

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

CONSOLIDATED FINANCIAL STATEMENTS WITH
REPORTS ON FEDERAL AND STATE AWARD
PROGRAMS IN ACCORDANCE WITH THE
*UNIFORM GUIDANCE AND THE TEXAS UNIFORM
GRANTS MANAGEMENT STANDARDS*

As of and for the Years Ended August 31, 2021 and 2020

And Reports of Independent Auditor

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

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Report of Independent Auditor

To the Board of Directors
Communities In Schools of Central Texas
Austin, Texas

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Communities In Schools of Central Texas (the "Organization") and its subsidiary, All In For Kids, LLC (collectively the "Organization"), which comprise the consolidated statements of financial position as of August 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2021 and 2020, and the changes in its consolidated net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Texas Uniform Grants Management Standards*, and is not a required part of the consolidated financial statements. The supplementary consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 federal and state awards, the consolidating schedule of financial position and the consolidating schedule of activities are fairly stated, in all material respects, in relation to the consolidated 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 March 7, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Cheng Zoukang LLP".

Austin, Texas
March 7, 2022

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,783,030	\$ 6,439,594
Accounts receivable, net	688,816	2,155,358
Prepaid expenses and other assets	278,435	389,686
Total Current Assets	9,750,281	8,984,638
Beneficial interest in investments held by others	219,685	171,512
Property and equipment, net	1,691,970	128,082
Total Assets	<u>\$ 11,661,936</u>	<u>\$ 9,284,232</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 439,176	\$ 181,698
Accrued expenses	10,106	21,169
Deferred revenue	251,932	325,633
Total Current Liabilities	701,214	528,500
Paycheck Protection Program	-	1,500,000
Total Liabilities	701,214	2,028,500
Net Assets:		
Undesignated	3,739,968	4,988,545
Board designated	6,404,642	171,512
Total Without Donor Restrictions	10,144,610	5,160,057
With donor restrictions	816,112	2,095,675
Total Net Assets	10,960,722	7,255,732
Total Liabilities and Net Assets	<u>\$ 11,661,936</u>	<u>\$ 9,284,232</u>

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Support:			
Grants and contracts	\$ 9,705,933	\$ -	\$ 9,705,933
In-kind contributions	5,275,724	-	5,275,724
Contributions	6,509,049	537,498	7,046,547
Other income	183	-	183
Investment return	53,222	-	53,222
Forgiveness of PPP loan	1,500,000	-	1,500,000
Net assets released from restrictions	1,817,061	(1,817,061)	-
Total Revenue and Support	<u>24,861,172</u>	<u>(1,279,563)</u>	<u>23,581,609</u>
Expenses:			
Program services	17,512,113	-	17,512,113
Management and general	1,600,837	-	1,600,837
Fundraising	763,669	-	763,669
Total Expenses	<u>19,876,619</u>	<u>-</u>	<u>19,876,619</u>
Change in net assets	4,984,553	(1,279,563)	3,704,990
Net assets, beginning of year	<u>5,160,057</u>	<u>2,095,675</u>	<u>7,255,732</u>
Net assets, end of year	<u>\$ 10,144,610</u>	<u>\$ 816,112</u>	<u>\$ 10,960,722</u>

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

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Support:			
Grants and contracts	\$ 9,164,383	\$ -	\$ 9,164,383
In-kind contributions	4,063,226	-	4,063,226
Contributions	3,466,199	795,778	4,261,977
Other income	6,732	-	6,732
Investment return	41,338	-	41,338
Net assets released from restrictions	1,301,234	(1,301,234)	-
Total Revenue and Support	18,043,112	(505,456)	17,537,656
Expenses:			
Program services	15,552,274	-	15,552,274
Management and general	1,528,595	-	1,528,595
Fundraising	725,441	-	725,441
Total Expenses	17,806,310	-	17,806,310
Change in net assets	236,802	(505,456)	(268,654)
Net assets, beginning of year	4,923,255	2,601,131	7,524,386
Net assets, end of year	<u>\$ 5,160,057</u>	<u>\$ 2,095,675</u>	<u>\$ 7,255,732</u>

