

**Communities In Schools of the Coastal Bend  
Audited Financial Statements  
August 31, 2018**

# Communities In Schools of the Coastal Bend

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# FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Communities In Schools of the Coastal Bend  
Corpus Christi, Texas

We have audited the accompanying financial statements of Communities In Schools of the Coastal Bend (a non-profit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

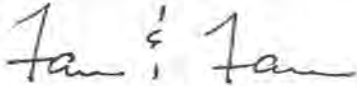
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of the Coastal Bend as of August 31, 2018, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of Communities In Schools of the Coastal Bend'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 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 the Coastal Bend's internal control over financial reporting and compliance.

Handwritten signature in cursive script, appearing to read "Farris & Farris".

Farris & Farris, CPA's  
Corpus Christi, Texas

May 15, 2019

**Communities In Schools of the Coastal Bend  
Statement of Financial Position  
August 31, 2018**

**ASSETS**

**Current Assets**

Cash	\$ 770,273
Grants and Contracts Receivable	98,572
Prepaid Expenses	54,580
Other Receivables	<u>121</u>

Total Current Assets 923,546

**Property and Equipment**

Property and Equipment (Net of Accumulated Depreciation of \$8,135) 4,552

**TOTAL ASSETS** **\$ 928,098**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable and Accrued Liabilities \$ 61,017

Total Current Liabilities 61,017

Total Liabilities 61,017

**Net Assets**

Unrestricted Net Assets	842,106
Temporarily Restricted Net Assets	24,975
Permanently Restricted Net Assets	<u>-</u>

Total Net Assets 867,081

**TOTAL LIABILITIES AND NET ASSETS** **\$ 928,098**

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

**Communities In Schools of the Coastal Bend  
Statement of Activities  
For Fiscal Year Ended August 31, 2018**

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
<b>Public Support</b>			
Fees from Governmental Agencies	\$ -	\$ 805,274	\$ 805,274
Contributions and Other Grants	121,801	75,586	197,387
Fund Raiser Revenue	214,820	-	214,820
In-Kind Rental/Utilities/Services	<u>1,232,122</u>	<u>-</u>	<u>1,232,122</u>
<b>Total Public Support</b>	1,568,743	880,860	2,449,603
<b>Revenue</b>			
Contracted Services	938,691	-	938,691
Interest/Dividend Income	<u>2,426</u>	<u>-</u>	<u>2,426</u>
<b>Total Revenue</b>	<u>941,117</u>	<u>-</u>	<u>941,117</u>
<b>TOTAL PUBLIC SUPPORT OR REVENUE</b>	2,509,860	880,860	3,390,720
<b><u>RECLASSIFICATIONS</u></b>			
Net Assets Released from Restrictions:	<u>856,885</u>	<u>(856,885)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE NET OF RECLASSIFICATIONS</b>	3,366,745	23,975	3,390,720
<b><u>EXPENSES</u></b>			
Management and General	353,394	-	353,394
Program Services	<u>2,923,912</u>	<u>-</u>	<u>2,923,912</u>
<b>Total Expenses</b>	<u>3,277,306</u>	<u>-</u>	<u>3,277,306</u>
<b>CHANGE IN NET ASSETS</b>	89,439	23,975	113,414
<b><u>NET ASSETS</u></b>			
<b>NET ASSETS, September 1, 2017</b>	<u>752,667</u>	<u>1,000</u>	<u>753,667</u>
<b>NET ASSETS, August 31, 2018</b>	\$ <u>842,106</u>	\$ <u>24,975</u>	\$ <u>867,081</u>

