

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017



Communities
In Schools

Greater Central Texas

WILLIAM ARTHUR GRIMSLEY
CERTIFIED PUBLIC ACCOUNTANT

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
TABLE OF CONTENTS

For the Year Ending August 31, 2017

| | <u>Page Number</u> |
|---|------------------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7-11 |
| REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS | |
| 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 <i>Government Auditing Standards</i> | 12-13 |
| STATE OF TEXAS SINGLE AUDIT: | |
| Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the <i>State of Texas Single Audit Circular</i> | 14-15 |
| Schedule of Findings and Questioned Costs | 16 |
| Schedule of Expenditures of State Awards | 17 |
| Notes to the Schedule of Expenditures of State Awards | 18 |

WILLIAMARTHURGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Communities in Schools of Greater Central Texas, Inc.
Killeen, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of Communities in Schools of Greater Central Texas, Inc. (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Greater Central Texas, Inc. as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of findings and questioned cost, schedule of expenditures of state awards, and the notes thereto, as listed in table of contents, are presented for purposes of additional analysis as required by the State of Texas *Single Audit Circular*, 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 my 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*, I have also issued my report dated February 9, 2018, on my consideration of Communities in Schools of Greater Central Texas, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Greater Central Texas, Inc.'s internal control over financial reporting and compliance.



William Grimsley, CPA

Gatesville, Texas

February 9, 2018

FINANCIAL STATEMENTS

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

STATEMENT OF FINANCIAL POSITION

As of August 31, 2017

ASSETS

Current assets:

| | |
|-----------------------------|------------------|
| Cash | \$ 987,167 |
| Accounts receivable: | |
| Grants | 199,784 |
| Prepaid expenses | 12,712 |
| Total current assets | 1,199,663 |

Long-term assets:

| | |
|---|---------------|
| Fixed assets, net of accumulated depreciation | 58,976 |
| Total long-term assets | 58,976 |

| | |
|---------------------|---------------------|
| Total assets | \$ 1,258,639 |
|---------------------|---------------------|

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|--------------------------|----------------|
| Deferred revenue | \$ 167,450 |
| Total liabilities | 167,450 |

Net assets:

| | |
|-------------------------|---------------------|
| Unrestricted | 892,053 |
| Temporarily restricted | 199,136 |
| Total net assets | \$ 1,091,189 |

| | |
|---|---------------------|
| Total liabilities and net assets | \$ 1,258,639 |
|---|---------------------|

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

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|--------------|---------------------------|--------------|
| Revenue and support: | | | |
| State grants | \$ 997,439 | \$ 156,170 | \$ 1,153,609 |
| Federal grants | 292,773 | 38,850 | 331,623 |
| School district contracted services | 1,034,274 | - | 1,034,274 |
| Private grants, donations, & contributions | 401,965 | 4,116 | 406,081 |
| Fundraising | 30,682 | - | 30,682 |
| In-kind contributions | 96,330 | - | 96,330 |
| Other income | 8,013 | - | 8,013 |
| | 2,861,476 | 199,136 | 3,060,612 |
| Net assets released from restrictions | 4,321 | (4,321) | - |
| Total revenue and support | 2,865,797 | 194,815 | 3,060,612 |
| Expenses: | | | |
| Program | 2,650,383 | - | 2,650,383 |
| General and administrative | 264,740 | - | 264,740 |
| Fundraising | 7,782 | - | 7,782 |
| Total expenses | 2,922,905 | - | 2,922,905 |
| Change in net assets | (57,108) | 194,815 | 137,707 |
| Net assets, beginning of year | 949,161 | 4,321 | 953,482 |
| Net assets, end of year | \$ 892,053 | \$ 199,136 | \$ 1,091,189 |