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

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2021

	Program Services						Total Program Services	Management and General	Fundraising	Total Expenses
	On-Campus Student Support	Care Coordination	XY Zone	ASPIRE Family Literacy	Pebble Project	SmartKids				
Personnel:										
Salaries	\$ 6,958,115	\$ 355,693	\$ 415,748	\$ 391,391	\$ 86,054	\$ 414,368	\$ 8,621,369	\$ 921,221	\$ 430,442	\$ 9,973,032
Employee benefits	689,865	38,310	46,743	49,882	8,628	48,315	881,743	64,648	35,571	981,962
Payroll taxes	519,898	26,864	31,446	29,690	6,440	31,184	645,522	65,389	30,949	741,860
Retirement	92,691	6,038	1,840	7,855	1,551	5,461	115,436	10,249	5,701	131,386
Workers' compensation	19,580	946	1,093	1,036	230	1,809	24,694	2,475	1,232	28,401
State unemployment insurance and other	18,007	916	1,762	1,221	267	1,348	23,521	1,492	762	25,775
Other	11,020	528	719	645	131	725	13,768	880	441	15,089
Total Salaries and Related Expenses	8,309,176	429,295	499,351	481,720	103,301	503,210	10,326,053	1,066,354	505,098	11,897,505
Donated goods, services, and facilities	5,275,724	-	-	-	-	-	5,275,724	-	-	5,275,724
Building rent	144,376	34,080	840	802	10,548	9,053	199,699	93,533	18,717	311,949
Other rent	74	-	-	-	-	-	74	8,762	2,159	10,995
Supplies	215,153	1,638	3,947	9,211	131	7,680	237,760	24,931	24,132	286,823
Support services for participants	982,036	11,365	4,187	755	61	4,596	1,003,000	-	-	1,003,000
Travel	36,575	797	1,662	324	-	1,785	41,143	110	191	41,444
Professional fees	1,900	-	-	-	-	-	1,900	45,315	-	47,215
Telecommunications	77,225	4,779	6,643	6,565	1,090	6,495	102,797	8,614	4,090	115,501
Contractual services	46,969	295	5,755	120	109	1,164	54,412	184,330	139,780	378,522
Training, development, and conferences	62,185	2,595	5,117	6,792	501	2,032	79,222	87,110	1,433	167,765
Software maintenance and support	54,852	1,101	1,650	2,703	287	1,582	62,175	36,766	17,082	116,023
Insurance	29,401	1,602	2,543	2,458	676	2,334	39,014	2,864	1,458	43,336
Licenses, dues, and fees	22,866	-	900	890	-	-	24,656	10,888	660	36,204
Advertising and marketing	4,800	-	-	-	-	-	4,800	10,343	22,056	37,199
Printing	630	64	17	367	356	15	1,449	11,157	6,780	19,386
Bank charges	-	-	-	-	-	-	-	-	17,883	17,883
Postage	1,300	-	-	-	-	-	1,300	1,597	1,959	4,856
Equipment lease and repairs	-	-	-	1,774	-	-	1,774	3,520	-	5,294
Staff recruitment	16,897	-	3	3	3	-	16,906	4,230	3	21,139
Total Expenses Before Depreciation	15,282,139	487,611	532,615	514,484	117,063	539,946	17,473,858	1,600,424	763,481	19,837,763
Depreciation	2,587	126	139	35,232	32	139	38,255	413	188	38,856
Total Expenses	\$ 15,284,726	\$ 487,737	\$ 532,754	\$ 549,716	\$ 117,095	\$ 540,085	\$ 17,512,113	\$ 1,600,837	\$ 763,669	\$ 19,876,619