The accompanying notes are an integral part of the financial statements

**Communities In Schools of the Coastal Bend  
Statement of Functional Expenses  
For Fiscal Year Ended August 31, 2018**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
Salaries	\$ 1,318,507	\$ 170,173	\$ 1,488,680
Employee Benefits and Payroll Taxes	234,256	24,593	258,849
Professional Fees	1,300	18,232	19,532
Dues and Subscriptions	150	2,518	2,668
Supplies, Clothing and Incentives	107,834	6,694	114,528
Equipment Lease and Maintenance	-	5,229	5,229
Postage, Shipping and Printing	-	448	448
Travel and Transportation	18,419	9,552	27,971
Meals and Snacks	18,670	5,838	24,508
Registrations	600	-	600
Insurance	-	17,740	17,740
Fundraisers	-	68,906	68,906
Public Education and Public Relations	375	6,157	6,532
Miscellaneous	-	7,114	7,114
In-Kind	<u>1,221,922</u>	<u>10,200</u>	<u>1,232,122</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>2,922,033</b>	<b>353,394</b>	<b>3,275,427</b>
Depreciation	<u>1,879</u>	<u>-</u>	<u>1,879</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>2,923,912</u></b>	<b>\$ <u>353,394</u></b>	<b>\$ <u>3,277,306</u></b>

The accompanying notes are an integral part of the financial statements

**Communities In Schools of the Coastal Bend  
Statement of Cash Flows  
For Fiscal Year Ended August 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Agencies, Fundraising and Contributions	\$ 2,156,172
Cash Paid to Suppliers and Employees	(2,015,245)
Interest Income	<u>2,426</u>
Net Cash Provided by Operations	<u>143,353</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Increase in Certificates of Deposit	(977)
Maturity of Certificates of Deposit	50,000
Acquisitions Purchases of Equipment	<u>(2429)</u>
Net Cash Flows Provided by Investing Activities	<u>46,594</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	189,947
Cash, at the Beginning of the Year	<u>424,128</u>
Cash, at the End of the Year	\$ <u>614,075</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 113,414
<b>ADJUSTMENT TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Depreciation	1,879
Decrease in Accounts Receivable	15,359
Increase in Prepaid Expenses	(44,031)
Increase in Accounts Payable and Accrued Expenses	<u>56,732</u>
Total Adjustments	<u>29,939</u>
Net Cash Provided by Operating Activities	\$ <u>143,353</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>	
<b>NON-CASH ITEMS:</b>	
Donated Facilities and Materials	\$ <u>1,232,122</u>
	\$ <u>1,232,122</u>
<b>RECONCILIATION OF CASH</b>	
Cash as Presented in the Statement of Financial Position	\$ 770,273
Certificates of Deposit with Maturities Exceeding Three Months	<u>(156,198)</u>
Cash as Presented in the Statement of Cash Flows	\$ <u>614,075</u>

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



**Communities In Schools of the Coastal Bend**  
**Notes to Financial Statements**  
**August 31, 2018**

**Nature of Activities**

Communities In Schools of the Coastal Bend is an in-school multidisciplinary approach to decreasing the drop-out rate in the community and surrounding county schools. The program promotes and facilitates the coordinated delivery of community social services, as well as health, educational and other support services on the elementary, middle, intermediate and high school campuses for the "hard to serve" youth and their families.

**Summary of Significant Accounting Policies**

Income Taxes

The Internal Revenue Service has classified Communities In Schools of the Coastal Bend as not a private foundation within the meaning of 509(a) of the Internal Revenue Code because it is an organization described in section 170(b)(1)(A)(vi) and exempt from federal income taxes under section 501(c)(3). Tax years subject to examination include years ended 2015, 2016, 2017 and 2018.

Financial Statement Presentation

Communities In Schools of the Coastal Bend has adopted Statement of Financial Accounting Standards FASB ASC 958, "Financial Statements of Not-for-Profit-Organizations". Under FASB ASC 958, Communities In Schools of the Coastal Bend is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Communities In Schools of the Coastal Bend is required to present a statement of cash flows. As permitted by this statement, Communities In Schools of the Coastal Bend has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Contributed Services

During the year ended August 31, 2018, individuals volunteered their time and performed a variety of tasks that assisted Communities In Schools of the Coastal Bend. However, these services do not meet the criteria for recognition as contributed services and therefore, the value of these services has not been recorded in the financial statements.

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.

Property and Equipment

It is the organization's policy to capitalize all property and equipment in excess of \$500. Donations of property and equipment are recorded at their fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Office furniture and equipment purchased with grantor funds are generally restricted to use in that program. In the event that the program terminates, the grantor reserves the right to retrieve capital purchases with grantor funds. Capital assets which are purchased are recorded at cost. Donated assets are recorded at fair market value at the date of donation.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Communities In Schools of the Coastal Bend considers all cash and time deposits with maturity of three months or less to be cash equivalents.