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

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2017

| | Program Services | General and Administrative | Fundraising Expenses | Total |
|-----------------------|-----------------------------|---------------------------------------|---------------------------------|---------------------|
| Personnel Costs: | | | | |
| Salaries | \$ 2,194,595 | \$ 165,185 | \$ - | \$ 2,359,780 |
| Payroll taxes | 164,595 | 12,389 | - | 176,984 |
| Health insurance | \$ 83,993 | \$ 6,322 | - | 90,315 |
| Total Personnel Costs | <u>2,443,183</u> | <u>183,895</u> | <u>-</u> | <u>2,627,079</u> |
| Other Expenses: | | | | |
| In kind expenses | 86,076 | 10,254 | - | 96,330 |
| Program expenses | 95,351 | 1,134 | 7,782 | 104,267 |
| Occupancy | 19,017 | 12,183 | - | 31,200 |
| Insurance | - | 23,478 | - | 23,478 |
| Miscellaneous | - | 1,541 | - | 1,541 |
| Office supplies | - | 4,763 | - | 4,763 |
| Professional fees | - | 4,500 | - | 4,500 |
| Utilities | - | 5,650 | - | 5,650 |
| Depreciation | - | 3,777 | - | 3,777 |
| Postage and printing | 3,160 | 235 | - | 3,395 |
| Telephone | - | 5,154 | - | 5,154 |
| Travel and training | 3,595 | 4,543 | - | 8,138 |
| Fees and dues | - | 2,155 | - | 2,155 |
| Board expenses | - | 1,478 | - | 1,478 |
| Total other expenses | <u>207,199</u> | <u>80,845</u> | <u>7,782</u> | <u>295,826</u> |
| Total Expenses | <u>\$ 2,650,382</u> | <u>\$ 264,740</u> | <u>\$ 7,782</u> | <u>\$ 2,922,905</u> |

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

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2017

Cash flows from operating activities:

| | |
|--|---------------|
| Increase (decrease) in net assets | \$ 137,707 |
| Depreciation | 3,777 |
| (Increase) decrease in operating assets: | |
| Grants receivable | (194,464) |
| Prepaid expenses | 678 |
| Increase (decrease) in operating liabilities: | |
| Payroll liabilities | (49) |
| Deferred revenue | 70,000 |
| Net cash provided by operating activities | 17,649 |

Cash flows from investing activities

| | |
|--|----------|
| Purchase of fixed assets | - |
| Net cash used by investing activities | - |

| | |
|-----------------------------|---------------|
| Net increase in cash | 17,649 |
|-----------------------------|---------------|

| | |
|--|----------------|
| Cash at the beginning of the year | 969,518 |
|--|----------------|

| | |
|------------------------------------|-------------------|
| Cash at the end of the year | \$ 987,167 |
|------------------------------------|-------------------|

Supplemental disclosure of cash flow information

| | |
|---|------|
| Cash paid during the fiscal year for interest | \$ - |
|---|------|

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

NOTES TO THE FINANCIAL STATEMENTS

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION

Communities in Schools of Greater Central Texas, Inc. ("CIS") was incorporated in Texas in November 1992, as a non-profit corporation.

The mission of CIS is to surround students with a community of support, empowering them to stay in school and achieve in life. CIS partners with educators, students, and parents to identify needs of students who are at-risk of dropping out of school. By engaging community resource partners, CIS customizes learning supports for students and provides individual case management. CIS monitors student level data and tracks education outcomes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CIS have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

CIS follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205 (formerly Financial Accounting Standards Board Statement No. 117, *Financial Statements for Not-For-Profit Organizations*). Under ASC 958-205, CIS is required to report information regarding its financial position and activities according to three classes of net assets:

- 1) *Unrestricted* – Net assets that are not subject to donor imposed restrictions.
- 2) *Temporarily restricted* – Net assets subject to donor-imposed stipulations which expire when the stipulation purpose for which the resource was restricted has been fulfilled.
- 3) *Permanently restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. CIS had no permanently restricted net assets as of August 31, 2017.

Income Taxes

CIS has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Sec. 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax.

During the current fiscal year, the Internal Revenue Service (IRS) conducted an audit of the tax returns filed for the tax years 2014, 2015, and 2016. The tax returns were accepted as filed.

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

NOTES TO THE FINANCIAL STATEMENTS

However, it was determined that certain bingo proceeds were unrelated business income. Accordingly, CIS filed Form 990-T for the years under audit. All years were accepted as filed.

Cash

Cash as reported on the statements of financial position and cash flows consist of bank deposits as of August 31, 2017.

Grants Receivable

Represents amounts due from grantors at year-end, collected in the subsequent year.

