

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

Audited Financial Statements

August 31, 2019

AKIN, DOHERTY, KLEIN & FEUGE, P.C.
Certified Public Accountants

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
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August 31, 2019

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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, 2019 and 2018, 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. 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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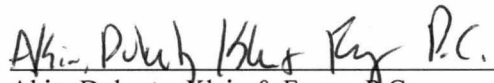
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Opinion

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, 2019 and 2018, 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.



Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

December 13, 2019

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statements of Financial Position
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 287,384	\$ 128,877
Accounts receivable, net	106,824	92,918
Inventory	42,468	42,468
Prepaid expenses	12,897	13,979
Total current assets	<u>449,573</u>	<u>278,242</u>
Non-Current Assets:		
Property and equipment, net	910,406	669,835
Investments, certificate of deposit	100,627	100,000
Total non-current assets	<u>1,011,033</u>	<u>769,835</u>
Total Assets	<u><u>\$ 1,460,606</u></u>	<u><u>\$ 1,048,077</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 15,778	\$ 2,957
Deferred revenue	-	7,000
Long-term debt, current portion	14,532	13,928
Long-term debt, related party, current portion	8,499	-
Total current liabilities	<u>38,809</u>	<u>23,885</u>
Long-term debt, less current portion	458,147	472,679
Long-term debt, related party, less current portion	237,377	-
Total liabilities	<u>734,333</u>	<u>496,564</u>
Net Assets:		
Without donor restrictions:		
Available for operations	527,723	423,020
Designated for recurring school programs	22,080	23,980
Total without donor restrictions	<u>549,803</u>	<u>447,000</u>
With donor restrictions	176,470	104,513
Total net assets	<u>726,273</u>	<u>551,513</u>
Total Liabilities and Net Assets	<u><u>\$ 1,460,606</u></u>	<u><u>\$ 1,048,077</u></u>

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Grants and foundations:			
Government grants	\$ 655,455	\$ -	\$ 655,455
Other grants and foundations	365,533	170,000	535,533
Service delivery agreements	1,360,730	-	1,360,730
Donations	410,162	126,863	537,025
Special events, net of expenses	312,741	-	312,741
Thrift store, net of expenses	96,682	-	96,682
	<u>3,201,303</u>	<u>296,863</u>	<u>3,498,166</u>
Other revenues:			
In-kind contributions	718,952	-	718,952
Interest	3,477	-	3,477
Other income	2,865	-	2,865
	<u>3,926,597</u>	<u>296,863</u>	<u>4,223,460</u>
Expenses			
Program services	3,398,041	-	3,398,041
Supporting services	609,048	-	609,048
Fundraising	41,611	-	41,611
	<u>4,048,700</u>	<u>-</u>	<u>4,048,700</u>
Change in Net Assets	(122,103)	296,863	174,760
Net assets released from restrictions	224,906	(224,906)	-
Net assets at beginning of year	447,000	104,513	551,513
	<u>447,000</u>	<u>104,513</u>	<u>551,513</u>
Net Assets at Year End	<u>\$ 549,803</u>	<u>\$ 176,470</u>	<u>\$ 726,273</u>

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Activities
Year Ended August 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Grants and foundations:			
Government grants	\$ 880,178	\$ -	\$ 880,178
Other grants and foundations	422,118	110,000	532,118
Service delivery agreements	1,208,657	-	1,208,657
Donations	383,234	128,845	512,079
Special events, net of expenses	274,592	-	274,592
Thrift store, net of expenses	102,319	-	102,319
	<u>3,271,098</u>	<u>238,845</u>	<u>3,509,943</u>
Other revenues:			
In-kind contributions	691,788	-	691,788
Interest	1,129	-	1,129
Other income	1,910	-	1,910
	<u>3,965,925</u>	<u>238,845</u>	<u>4,204,770</u>
Expenses			
Program services	3,518,319	-	3,518,319
Supporting services	616,689	-	616,689
Fundraising	31,965	-	31,965
	<u>4,166,973</u>	<u>-</u>	<u>4,166,973</u>
Change in Net Assets	(201,048)	238,845	37,797
Net assets released from restrictions	198,769	(198,769)	-
Net assets at beginning of year	449,279	64,437	513,716
	<u>447,000</u>	<u>104,513</u>	<u>551,513</u>
Net Assets at Year End	<u>\$ 447,000</u>	<u>\$ 104,513</u>	<u>\$ 551,513</u>

