Awards**

**August 31, 2021**



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## INDEPENDENT AUDITOR’S 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*

### Independent Auditor’s Report

To the Board of Directors  
Communities In Schools of South Central Texas, Inc.  
New Braunfels, Texas

We have audited, in accordance with U.S. generally accepted auditing standards 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 South Central Texas, Inc. (the Organization), which comprise the statement of financial position of as of August 31, 2021, 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 December 14, 2021.

### **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 our auditing 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of control does not allow management or employees, in a 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 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.

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## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ADKF, PC

ADKF, P.C.  
San Antonio, Texas  
December 14, 2021



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND THE *TEXAS UNIFORM GRANT MANAGEMENT STANDARDS***

**Independent Auditor’s Report**

To the Board of Directors  
Communities In Schools of South Central Texas, Inc.  
New Braunfels, Texas

**Report on Compliance for Each Major State Program**

We have audited the compliance of the Communities In Schools of South Central Texas, Inc. (the Organization) with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the Organization’s major state programs for the year ended August 31, 2021. The Organization’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with the state statues, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Texas Uniform Grant Management Standards*. Those standards, *Uniform Guidance* and *Texas Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Organization’s compliance.

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### ***Opinion on Each Major State Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2021.

### **Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with *Uniform Guidance* and *Texas Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance* and *Texas Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

ADKF, PC

ADKF, P.C.  
San Antonio, Texas  
December 14, 2021

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Schedule of Expenditures of State Awards**  
**Year Ended August 31, 2021**

<u>Through State Grantor</u>	<u>Entity Identifying Number</u>	<u>State Expenditures</u>
<i>State Awards</i>		
<u>Texas Education Agency</u>		
Communities In Schools - GR	210958027110022	\$ 912,671
2020-2021 CIS Expansion	210958037110006	45,000
		<u>957,671</u>
<b>Total Expenditures of State Awards</b>		<b><u><u>\$ 957,671</u></u></b>

*See notes to Schedule of Expenditures of State Awards*

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Notes to Schedule of Expenditures of State Awards**  
**Year Ended August 31, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of Communities In Schools of South Central Texas, Inc. (the Organization) under programs of the Texas state government for the year ended August 31, 2021. The information in the Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *Texas Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

All of the Organization’s state awards were in the form of cash assistance. The Organization had no state funded insurance programs or loan guarantees during the year ended August 31, 2021.

The Organization does not have an indirect cost reimbursement rate.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in 2CFR Section 200.502 wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – RECONCILIATION TO AUDITED FINANCIAL STATEMENT**

Total expenditures of state awards	\$ 957,671
Non-state program revenue	<u>126,771</u>
Total government grants per Statement of Activities	<u><u>\$ 1,084,442</u></u>

**COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2021**

**Section I - Summary of Auditors' Results**

**Description**

***Financial Statements***

Type of report of independent auditors	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No

***State Awards***

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Type of report of independent auditors issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance and Texas Uniform Grant Management Standards?	No

Major State Programs:

<u>Name of State Program or Cluster:</u>	<u>ID Number</u>
Texas Education Agency	
Communities In Schools - GR	210958027110022
2020-2021 CIS Expansion	210958037110006

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

None

**Section III - State Awards Findings**

None