Property and Equipment

Property and equipment are valued at cost. Donated assets are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to operations, as incurred.

In-Kind Contributions

The value of non-cash donations of materials is recorded in the accompanying financial statements as in-kind contributions and in-kind expenses based on their fair market value at the date of receipt. The value of discounted and free use of facilities are also recorded as in-kind contributions and in-kind expense based on the fair market value at corresponding date of usage. The total amount recorded for the year ended August 31, 2017 was \$96,330.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

CIS maintains its cash balances at several financial institutions where deposits are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The total cash carrying balance as of August 31, 2017, was \$987,167, and the bank balances were \$1,034,319, all of which were covered by the FDIC.

4. FAIR VALUE MEASUREMENTS AND DISCLOSURES

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also established a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended August 31, 2017, the application of valuation techniques applied for similar assets and liabilities has been consistent.

Financial instruments included in CIS's statement of financial position include cash, grants receivable and accounts receivable. The recorded values of all CIS's financial instruments approximate their fair value based on their short-term nature.

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

NOTES TO THE FINANCIAL STATEMENTS

5. GRANTS RECEIVABLE

Grants receivable consist of the following at August 31, 2017:

| | |
|---|-------------------|
| Central Texas United Way | \$ 4,116 |
| Texas Education Agency- TANF pass through | 38,850 |
| Texas Education Agency | 156,170 |
| Total | <u>\$ 199,136</u> |

6. PROPERTY AND EQUIPMENT

As of August 31, 2017, property and equipment consisted of the following:

| | Life | 2017 |
|-----------------------------|------|------------------|
| Building | 30 | 100,000 |
| Equipment | 10 | 4,440 |
| Total | | 104,440 |
| Accumulated depreciation | | (45,464) |
| Property and equipment, net | | <u>\$ 58,976</u> |

Depreciation expense for the year ending August 31, 2017, was \$3,777.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amount restricted by donors for the following purposes as of August 31, 2017:

| | |
|------------------------|-------------------|
| For subsequent periods | <u>\$ 199,136</u> |
|------------------------|-------------------|

8. CONTINGENCIES

Amounts received from government and other grants require the fulfillment of certain conditions as set forth in the grant contracts. CIS intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of funds to the grantors. Amounts received, or receivable are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability to CIS. In management's opinion, disallowed claims, if any, would not have a material adverse effect on CIS's financial position or result of operations.

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.

NOTES TO THE FINANCIAL STATEMENTS

9. RISK MANAGEMENT

CIS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which CIS carries commercial insurance.

10. HEALTH CARE PLAN

Full time employees are eligible to enroll in the CIS group health, prescription and dental plan (the Plan). The Plan is qualified as a Section 125 Health Plan and accordingly premiums paid by the employee are treated as a pre-tax payroll deduction. Under the Plan, CIS contributes 50% of the employee's single premium. For the year ended August 31, 2017, CIS contributions to the Plan totaled \$69,910.

11. OPERATING LEASES

CIS leases an office space located in Killeen under the terms of a lease agreement accounted for as an operating lease. The lease was extended on September 1, 2015 for an additional three years ending August 31, 2018. The monthly lease installment of \$2,000, is off-set by an in-kind contribution from the lessor of \$400, resulting in a net monthly installment of \$1,600. Rent expense for the year ended August 31, 2017 was \$19,200.

Future minimum lease commitments under the operating lease as of August 31, 2017, are summarized as follows:

| Fiscal Year Ending | |
|--------------------|-----------|
| 2018 | 19,200 |
| Total | \$ 19,200 |

On June 1, 2016, CIS entered into a lease agreement for the expansion of their current office in Killeen. The term of the lease was for one year commencing June 1, 2016 and ending of May 31, 2017, extended to May 31, 2018. Rent for the term of the lease is \$12,000, to be paid in twelve monthly installments. Rent expense for the year ended August 31, 2017, was \$12,000.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2018, the date the financial statements were available to be issued. There were no events noted that required adjustment to these financial statements.

COMPLIANCE AND INTERNAL CONTROL SECTION

WILLIAMARTHURGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

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 Greater Central Texas, Inc.
Killeen, TX

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Communities in Schools of Greater Central Texas, Inc. ("CIS"), which comprise the statement of financial position as of August 31, 2017, 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 my report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is 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 in charge of governance.