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

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2020

	Program Services						Total Program Services	Management and General	Fundraising	Total Expenses
	On-Campus Student Support	Care Coordination	XY Zone	ASPIRE Family Literacy	Pebble Project	SmartKids				
Personnel:										
Salaries	\$ 6,002,640	\$ 369,582	\$ 461,143	\$ 472,396	\$ 131,484	\$ 383,328	\$ 7,820,573	\$ 867,178	\$ 379,769	\$ 9,067,520
Employee benefits	447,196	27,645	34,874	34,581	9,928	29,063	583,287	62,257	27,355	672,899
Payroll taxes	70,762	5,709	5,472	10,472	1,642	4,050	98,107	8,665	5,376	112,148
Retirement	584,891	38,577	58,216	66,568	14,875	36,476	799,603	46,333	27,543	873,479
State unemployment insurance and other	14,268	873	1,039	1,119	309	1,499	19,107	2,053	894	22,054
Other	16,691	961	1,763	1,424	588	1,598	23,025	1,573	775	25,373
Total Salaries and Related Expenses	7,136,448	443,347	562,507	586,560	158,826	456,014	9,343,702	988,059	441,712	10,773,473
Donated goods, services, and facilities	4,059,331	792	988	1,012	282	821	4,063,226	-	-	4,063,226
Building rent	121,462	22,594	9,940	8,538	7,316	6,928	176,778	112,867	35,119	324,764
Other rent	10,804	639	798	817	228	663	13,949	1,619	64,443	80,011
Supplies	438,701	7,022	22,971	29,900	2,708	8,578	509,880	9,876	28,489	548,245
Support services for participants	495,881	35,168	37,005	43,471	10,538	31,006	653,069	837	-	653,906
Travel	39,424	5,216	2,559	2,582	2,131	1,667	53,579	5,483	3,753	62,815
Professional fees	9,577	428	534	547	152	444	11,682	64,154	686	76,522
Telecommunications	76,569	8,891	6,543	6,558	1,829	5,452	105,842	7,286	3,381	116,509
Contractual services	73,888	2,826	3,526	18,613	2,430	4,431	105,714	187,470	74,289	367,473
Training, development, and conferences	29,346	3,545	2,971	3,602	680	1,382	41,526	13,709	1,278	56,513
Software maintenance and support	51,234	663	827	847	236	688	54,495	18,738	2,104	75,337
Insurance	24,841	1,725	2,290	2,268	595	1,914	33,633	2,143	875	36,651
Licenses, dues, and fees	16,850	85	106	568	30	88	17,727	45,933	9,811	73,471
Advertising and marketing	1,270	78	98	100	28	81	1,655	6,448	2,462	10,565
Other expenses	13,787	428	534	547	152	444	15,892	238	71	16,201
Printing	7,576	423	528	540	150	439	9,656	7,747	19,830	37,233
Bank charges	-	-	-	-	-	-	-	10,910	15,063	25,973
Board of directors expenses	-	-	-	-	-	-	-	2,888	-	2,888
Postage	3,626	174	343	224	62	198	4,627	616	1,853	7,096
Executive director expenses	-	-	-	-	-	-	-	9,770	-	9,770
Equipment lease and repairs	1,749	122	149	147	46	113	2,326	647	206	3,179
Transportation - van rentals	38	2	99	3	1	132	275	-	148	423
Staff recruitment	2,325	-	-	-	-	-	2,325	125	50	2,500
Non-capitalized equipment/software purchases	225,018	12,921	15,185	19,594	4,208	12,269	289,195	31,032	19,818	340,045
Total Expenses Before Depreciation	12,839,745	547,089	670,501	727,038	192,628	533,752	15,510,753	1,528,595	725,441	17,764,789
Depreciation	41,521	-	-	-	-	-	41,521	-	-	41,521
Total Expenses	\$ 12,881,266	\$ 547,089	\$ 670,501	\$ 727,038	\$ 192,628	\$ 533,752	\$ 15,552,274	\$ 1,528,595	\$ 725,441	\$ 17,806,310

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

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,704,990	\$ (268,654)
Adjustments to reconcile the change in net assets to net cash from operations:		
Depreciation	38,856	41,521
Change in value of beneficial interest held by others	(48,173)	(7,770)
Contributions restricted for capital campaign	(1,898,322)	-
Forgiveness of Paycheck Protection Program loan	(1,500,000)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	1,466,542	477,701
Prepaid expenses and other assets	111,251	(253,795)
Increase (decrease) in operating liabilities:		
Accounts payable	257,478	90,317
Accrued expenses	(11,063)	(59,888)
Deferred revenue	(73,701)	(116,975)
Net cash flows from operating activities	<u>2,047,858</u>	<u>(97,543)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,602,744)</u>	<u>(12,808)</u>
Net cash flows from investing activities	<u>(1,602,744)</u>	<u>(12,808)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program	-	1,500,000
Proceeds from contributions restricted for capital campaign	<u>1,898,322</u>	<u>-</u>
Net cash flows from financing activities	<u>1,898,322</u>	<u>1,500,000</u>
Net change in cash and cash equivalents	2,343,436	1,389,649
Cash and cash equivalents, beginning of year	<u>6,439,594</u>	<u>5,049,945</u>
Cash and cash equivalents, end of year	<u>\$ 8,783,030</u>	<u>\$ 6,439,594</u>

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 1—Organization

Communities In Schools of Central Texas (“CISCT”) is a Texas non-profit corporation established in July 1985 and is funded by contracts and contributions received from both the public and private sector. The purpose of CISCT is to surround students with a community of support, empowering them to stay in school, and achieve in life. CISCT serves 86 campuses in 7 Central Texas school districts. All In For Kids, LLC (“AIFK”) is a Texas non-profit corporation established in February 2020 and is funded by contracts and contributions received from both the public and private sector. Communities In Schools of Central Texas and All In For Kids, LLC are collectively referred to as the “Organization.”

The main services provided by the Organization include the following:

On-Campus Student Support – The founding principle of the Organization is to establish one-on-one relationships with individual students in order to support them to overcome obstacles to success in school. The Organization’s program managers connect personally with students who have been referred by teachers or administrators to improve student achievement. They create a service plan based on each child’s needs and then make that plan happen. They may provide individual counseling or support groups, basic life skills, tutoring, mentoring, or enrichment opportunities to help the child succeed. The goal of all these services is to engage students in learning and succeeding in school.

Care Coordination – Care Coordination uses the “Wraparound” process to provide home-based intensive services to children and their families. Wraparound is a team-based process that utilizes the strengths of the family to create an individualized plan that helps them meet their needs and reach their desired goals and outcomes.