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services	Supporting Services	Fundraising	Total
Salaries, taxes and employee benefits	\$ 2,441,953	\$ 336,821	\$ 28,068	\$ 2,806,842
Insurance	21,731	2,963	-	24,694
Professional services	5,746	19,868	-	25,614
Occupancy	14,716	14,717	-	29,433
Program expenses	321,476	40,621	-	362,097
Marketing and community outreach	7,466	7,262	-	14,728
Volunteer support	1,143	-	-	1,143
Fundraising	-	4,255	13,543	17,798
Supplies, equipment, and technology	11,736	200	-	11,936
Travel and training	7,464	2,488	-	9,952
Depreciation	3,827	21,684	-	25,511
	<hr/>	<hr/>	<hr/>	<hr/>
Total direct expenses	2,837,258	450,879	41,611	3,329,748
In-kind contributions	560,783	158,169	-	718,952
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 3,398,041</u>	<u>\$ 609,048</u>	<u>\$ 41,611</u>	<u>\$ 4,048,700</u>
Special events costs not included above:				
Food and beverages			\$ 34,356	
Auction			29,815	
Facilities rental			16,482	
Other direct costs			21,989	
			<hr/>	
			<u>\$ 102,642</u>	

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Functional Expenses
Year Ended August 31, 2018

	Program Services	Supporting Services	Fundraising	Total
Salaries, taxes and employee benefits	\$ 2,329,699	\$ 321,338	\$ 26,778	\$ 2,677,815
Insurance	17,833	2,432	-	20,265
Professional services	3,977	19,195	-	23,172
Occupancy	12,123	12,123	-	24,246
Program expenses	578,743	73,129	-	651,872
Marketing and community outreach	7,042	6,849	-	13,891
Fundraising	-	1,604	5,187	6,791
Supplies, equipment, and technology	8,309	142	-	8,451
Travel and training	17,120	5,707	-	22,827
Depreciation	3,878	21,977	-	25,855
	<hr/>	<hr/>	<hr/>	<hr/>
Total direct expenses	2,978,724	464,496	31,965	3,475,185
In-kind contributions	539,595	152,193	-	691,788
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 3,518,319</u>	<u>\$ 616,689</u>	<u>\$ 31,965</u>	<u>\$ 4,166,973</u>
Special events costs not included above:				
Food and beverages			\$ 34,093	
Auction			43,351	
Facilities rental			6,634	
Other direct costs			36,246	
			<hr/>	
			<u>\$ 120,324</u>	

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 174,760	\$ 37,797
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	25,511	25,855
Change in operating assets and liabilities:		
Accounts receivable	(13,906)	26,912
Prepaid expenses	1,082	(1,700)
Accounts payable	12,821	122
Deferred revenue	(7,000)	7,000
Net cash provided by operating activities	<u>193,268</u>	<u>95,986</u>
Investing Activities		
Purchase of property and equipment	(266,082)	(11,070)
Net investment activity	<u>(627)</u>	<u>(33,570)</u>
Net cash (used) by investing activities	<u>(266,709)</u>	<u>(44,640)</u>
Financing Activities		
Borrowings on long-term debt	250,000	-
Principal payments on long-term debt	<u>(18,052)</u>	<u>(13,349)</u>
Net cash provided (used) by financing activities	<u>231,948</u>	<u>(13,349)</u>
Change in cash and cash equivalents	158,507	37,997
Cash and cash equivalents at beginning of year	<u>128,877</u>	<u>90,880</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 287,384</u></u>	<u><u>\$ 128,877</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 25,378	\$ 20,990
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, 2019 and 2018

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.

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 enter in 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.

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, 2019 and 2018. Interest is generally not charged on the receivables.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.

Notes to Audited Financial Statements

August 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 2019 and 2018.

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.

Special Events: Costs associated with special events are netted against the related revenue, and totaled approximately \$103,000 in 2019 and \$120,000 in 2018.

