

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

**Audited Financial Statements
And
Single Audit Reports**

August 31, 2023

ADKF, P.C.
Certified Public Accountants

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Communities In Schools of South Central Texas Inc. (the Organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Communities In Schools of South Central Texas Inc., as of August 31, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to your audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Auditor's Responsibility for the Audit of the Financial Statements – continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, as required by *Texas 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards 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 report dated January 26, 2024 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 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. This 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
January 26, 2024

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.

Statements of Financial Position

August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,035,898	\$ 1,046,540
Accounts receivable, net	353,974	286,584
Inventory	76,584	65,793
Prepaid expenses	24,531	33,018
Total current assets	<u>1,490,987</u>	<u>1,431,935</u>
Non-Current Assets:		
Property and equipment, net	594,864	902,757
Investments, at fair value	3,053,880	2,985,637
Total non-current assets	<u>3,648,744</u>	<u>3,888,394</u>
Total Assets	<u><u>\$ 5,139,731</u></u>	<u><u>\$ 5,320,329</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 38,703	\$ 26,180
Accrued liabilities	-	2,288
Long-term debt, current portion	-	16,504
Long-term debt, related party, current portion	-	9,581
Total current liabilities	<u>38,703</u>	<u>54,553</u>
Long-term debt, less current portion	-	410,663
Long-term debt, related party, less current portion	-	209,745
Total liabilities	<u>38,703</u>	<u>674,961</u>
Net Assets:		
Without donor restrictions:		
Available for operations	4,633,236	4,279,215
Designated for recurring school programs	25,061	40,342
Total without donor restrictions	<u>4,658,297</u>	<u>4,319,557</u>
With donor restrictions	442,731	325,811
Total net assets	<u>5,101,028</u>	<u>4,645,368</u>
Total Liabilities and Net Assets	<u><u>\$ 5,139,731</u></u>	<u><u>\$ 5,320,329</u></u>

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grants	\$ 1,200,041	\$ -	\$ 1,200,041
Employee retention tax credit grant	755,707	-	755,707
Other grants and foundations	353,330	294,143	647,473
Service delivery agreements	2,131,252	-	2,131,252
Donations	637,093	140,044	777,137
Special events, net of expenses	78,043	-	78,043
Thrift store, net of expenses	193,069	-	193,069
	<u>5,348,535</u>	<u>434,187</u>	<u>5,782,722</u>
Other revenues:			
In-kind contributions	793,659	-	793,659
Investment income, net	101,651	-	101,651
Gain on sale of property and equipment	122,929	-	122,929
Other income (expense)	(2,964)	-	(2,964)
	<u>6,363,810</u>	<u>434,187</u>	<u>6,797,997</u>
Total support and revenues	6,363,810	434,187	6,797,997
Expenses			
Program services	5,303,002	-	5,303,002
Supporting services	841,476	-	841,476
Fundraising	197,859	-	197,859
	<u>6,342,337</u>	<u>-</u>	<u>6,342,337</u>
Total expenses	6,342,337	-	6,342,337
Change in Net Assets	21,473	434,187	455,660
Net assets released from restrictions	317,267	(317,267)	-
Net assets at beginning of year	4,319,557	325,811	4,645,368
	<u>4,658,297</u>	<u>442,731</u>	<u>5,101,028</u>
Net Assets at Year End	\$ 4,658,297	\$ 442,731	\$ 5,101,028