XY-Zone – The XY-Zone supports and guides adolescent males as they journey into manhood. It is a leadership development and peer support program that develops productive life skills in high school-age, at-risk males.

ASPIRE Family Literacy (Achieving Success through Parental Involvement, Reading, and Education) – This program breaks the cycle of illiteracy and poverty within families by providing comprehensive and integrated literacy services for the entire family.

The Pebble Project – The Pebble Project keeps children “safe, strong, and free” through school-based workshops and community education.

SmartKids – The Housing Authority of the City of Austin (“HACA”) Partnership supports public housing residents in their journey to economic self-sufficiency through school-based and property-based educational, enrichment, and case management services. The HACA Partnership supports public housing residents in their journey to economic self-sufficiency through school-based and property-based educational, enrichment, and case management services.

Note 2—Summary of significant accounting policies

Basis of Presentation and Principles of Consolidation – The Organization’s consolidated financial statements (“financial statements”) have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of CISCT and AIFK. All material intercompany transactions and balances have been eliminated in consolidation. For financial statement purposes, the Organization distinguishes between contributions without donor restrictions and contributions with donor restrictions.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Net Asset Classifications – In accordance with U.S. GAAP, the Organization classifies its net assets into two categories as follows:

Net Assets With Donor Restrictions – Net assets the use of which is subject to stipulations by donors that can be fulfilled by actions of the Organization pursuant to those stipulations.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the Board of Directors of the Organization.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

Revenue Recognition – The Organization recognizes revenue in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers (ASC 606)*. The Organization recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers, the Organization performs the following five steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies its performance obligations. At contract inception, the Organization will assess the goods or services agreed upon within each contract and assess whether each good or service is distinct and determine those that are performance obligations. The Organization then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. During the years ended August 31, 2021 and 2020, no revenues were recognized in accordance with ASC 606.

Contributions – Contributions received (including any unconditional pledges) are recorded as support without restriction or support with restriction in the period received depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are satisfied in the same reporting period are reported as without donor restrictions on the statements of activities. Conditional promises to give, that is, those with a measurable performance obligation or other barrier and a right of return, are not recognized until the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

Grants – Funding in the form of grant contracts is received from governmental and non-governmental sources. Certain contracts are classified as exchange transactions and are considered to be net assets without donor restrictions as the entity providing the grant funding receives a commensurate value for the service provided. Revenue under such contracts is recognized as services are rendered or the related expenses are incurred. Receipts of grant payments in advance are reported as deferred revenue.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Other grant contracts are classified as contributions, as under such contracts, the funding source receives no direct benefit from the program services provided by the Organization. Under these contracts, revenue is recognized when the donor makes a promise to give, that is, in substance, unconditional. Revenue associated with contracts that include donor conditions, that is, those with a measurable performance obligation or other barrier and a right of return, are not recognized until the conditions are met. Grants received with donor-imposed restrictions that are satisfied in the same reporting period are reported as without donor restrictions on the statements of activities. As of August 31, 2021, the Organization had approximately \$252,000 in contributions from non-federal contracts for which conditions have yet to be met but for which funds have been received. This amount is reflected in deferred revenue.

Contributed Service and Assets – During the years ended August 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the Organization, these services do not meet the criteria for recognition as contributed services.

The Organization reports contributions of land, buildings, and equipment and other assets as without donor restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as net assets with donor restrictions. All contributed assets are recorded at their fair value on the date of donation.

Contracts and Contributions Receivable – Contracts and contributions receivable are carried at the amount earned, less any collections through the consolidated statement of financial position date. The majority of receivables are from government contracts but CISCT also receives grants and contributions from foundations, corporations, and individuals.

Contracts and contributions which are included in accounts receivable, are individually analyzed for collectability at year-end. At August 31, 2021 and 2020, all such contract amounts were deemed to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. No discount to present value has been recorded for these receivables due to the short-term nature of the remaining amount.

Property and Equipment – Property and equipment purchased for or exceeding \$5,000 is recorded at cost. Property and equipment is stated at fair value if donated. Property and equipment are depreciated using the straight-line method over the useful lives of the assets which range from five to seven years. The Organization reports gifts of land, building, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used.

Long-Lived Asset – The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as, the effects of obsolescence, demand, competition, and other economic factors.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Functional Expenses – The expense information contained in the consolidated statements of activities and functional expenses is presented on a functional basis as (1) program services, (2) management and general, and (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function. The financial statements report certain categories of expenses that are attributable to one or more program or supporting function of the Organization. The significant expenses that are allocated on the basis of estimates of specific utility include donated goods, services, and facilities and building rent. Salaries, employee benefits, payroll taxes, retirement, and unemployment insurance are allocated on the basis of estimates of time and effort.