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, 2019 totaled \$718,952, consisting of \$165,425 for monthly facility rent and \$553,527 for professional services, clothing, food, office supplies, and school supplies. The fair market value of in-kind contributions for the year ended August 31, 2018 totaled \$691,788, consisting of \$135,675 for monthly facility rent and \$556,113 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.

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 \$166,000 in 2019 and \$153,000 in 2018.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.

Notes to Audited Financial Statements

August 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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: The Organization participates in state and federal 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.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with terms of more than 12 months. Management does not expect the new standard to have a significant impact to its financial position, statement of activities and related disclosures.

In June 2018, the FASB issued a new accounting pronouncement clarifying the scope and guidance for contributions received, effective for periods beginning after December 15, 2018 with early adoption permitted. The update assists organizations in 1) evaluating whether transactions should be accounted for as contributions or exchange transactions and 2) determine whether contributions are conditional. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.**Notes to Audited Financial Statements****August 31, 2019 and 2018****NOTE B - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Texas Education Agency	\$ 54,011	\$ 64,302
Texas Department of State Health Services	-	3,895
Department of Health and Human Services	-	20,562
McKenna Foundation	-	1,102
Texas Parks and Wildlife Department	26,342	3,057
Lifeguards Fund	1,443	-
Alumni Scholarship	25,000	-
Other	28	-
	<u>\$ 106,824</u>	<u>\$ 92,918</u>

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 253,945	\$ 151,000
Building and improvements	712,096	548,959
Equipment	62,113	62,113
Total property and equipment	1,028,154	762,072
Less accumulated depreciation	<u>(117,748)</u>	<u>(92,237)</u>
Property and equipment, net	<u>\$ 910,406</u>	<u>\$ 669,835</u>

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2019 and 2018

NOTE D – LONG-TERM DEBT AND LINE OF CREDIT

	<u>2019</u>	<u>2018</u>
First Commercial Bank, \$528,000, interest at 4.25%, with monthly installments of \$2,862, maturing May 2040.	\$ 472,679	\$ 486,607
Note payable to Keith Moore, Board Member, \$250,000, interest at 4.00%, monthly installments of \$1,515, secured by the building, maturing February 2039.	245,876	-
First Commercial Bank, \$100,000 line of credit, interest at 3.00%, guaranteed by a certificate of deposit held at First Commercial Bank, maturing June 2020.	<u>-</u>	<u>-</u>
	<u>\$ 718,555</u>	<u>\$ 486,607</u>

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

<u>Year Ending August 31,</u>	
2020	\$ 23,031
2021	24,007
2022	25,024
2023	26,085
2024	27,190
Thereafter	<u>593,218</u>
	<u>\$ 718,555</u>

NOTE E – 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. The value of the fund was \$82,127 and \$79,697 as of August 31, 2019 and 2018, respectively, and is not recognized in the Organization’s statement of financial position as the fund is not under its control.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2019 and 2018

NOTE F – NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Without Donor Restriction, Designated for recurring school programs: for recurring school programs:		
School supplies	<u>\$ 22,080</u>	<u>\$ 23,980</u>
With Donor Restrictions (time and purpose restricted):		
NBISD 9th Grade Center	\$ -	\$ 20,000
Mental health services	-	60,000
SOS and counseling services	80,558	-
Program coordinators	50,000	-
Alumni scholarships	22,551	14,172
Client Needs - Specific Campuses	13,747	5,787
Shoes program	3,143	4,554
Travel expenses	4,233	-
Oakwood Fund	<u>2,238</u>	<u>-</u>
	<u>\$ 176,470</u>	<u>\$ 104,513</u>

NOTE G – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the Organization 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.

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.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2019 and 2018

NOTE G – FAIR VALUE MEASUREMENTS - continued

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 at fair value as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>August 31, 2019</i>				
Certificate of deposit	<u>\$ 100,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,627</u>
Total investments at fair value	<u><u>\$ 100,627</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,627</u></u>
<i>August 31, 2018</i>				
Certificate of deposit	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Total investments at fair value	<u><u>\$ 100,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>

NOTE H – 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 \$450,000 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.