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grants	\$ 1,279,257	\$ -	\$ 1,279,257
Other grants and foundations	100,038	331,900	431,938
Service delivery agreements	2,449,190	-	2,449,190
Donations	251,761	338,135	589,896
Donations - Mackenzie Scott	3,000,000	-	3,000,000
Special events, net of expenses	350,404	-	350,404
Thrift store, net of expenses	207,415	-	207,415
	<u>7,638,065</u>	<u>670,035</u>	<u>8,308,100</u>
Other revenues:			
In-kind contributions	611,091	-	611,091
Investment (loss), net	(104,282)	-	(104,282)
Other income	3,367	-	3,367
	<u>7,638,065</u>	<u>670,035</u>	<u>8,308,100</u>
 Total support and revenues	 8,148,241	 670,035	 8,818,276
Expenses			
Program services	5,004,136	-	5,004,136
Supporting services	454,155	-	454,155
Fundraising	250,382	-	250,382
	<u>5,708,673</u>	<u>-</u>	<u>5,708,673</u>
 Total expenses	 5,708,673	 -	 5,708,673
 Change in Net Assets	 2,439,568	 670,035	 3,109,603
 Net assets released from restrictions	 777,814	 (777,814)	 -
Net assets at beginning of year	1,102,175	433,590	1,535,765
	<u>1,102,175</u>	<u>433,590</u>	<u>1,535,765</u>
 Net Assets at Year End	 <u>\$ 4,319,557</u>	 <u>\$ 325,811</u>	 <u>\$ 4,645,368</u>

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Functional Expenses
Year Ended August 31, 2023

	Program Services	Supporting Services	Fundraising	Total
Salaries, taxes and employee benefits	\$ 4,116,295	\$ 518,896	\$ 143,866	\$ 4,779,057
Insurance	14,041	16,059	775	30,875
Business expense	2,932	235	-	3,167
Professional services	8,966	39,156	3,690	51,812
Facilities expense	593	99,218	143	99,954
Program expenses	352,557	41,738	3,327	397,622
Marketing and community outreach	3,871	2,400	4,935	11,206
Volunteer support	5,364	669	-	6,033
Fundraising	-	361	12,502	12,863
Supplies, equipment, and technology	27,324	42,410	806	70,540
Travel and meeting	51,486	4,954	1,922	58,362
Depreciation	4,078	22,021	1,088	27,187
	<u>4,587,507</u>	<u>788,117</u>	<u>173,054</u>	<u>5,548,678</u>
In-kind contributions	<u>715,495</u>	<u>53,359</u>	<u>24,805</u>	<u>793,659</u>
	<u>\$ 5,303,002</u>	<u>\$ 841,476</u>	<u>\$ 197,859</u>	<u>\$ 6,342,337</u>
Special events costs not included above:				
Food and beverages			\$ 48,937	
Facilities rental			14,780	
Other direct costs			<u>29,216</u>	
			<u>\$ 92,933</u>	

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statement of Functional Expenses
Year Ended August 31, 2022

	Program Services	Supporting Services	Fundraising	Total
Salaries, taxes and employee benefits	\$ 3,904,777	\$ 305,759	\$ 189,310	\$ 4,399,846
Insurance	25,075	2,090	1,254	28,419
Business expense	1,034	73	39	1,146
Professional services	15,840	26,336	343	42,519
Facilities expense	43,730	12,806	10,236	66,772
Program expenses	375,684	25,010	4,010	404,704
Marketing and community outreach	4,826	2,504	5,118	12,448
Volunteer support	3,601	-	-	3,601
Fundraising	-	-	14,864	14,864
Supplies, equipment, and technology	28,268	9,602	4,470	42,340
Travel and meeting	45,067	122	218	45,407
Depreciation	5,327	28,768	1,421	35,516
	<u>4,453,229</u>	<u>413,070</u>	<u>231,283</u>	<u>5,097,582</u>
In-kind contributions	<u>550,907</u>	<u>41,085</u>	<u>19,099</u>	<u>611,091</u>
	<u>\$ 5,004,136</u>	<u>\$ 454,155</u>	<u>\$ 250,382</u>	<u>\$ 5,708,673</u>
Special events costs not included above:				
Food and beverages			\$ 35,685	
Facilities rental			14,339	
Other direct costs			<u>42,660</u>	
			<u>\$ 92,684</u>	