Advertising and Marketing Expense – The Organization expenses advertising and marketing costs as they are incurred. For the years ended August 31, 2021 and 2020, the Organization recorded advertising and marketing expense of \$37,199 and \$10,565, respectively.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had no significant amounts for the years ended August 31, 2021 and 2020, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

The Organization regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is more likely than not to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Organization to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. Management has analyzed the tax positions taken by the Organization and has concluded that, as of August 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include determining the collectability of receivables, the fair value of donated assets or services, and the proper classification of functional expenses.

Beneficial Interest Investment – The Organization has a beneficial interest in investments held at Austin Community Foundation. Those investments include equity securities, money market accounts, debt securities, mutual funds, and time deposits. Investments in equity securities, debt securities, and mutual funds with readily determinable fair values are based on quoted market values while the money market accounts and time deposits are estimated at fair value by summing the principal investment plus accrued interest. Investment income and unrealized gains and losses are reported as increases in net assets without donor restrictions unless the donor placed restrictions on the income's use. The change in fair value between years is reflected in the consolidated statements of activities in the year of the change as depreciation or appreciation in investments.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Endowment Fund and Beneficial Interest – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as support to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets to be held in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization has no donor restricted funds within its investment in the beneficial interest in investments held by others at August 31, 2021 and 2020; however, they are designated in its use by the Board of Directors.

Concentration of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash and cash equivalents, beneficial interest, and accounts receivable. The Organization has a sweep account that transfers all the funds in excess of the maximum Federal Deposit Insurance Corporation (“FDIC”) limits from the operating account to an interest-bearing account at the end of the day. The transferred funds are reflected in the sweep account on the following day. The transaction posts to the bank account the day prior to the day the transaction posts to the sweep account. There was approximately \$9.1 and \$6.3 million of cash and cash equivalents in an interest-bearing account which is not covered by FDIC at August 31, 2021 and 2020, respectively. Beneficial interests are exposed to various risks, such as interest rate, market, and credit risks. For accounts receivable, the Organization performs ongoing credit evaluations of the donors’ financial condition.

Fair Value of Financial Instruments – In determining fair value, the Organization uses various valuation approaches. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and establishes a fair value hierarchy that prioritizes valuation inputs into three broad levels based on the characterization of the underlying inputs, and each fair value measurements is then assigned to one of the three levels. These levels are:

Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as, U.S. Treasury securities.

Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Level 3 – Valuation is determined using model-based techniques with significant assumptions not observable in the market. These unobservable assumptions reflect management’s own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of third party pricing services, option pricing models, discounted cash flow models and similar techniques.

The carrying amount of cash and cash equivalents, accounts receivable and pledges, prepaid expense and other assets, accounts payable, and accrued expenses approximate fair market value at August 31, 2021 and 2020, because of their relatively short maturity and market terms. The fair values for other investments are based on management’s estimates. Estimated fair value is determined by the Organization based on a number of factors, including: comparable publicly traded securities, the costs of investments to the Organization, as well as, the current and projected operating performance.

Recently Issued Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue Recognition (Topic 606)*. This ASU provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The core principle of this ASU is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this ASU on September 1, 2020 using the full retrospective method and the implementation of this ASU did not have a significant impact on the Organization’s financial statements or disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application of the amendments in this update is permitted. The Organization is currently evaluating the impact of FASB ASU 2016-02 but does not expect the adoption to have a material effect on the Organization’s financial position or results of activities.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Management’s Review – The Organization evaluates events that occur subsequent to the consolidated statements of financial position date of periodic reports, but before the financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization’s financial statements are available for issuance. For the financial statements, as of and for the year ending August 31, 2021, this date was March 7, 2022.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 3—Liquidity and availability of resources

The following table reflects the Organization's financial assets as of August 31, 2021 and 2020, reduced by amounts unavailable for expenditure within one year. Financial assets are considered unavailable when they are illiquid, unable to be converted to cash within one year, or are net assets with donor restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,783,030	\$ 6,439,594
Accounts receivable, net	688,816	2,155,358
Less net assets with donor restrictions	<u>(816,112)</u>	<u>(2,095,675)</u>
Total financial assets available for use over the next 12 months	<u>\$ 8,655,734</u>	<u>\$ 6,499,277</u>

Note 4—Fair value measurements

The following table presents the assets that are measured at fair value on a recurring basis by level within the fair value hierarchy as reported on the consolidated statements of financial position at August 31. As required by U.S. GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis as of August 31, 2021:

	Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest investments held by others	<u>\$ -</u>	<u>\$ 219,685</u>	<u>\$ -</u>	<u>\$ 219,685</u>

The following table represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis as of August 31, 2020:

	Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest investments held by others	<u>\$ -</u>	<u>\$ 171,512</u>	<u>\$ -</u>	<u>\$ 171,512</u>

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 4—Fair value measurements (continued)

The following is a description of the valuation methodology used for assets measured at fair value:

- *Beneficial interest in investments held by others* consist almost entirely of common stock and mutual funds. The remaining investments in the endowment fund accounts are not significant to the overall financial statements. Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the daily closing prices as reported by the fund.