My consideration of the internal control over financial reporting 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 my audit I did not identify any deficiencies in the internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CIS's financial statements are free of material misstatements, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CIS'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 CIS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William Arthur Grimsley, CPA
Gatesville, TX
February 9, 2018

STATE OF TEXAS SINGLE AUDIT SECTION

WILLIAMARTHURGRIMSLEY
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS *SINGLE AUDIT*
*CIRCULAR***

To the Board of Directors of
Communities in Schools of Greater Central Texas, Inc.

Report on Compliance for Each Major State Program

I have audited Communities in Schools of Greater Central Texas, Inc.'s (CIS) compliance with the types of compliance requirements described in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of CIS's major state programs for the year ended August 31, 2017. CIS'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 requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of CIS's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; and the State of Texas *Single Audit Circular*. Those standards, require that I 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 CIS's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of CIS's compliance.

Opinion on Each Major State Program

In my opinion, CIS 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, 2017.

Report on Internal Control over Compliance

Management of CIS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered CIS's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of CIS'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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



William Arthur Grimsley, CPA
Gatesville, Texas
February 9, 2018

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2017

Section I- Summary of Audit Results

Financial Statements:

| | |
|---|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified: | No |
| Significant deficiency(ies) identified: | None reported |
| Noncompliance material to the financial statements noted? | No |

State Awards:

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified: | No |
| Significant deficiency(ies) identified: | None reported |

| | |
|--|------------|
| Type of auditor's report issued on compliance for major programs | Unmodified |
|--|------------|

| | |
|--|----|
| Any audit findings disclosed that are required to be reported in accordance with the State of Texas <i>Single Audit Circular</i> | No |
|--|----|

Identification of major programs:

State:

Texas Education Agency
General Revenue

| | |
|--|------------|
| Dollar threshold considered between Type A and Type B State Programs | \$ 750,000 |
|--|------------|

| | |
|--|-----|
| Auditee qualified as a low-risk auditee? | Yes |
|--|-----|

Section II- Financial Statement Findings

None

Section III- State Award Findings and Questioned Costs

None

Section IV- Status of Prior Year Findings

No prior year findings

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended August 31, 2017

| State Grantor/Pass-Through Grantor/Program Title | Contract/ Identification Number | State Expenditures |
|---|--|-------------------------------|
| Texas Education Agency: | | |
| Community in Schools - Formula | 160958027120014 | \$ 853,609 |
| Texas Veterans Commission: | | |
| Series 15B - General Assistant Grant | FVA-15B-0255 | 303,151 |
| Total Expenditures of State Awards | | \$ 1,156,760 |

See accompanying notes to the schedule of expenditures of state awards

COMMUNITIES IN SCHOOLS OF GREATER CENTRAL TEXAS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended August 31, 2017

1. Basis of Presentation:

The accompanying Schedules of Expenditures of State Awards ("Schedule") include state grant activities of Communities in Schools of Greater Central Texas, Inc. (the "Organization") under programs of the state government for the year ended August 31, 2017. The information in the Schedule is presented in accordance with the requirements of the State of Texas Single Audit Circular. 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, functional expenses, or cash flows of the Organization.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of Texas Uniform Grant Management Standards, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Commitments and Contingencies:

State grants received by the Organization are subject to review and audit by grantor agencies. The Organization's management believes that the results of such audits will not have a material effect on the Schedule.

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

REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED AUGUST 31, 2017

WILLIAMARTHURGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Communities in Schools of Greater Central Texas, Inc.
Killeen, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of Communities in Schools of Greater Central Texas, Inc. (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Greater Central Texas, Inc. as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of findings and questioned cost, schedule of expenditures of state awards, and the notes thereto, as listed in table of contents, are presented for purposes of additional analysis as required by the State of Texas *Single Audit Circular*, 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 my 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*, I have also issued my report dated February 9, 2018, on my consideration of Communities in Schools of Greater Central Texas, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Greater Central Texas, Inc.'s internal control over financial reporting and compliance.



William Grimsley, CPA

Gatesville, Texas

February 9, 2018