See notes to audited financial statements.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 455,660	\$ 3,109,603
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	27,187	35,516
(Gain) on sale of property and equipment	(122,929)	-
Change in operating assets and liabilities:		
Accounts receivable	(67,390)	(141,220)
Inventory	(10,791)	10,638
Prepaid expenses	8,487	(16,187)
Accounts payable	12,523	4,104
Accrued liabilities	(2,288)	2,288
Net cash provided by operating activities	<u>300,459</u>	<u>3,004,742</u>
Investing Activities		
Purchase of property and equipment	-	(53,503)
Proceeds from sale of property and equipment	403,635	-
Net investment activity	(68,243)	(2,883,494)
Net cash provided (used) by investing activities	<u>335,392</u>	<u>(2,936,997)</u>
Financing Activities		
Principal payments on long-term debt	(646,493)	(25,025)
Net cash (used) by financing activities	<u>(646,493)</u>	<u>(25,025)</u>
Change in cash and cash equivalents	(10,642)	42,720
Cash and cash equivalents at beginning of year	<u>1,046,540</u>	<u>1,003,820</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,035,898</u></u>	<u><u>\$ 1,046,540</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 9,401	\$ 26,745
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, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Communities In Schools of South Central Texas, Inc. (CISSCT or Organization) was organized as a Texas nonprofit corporation on December 15, 1992. The purpose of CISSCT is to support students (grades K-12) in improving their academic and social emotional skills to overcome obstacles to success in schools, graduate, and be successful throughout their lives. CISSCT serves 55 campuses in 6 South Central Texas school districts. CISSCT provides on-campus student support with professional coordinators that establish one-on-one relationships with students and their families connecting them to critical community resources, tailored to their specific needs. Together they create academic and behavioral service plans which are regularly monitored to ensure students achieve their goals. Many of the youth CISSCT serve are from families with issues of poverty, substance abuse, and poor mental health—a home environment that is not conducive to healthy living and a good moral compass. Site coordinators and mental health counselors provide individual and group counseling, mentoring and enrichment activities to help the students achieve their highest potential. CISSCT is supported primarily by the Texas Education Agency, service delivery agreements with the school districts, contributions from foundations, corporations and individuals, and special events.

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 CISSCT 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 CISSCT’s mission and purpose, that will be met by actions of CISSCT 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 CISSCT. For contract periods which differ from the fiscal year of CISSCT, the financial statements include those portions of each grant accrued (earned) during CISSCT'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.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Service Delivery Agreements: School districts in Caldwell, Comal, Gonzales and Guadalupe Counties have entered into agreements for CISSCT 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 from federal, state, and local grants on a cost reimbursement basis and by school districts on a contract 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 receivables 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. Accounts receivables are considered to be fully collectible by management at August 31, 2023; accordingly, no allowance for doubtful accounts is required. Interest is not charged on the receivables. Accounts receivable at September 1, 2021, beginning of the earliest year presented, totaled \$145,364.

Inventory: Inventory consists primarily of donated goods utilized by the Thrift Store operated by the Organization. The inventory is valued at its estimated wholesale net realizable 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.

Investments: Investments are reported at fair market value determined by quoted market prices. Gains and losses (realized and unrealized) are reported as investment earnings, net of fees, of approximately \$29,000 in 2023 and \$5,900 in 2022, in the accompanying statements of activities. Donated investment instruments are recorded at fair value at the date of donation. 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. Investments are classified as non-current on the Statement of Financial Position since they are not expected to be used in operations during the next year.

Employee Benefit Plan: The Organization has a 403(b) plan that is eligible to substantially all full-time 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's contributions to the Plan totaled approximately \$48,000 in 2023 and \$22,000 in 2022.

Income Taxes: CISSCT 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.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating Leases: The Organization determines if an arrangement is an operating lease or financing lease at commencement of the lease. For all operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Organization uses the risk-free discount rate to determine the present value of lease payments, according to the Organization's elected policy. In determining lease asset values, the Organization's considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

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. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

Special Events: CISSCT hosts special events to raise awareness of its mission and to raise funds for the organization. Costs associated with special events are netted against the related revenue, and totaled approximately \$93,000 in 2023 and 2022.

Thrift Store: CISSCT owns a thrift store to raise awareness of its mission and provides quality items for people of all incomes while benefiting the Organization's sustainability efforts. Costs associated with the thrift store are netted against the related revenue, and such costs totaled approximately \$264,000 in 2023 and \$261,000 in 2022.

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 with financial institutions, and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC. At August 31, 2023, the Organization had approximately \$819,000 in excess of the FDIC insured limit. The Organization periodically assesses the financial condition of the institutions and believes the risk of loss is minimal.