There have been no changes in the methodology used as of August 31, 2021. The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5—Property and equipment

Property and equipment comprised the following at August 31:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 396,607	\$ 350,997
Furniture and equipment	404,483	392,515
Less accumulated depreciations	<u>(654,286)</u>	<u>(615,430)</u>
Total depreciable property and equipment	146,804	128,082
Land	<u>1,545,166</u>	<u>-</u>
	<u>\$ 1,691,970</u>	<u>\$ 128,082</u>

Depreciation expense of \$38,856 and \$41,521 was recognized for the years ended August 31, 2021 and 2020, respectively.

During the year ended August 31, 2021, the Organization purchased land on which the new headquarters is expected to be built.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 6—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at August 31:

	2021	2020
On-Campus Student Support	\$ 137,576	\$ 1,883,650
ASPIRE Family Literacy	73,462	168,000
Children’s Mental Health	20,243	20,870
Child Abuse Prevention	35,409	23,155
Student and Family Assistance	372,594	-
AIFK Capital Campaign	176,828	-
Total program restrictions	<u>\$ 816,112</u>	<u>\$ 2,095,675</u>

Net assets released from restrictions due to the satisfaction of requirements consisted of the following during the years ended August 31:

	2021	2020
On-Campus Student Support	\$ 1,563,201	\$ 1,015,296
ASPIRE Family Literacy	2,000	55,750
XY Zone	-	58,779
Other programs	251,860	171,409
Total program restrictions released	<u>\$ 1,817,061</u>	<u>\$ 1,301,234</u>

The board of directors has set aside approximately 6 months’ worth of operating funds to be designated as an emergency reserve.

Note 7—Endowment fund and beneficial interest

During 2009, the Organization established the Communities In Schools of Central Texas Endowment Fund (the “Fund”) with the Austin Community Foundation (“ACF”) to take advantage of ACF’s investment expertise and to allow these funds to gain synergies with other funds held by ACF. The Organization has specified itself as the beneficiary of the Fund.

The Fund is a permanent, legacy fund with assets irrevocably held by ACF. The Fund’s purpose specified in the agreement with ACF is to support the Organization’s excellence and innovation in programming and operations. The distribution policy established by the ACF Board of Governors allows 5% of the fund’s value as of December 31st each year be available once the fund has a total value of \$1,000,000 or more.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 7—Endowment fund and beneficial interest (continued)

The Organization’s endowment fund is comprised of one Board designated endowment; therefore, it has been classified as net assets without donor restrictions. Changes in the Organization’s endowment fund was as follows for the years ended August 31, 2021 and 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
August 31, 2019	\$ 163,742	\$ -	\$ 163,742
Investment return	7,770	-	7,770
August 31, 2020	171,512	-	171,512
Investment return	48,173	-	48,173
August 31, 2021	<u>\$ 219,685</u>	<u>\$ -</u>	<u>\$ 219,685</u>

Note 8—In-kind contributions

In-kind contributions are valued at their estimated fair value on the date of contribution and recorded as contribution revenue. In-kind contributions comprised the following for the years ended August 31:

	2021	2020
Program delivery site space in Organizations	\$ 5,090,340	\$ 4,046,476
Equipment	184,509	-
Gift cards	875	16,750
	<u>\$ 5,275,724</u>	<u>\$ 4,063,226</u>

A substantial number of volunteers donate their time to the Organization to provide mentoring, tutoring, classroom and administrative assistance in school campuses. These donated services are not reflected in the financial statements because they do not meet the criteria for recognition as contributed services pursuant to U.S. GAAP. The terms of facility rental in these school campuses are on an annual basis as required by the contracts the Organization has with each school district.

Note 9—Paycheck Protection Program loan

On April 17, 2020, the Organization received a forgivable Paycheck Protection Program (“PPP”) loan in the amount of \$1,500,000. The loan and accrued interest are forgivable as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, and utilities and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the qualifying period. The unforgiven portion of the PPP loan is payable over two years at an annual interest rate of 1%, with a deferral of payments for the first six months. During the year ended August 31, 2021, the loan was forgiven in its entirety and is reflected as grant income in the consolidated statement of activities for the year then ended.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 10—Retirement plan

In 1997, the Organization established the Communities In Schools of Central Texas 403(b) Plan (the “Plan”). The Plan was established under Internal Revenue Code Section 403(b). The Plan provides for elective salary deferrals for employees, with annual employer matching contributions up to \$1,500 per employee. All full-time employees working more than 20 hours per week, except for AmeriCorps members, are eligible for participation on the date of their employment. Effective March 25, 2011, all current employees were grandfathered and fully vested in all contributions previously made on their behalf by the Organization. All future employees commenced vesting in the Organization’s contributions on a five-year vesting schedule, with 20% vesting after each anniversary of employment until reaching 100% vesting after the employee’s fifth anniversary. Retirement plan contribution expense was \$131,386 and \$112,148 for the years ended August 31, 2021 and 2020, respectively.