Commitments and Contingencies: CISSCT 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.

Approximately 19% and 16% of support and revenues are derived from government grants for the years ending August 31, 2023, and 2022, respectively.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Adopted Accounting Pronouncement: In February 2016, FASB issued ASU No. 2016-02, “Leases (Topic 842),” for reporting periods beginning after December 15, 2021. A lessee is required to recognize on the balance sheet right-of-use assets, representing the right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases.

CISSCT adopted the new standard effective, July 1, 2022. Consistent with the optional transition method allowed as part of the modified retrospective transition approach provided in ASU No. 2018-11, CISSCT did not adjust comparative periods. CISSCT also elected to apply the package of practical expedients allowed in ASC 842-10-65-1 whereby CISSCT need not reassess whether any expired or existing contracts are, or contain, leases; CISSCT need not reassess the lease classification for any expired or existing leases; and CISSCT need not reassess initial costs for any existing leases. For all asset classes, CISSCT elected to not recognize a right-of use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not result in the addition of operating lease right-of-use assets and corresponding lease liabilities on the statement of financial position, since the Organization did not have significant leases in effect during the year.

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.

NOTE B - DONATION – MACKENZIE SCOTT

Communities In Schools of South Central Texas received in December 2021 a \$3 million unrestricted, one-time donation from philanthropist MacKenzie Scott to support the transformational work CIS undertakes in local communities. The one-time donation ensures long-term sustainability and provides funding to strengthen CIS programs for years to come.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE C - IN-KIND CONTRIBUTIONS

Separate from the Thrift Store, the Organization may receive services, supplies, and equipment without payment or compensation to promote the programs of CISSCT. When the value of such services meets recognition criteria, it is reflected in the accompanying statement of activities as revenues and expenditures in a like amount. The fair market value of in-kind contributions for the year ended August 31, 2023 totaled \$793,659, consisting of \$205,500 for facility rent and \$588,159 for professional services, clothing, food, office supplies, and school supplies. The fair market value of in-kind contributions for the year ended August 31, 2022 totaled \$611,091, consisting of \$217,546 for facility rent and \$393,545 for professional services, clothing, food, office supplies, and school supplies. For the years ended August 31, 2023 and 2022, all the in-kind contributions were unrestricted and valued using estimated prices of identical or similar services provided by the donor at the time of the contribution and used in the Organization’s programs. The Organization does not sell the goods and supplies.

Many board members and individuals from the communities CISSCT serve volunteer their time and effort on an ongoing basis to assist the Organization in its operations and special events. The total volunteers that assisted the organization were 1,590, representing 18,310 service hours, and 493, representing 5,994 service hours for August 31, 2023 and 2022 respectively. The value of the services provided do not meet recognition criteria in the statements, and accordingly, no value was recorded.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2023	2022
Texas Education Agency	\$ 106,245	\$ 96,964
Hill Scholarship Fund	11,928	-
Thrift Store	(1,035)	-
Blue Cross Blue Sheild	25,000	-
Texas Parks and Wildlife Department	37,377	1,241
School District Agreements	174,459	188,379
	\$ 353,974	\$ 286,584

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 151,000	\$ 253,945
Building and improvements	556,087	714,846
Equipment	<u>108,080</u>	<u>146,466</u>
Total property and equipment	815,167	1,115,257
Less accumulated depreciation	<u>(220,303)</u>	<u>(212,500)</u>
Property and equipment, net	<u><u>\$ 594,864</u></u>	<u><u>\$ 902,757</u></u>

NOTE F - LONG-TERM DEBT

Long-term debt consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
First Commercial Bank, \$528,000, interest at 4.25%, with monthly installments of \$2,862. Paid in full in 2023.	\$ -	\$ 427,167
Note payable to Keith Moore, Board Member, with interest at 4.00%, monthly installments of \$1,515, secured by the building. Paid in full in 2023.	<u>-</u>	<u>219,326</u>
	<u><u>\$ -</u></u>	<u><u>\$ 646,493</u></u>

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE G – EMPLOYEE RETENTION CREDIT (ERC)

In March 2021, the Internal Revenue Service (IRS) released Notice 2021-20, which retroactively eliminated the restriction that prevented employers who received a PPP loan from qualifying for the ERC, a refundable tax credit against certain employment taxes. Upon determination that the employer has complied with all of the conditions required to receive the credit, a grant may be recognized. During 2023, CISSCT claimed and received ERC of \$755,707, which was recorded in Support and Revenues on the statement of activities.

NOTE H - 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 \$216,441 and \$91,373 as of August 31, 2023 and 2022, respectively, and is not recognized in the Organization’s statement of financial position as the fund is not under its control.

NOTE I - NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Without Donor Restriction, Designated for Recurring School Programs:		
School supplies	<u>\$ 25,061</u>	<u>\$ 40,342</u>
With Donor Restrictions (time and purpose restricted):		
SOS and counseling services	60,610	62,733
Project success/alumni	268,087	189,942
Salaries and benefits	87,917	47,296
Specific assistance to clients	<u>26,117</u>	<u>25,840</u>
	<u>\$ 442,731</u>	<u>\$ 325,811</u>

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE J - FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, CISSCT 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.

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.

Certificates of Deposit: Valued at its cost plus accrued interest.

Equity Securities and Mutual Funds: Valued at the trading price of the security (or net asset value) on the last day of the year.

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Notes to Audited Financial Statements
August 31, 2023 and 2022

NOTE J - FAIR VALUE MEASUREMENTS - continued

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>August 31, 2023</i>				
Certificates of deposit	\$ 205,339	\$ -	\$ -	205,339
Cash and cash equivalents	31,121	-	-	31,121
Equity securities	1,454,708	-	-	1,454,708
Mutual funds	1,362,712	-	-	1,362,712
Investments measured at fair value	<u>\$ 3,053,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,053,880</u>
<i>August 31, 2022</i>				
Certificate of deposit	\$ 102,603	\$ -	\$ -	\$ 102,603
Cash and cash equivalents	562,654	-	-	562,654
Equity securities	1,290,410	-	-	1,290,410
Mutual funds	1,029,970	-	-	1,029,970
Investments measured at fair value	<u>\$ 2,985,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,985,637</u>

NOTE K - 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 \$1,491,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. This consists 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.

NOTE L - CURRENT ECONOMIC CONDITIONS

Certain current economic events have arisen which could impact the Organization's ongoing operations. The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.

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

**Single Audit Reports
State Awards**

August 31, 2023



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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*

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, 2023, and the related statement 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 January 26, 2024.

Report on 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) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Organization'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 or significant deficiencies may exist that have not been identified.

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Report on 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.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
January 26, 2024



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

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Communities In Schools of South Central Texas, Inc.’s (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major state programs for the year ended August 31, 2023. 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.

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, 2023.

Basis for Opinion of Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Texas Grant Management Standards (TXGMS)* and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards, *TXGMS* and Uniform Guidance, are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination on the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization’s state programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards, *Government Auditing Standards*, *Texas Grant Management Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than from that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, *Texas Grant Management Standards*, and Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *Texas Uniform Grant Management Standards* and Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control Over Compliance - continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *Texas Grant Management Standards* and Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
January 26, 2024

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Schedule of Expenditures of State Awards
Year Ended August 31, 2023

<u>State Grantor /Pass-Through Grantor / Program or Contract Title</u>	<u>Entity Identifying Number</u>	<u>State Expenditures</u>
<i>State Awards</i>		
<u>Texas Education Agency</u> Communities In Schools - GR	233630027110024	\$ 1,039,226
<u>Texas Parks & Wildlife Department</u> CIS Project Success Summer Bootcamp	114861300	<u>28,738</u>
Total Expenditures of State Awards		<u><u>\$ 1,067,964</u></u>

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, 2023

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, 2023. 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 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, 2023.

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 STATEMENTS

Total expenditures of state awards	\$ 1,067,964
Non-state government grants	<u>132,077</u>
Total government grants per Statement of Activities	<u><u>\$ 1,200,041</u></u>

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

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	No
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	No
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 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

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III - State Awards Findings

None