Note 11—Commitments and contingencies

The Organization has a five-year operating lease for office space and a three-year facility lease utilized for program related activities. The lease for office space includes escalating payments and the option to terminate upon certain circumstances. Future minimum lease payments under these leases as of August 31, 2021 are as follows:

Years Ending August 31,

2022	\$ 230,024
2023	240,935
2024	251,845
2025	<u>150,622</u>
	<u>\$ 873,426</u>

Total building rental expenses were \$311,949 and \$324,764 during the years ended August 31, 2021 and 2020, respectively.

Contracts with Grantors – The Organization is funded by contracts that are subject to review and audit by grantor agencies. These contracts have certain compliance requirements and if audits by the grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs. Management believes the Organization has complied with applicable requirements.

Contingencies – The Organization from time to time may be involved in contingencies relating to claims arising out of its ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Organization, the ultimate disposition of which would have a material impact on the Organization’s consolidated financial position, results of operations, or cash flows.

Note 12—Concentrations

During the years ended August 31, 2021, one individual contribution represented 11% of total revenue. During the year ended August 31, 2020, no individual contracts or contributions represented material concentrations in revenue.

As of August 31, 2021 and 2020, five contracts accounted for 95% and one contract accounted for 56% of the total accounts receivable balance of the Organization, respectively.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 13—Related party

During the years ended August 31, 2021 and 2020, the Organization received contributions of \$780,383 and \$128,346, respectively, from various members of the board. These amounts represent actual cash contributions received and are included in contributions in the accompanying consolidated statements of activities.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

AUGUST 31, 2021

	Communities In Schools of Central Texas	All In For Kids, LLC	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,781,030	\$ 2,000	\$ -	\$ 8,783,030
Accounts receivable, net	688,816	-	-	688,816
Due from CISCT		174,828	(174,828)	-
Prepaid expenses and other assets	278,435	-	-	278,435
Total Current Assets	9,748,281	176,828	(174,828)	9,750,281
Beneficial interest in investments held by others	219,685	-	-	219,685
Property and equipment, net	101,194	1,590,776	-	1,691,970
Total Assets	\$ 10,069,160	\$ 1,767,604	\$ (174,828)	\$ 11,661,936
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 439,176	\$ -	\$ -	\$ 439,176
Due to All In For Kids, Inc.	174,828	-	(174,828)	-
Accrued expenses	10,106	-	-	10,106
Deferred revenue	251,932	-	-	251,932
Total Current Liabilities	876,042	-	(174,828)	701,214
Paycheck Protection Program	-	-	-	-
Total Liabilities	876,042	-	(174,828)	701,214
Net Assets:				
Undesignated	2,149,192	1,590,776	-	3,739,968
Board designated	6,404,642	-	-	6,404,642
Total Without Donor Restrictions	8,553,834	1,590,776	-	10,144,610
With donor restrictions	639,284	176,828	-	816,112
Total Net Assets	9,193,118	1,767,604	-	10,960,722
Total Liabilities and Net Assets	\$ 10,069,160	\$ 1,767,604	\$ (174,828)	\$ 11,661,936

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021

	Communities In Schools of Central Texas	All In For Kids, LLC	Eliminations	Consolidated
Revenue and Support:				
Grants and contracts	\$ 9,705,933	\$ -	\$ -	\$ 9,705,933
In-kind contributions	5,275,724	-	-	5,275,724
Contributions	5,148,225	1,898,322	-	7,046,547
Other income	183	-	-	183
Investment returns	53,222	-	-	53,222
Forgiveness of PPP loan	1,500,000	-	-	1,500,000
Total Revenue and Support	<u>21,683,287</u>	<u>1,898,322</u>	<u>-</u>	<u>23,581,609</u>
Expenses:				
Program services	17,512,113	-	-	17,512,113
Management and general	1,592,308	8,529	-	1,600,837
Fundraising	641,480	122,189	-	763,669
Total Expenses	<u>19,745,901</u>	<u>130,718</u>	<u>-</u>	<u>19,876,619</u>
Change in net assets	1,937,386	1,767,604	-	3,704,990
Net assets, beginning of year	7,255,732	-	-	7,255,732
Net assets, end of year	<u>\$ 9,193,118</u>	<u>\$ 1,767,604</u>	<u>\$ -</u>	<u>\$ 10,960,722</u>

COMPLIANCE SECTION

**Report of Independent Auditor 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 Central Texas
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Communities In Schools of Central Texas (the "Organization"), which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 7, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 financial statements. 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.

A handwritten signature in blue ink that reads "Cheryl Zerkant LLP". The signature is written in a cursive, flowing style.

Austin, Texas
March 7, 2022

**Report of Independent Auditor on Compliance for Each Major Federal
and State Program and Report on Internal Control over Compliance in Accordance
with Uniform Guidance and the Texas Uniform Grants Management Standards**

To the Board of Directors
Communities In Schools of Central Texas
Austin, Texas

Report on Compliance for Each Major Program

We have audited the compliance of Communities In Schools of Central Texas (the “Organization”) with the types of compliance requirements described in the *OMB Compliance Supplement* and *Texas Uniform Grants Management Standards* that could have a direct and material effect on each of the Organization’s major federal and state programs for the year ended August 31, 2021. The Organization’s major federal and state programs are identified on 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 federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Organization’s major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (“Uniform Guidance”); and *Texas Uniform Grants Management Standards*. Those standards, the Uniform Guidance, and *Texas Uniform Grants Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or 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 federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in blue ink, appearing to read "Cheryl Zerkant" followed by initials "CZ".

Austin, Texas
March 7, 2022

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2021

Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Grant/Contract Award Number	Subrecipient	Expenditures
Federal:				
U.S. Department of Labor				
Workforce Investment Act (WIA) Cluster				
Pass-through programs from:				
Worksource in a collaboration agreement with Goodwill Industries				
WIA Youth Activities	17.259	WIOA 2020-2021 Youth Services	\$ -	\$ 4,536
Total WIA Cluster			-	4,536
U.S. Department of Health & Human Services				
Temporary Assistance for Needy Families Cluster				
Pass-through programs from:				
Texas Education Agency				
Temporary Assistance for Needy Families (TANF)	93.558	220958027110006	-	203,123
Pass-through programs from:				
Texas Workforce Commission				
Austin Community College				
Temporary Assistance for Needy Families (TANF)	93.558	B0016398	-	45,264
Total TANF Cluster			-	248,387
Corporation for National and Community Service				
Pass-through programs from:				
OneStar Foundation				
AmeriCorps	94.006	18ACHTX0010001	-	705,590
Total AmeriCorps			-	705,590
Total Expenditures of Federal Awards			-	958,513
State:				
Texas Education Agency				
General Revenue	N/A	FY 2021	-	1,385,867
Total Expenditures of State Awards			-	1,385,867
Total Expenditures of Federal and State Awards			\$ -	\$ 2,344,380

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2021

Note 1—Summary of significant accounting policies

Reporting Entity – The Schedule of Expenditures of Federal and State Awards (the “Schedule”) includes the activity of all federal and state grant programs administered by Communities In Schools of Central Texas (the “Organization”). The Organization is defined in Note 1 of the Organization’s basic consolidated financial statements.

Basis of Presentation – The Schedule presents total federal and state awards expended for each individual program in accordance with the Uniform Guidance and the *State of Texas Uniform Grant Management Standards*.

Basis of Accounting – The expenditures for the federal and state financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of the Organization’s basic consolidated financial statements.

Note 2—Relationship to financial statements

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in Note 2 of Communities In Schools of Central Texas.

Total federal and state awards per schedule of expenditures	\$ 2,344,380
Plus other grants and contracts	<u>7,361,553</u>
Total grants and contracts per statement of activities	<u>\$ 9,705,933</u>

Note 3—Indirect cost rate

The Organization elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance, Section 414.

Note 4—Subsequent events

The Organization’s management has evaluated subsequent events through March 7, 2022, the date the report was available to be issued.

COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2021

Section I—Summary of Auditor’s Results

A. Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

B. Federal and State Awards

Internal control over compliance:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	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 2 CFR 200.516(a) or <i>Texas Uniform Grants Management Standards</i> ?	No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
94.006	AmeriCorps

Identification of major state programs:

State Number	Name of State Program of Cluster
NA	Texas Education Agency General Revenue

Dollar threshold used to distinguish programs:	\$750,000
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Auditee qualified as low-risk auditee:	Yes
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COMMUNITIES IN SCHOOLS OF CENTRAL TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED AUGUST 31, 2021

Section II—Financial Statement Findings

None reported.

Section III (a)—Federal Award Findings and Questioned Costs

None reported.

Section III (b)—State Award Findings and Questioned Costs

None reported.

Section IV (a)—Summary Schedule of Prior Audit Findings – Federal

None reported.

Section IV (b)—Summary Schedule of Prior Audit Findings – State

None reported.