**Communities In Schools of the Coastal Bend  
Notes to Financial Statements (continued)  
August 31, 2018**

**Summary of Significant Accounting Policies (continued)**

Advertising

Communities In Schools of the Coastal Bend incurs costs of commercials and programming advertising. These costs are charged to expense in the fiscal year during which the programs and advertising are incurred. Total advertising and public relations for the year ended August 31, 2018, was \$6,255.

**Note 1 – CASH**

Monies of Communities In Schools of the Coastal Bend are held in financial institutions. Accordingly, the monies are federally insured up to a maximum \$250,000. At August 31, 2018, deposits with financial institutions are under insured by \$331,715.

**Note 2 – GRANTS AND CONTRACTS RECEIVABLE**

Grants and Contract Services Receivable represent amounts earned and billed to grantors and school districts. As of August 31, 2018, the total accounts receivable in the amount of \$98,572 represents amounts due from grantors for costs incurred in providing services and for amounts due for contractual services. Bad debts are recognized on the allowance method when management determines that the collectability of receivables is remote.

**Note 3 – PROPERTY AND EQUIPMENT**

The summary of changes in Property and Equipment is as follows:

	Balance <u>09/01/17</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>08/31/18</u>
Office Furniture and Equipment	\$ <u>141,250</u>	\$ <u>2,429</u>	\$ <u>(130,992)</u>	\$ <u>12,687</u>
Total Property and Equipment	141,250	2,429	(130,992)	12,687
Less: Accumulated Depreciation	<u>(137,248)</u>	<u>(1,879)</u>	<u>130,992</u>	<u>(8,135)</u>
Net Property and Equipment	\$ <u>4,002</u>	\$ <u>550</u>	\$ <u>      -</u>	\$ <u>4,552</u>

Fixed Assets are carried at historical cost and depreciation is computed using the Straight-line Method over a period of 5 – 10 years for equipment. Depreciation Expense for the year ended August 31, 2018, totaled \$1,879.

At the termination of grants, the grantor may request that Communities In Schools of the Coastal Bend transfer large capital assets to the new grant contract or to continue performing services. No such transfers have occurred in fiscal year ended August 31, 2018.

**Note 4 – FEES FROM GOVERNMENT AGENCIES**

Amounts included in Fees from Federal and State Government Agencies in the total amount of \$805,274 consist of the following:

Texas Education Agency, through a reimbursement compensatory education contract, significantly provides funding to Communities In Schools through State compensatory education funds, TANF. For the year August 31, 2018, an amount of \$119,855 was granted.

City of Corpus Christi, serving as the fiscal agent, is contracted with Communities In Schools of the Coastal Bend through its Community Youth Development Program. For the year ended August 31, 2018, an amount of \$105,490 has been recognized.

Texas Education Agency provides funding to Communities in Schools through State funds. For the year ended August 31, 2018, an amount of \$467,552 was granted.

**Communities In Schools of the Coastal Bend  
Notes to Financial Statements (continued)  
August 31, 2018**

Department of State Health Services through a pass-through grant from the United States Department of Health and Human Services for abstinence programs from October 1, 2017 through September 30, 2018. Amounts received for the year ended August 31, 2018, totaled \$112,377.

**Note 5 – DONATED FACILITIES AND SUPPLIES**

During the year, a total of \$1,232,122 In-Kind revenue was recognized by Communities In Schools of the Coastal Bend. An amount of \$1,221,922 was recorded as In-Kind Rental/Utilities for the Fair Market Value of the usage of the various school facilities occupied by administrative and pragmatic staff. Additionally, an amount of \$10,200 was recorded as In-Kind supplies, telephone, and janitorial services received by various sources for programmatic services. These in-kind values were simultaneously recognized in the accounting period as revenue and an expense.

**Note 6 – CONTRACTED SERVICES**

Communities In Schools of the Coastal Bend obtained contracts with school districts and other organizations, whereby Communities In Schools of the Coastal Bend provided professional program services for them. The referenced school districts, with their contracted amounts, are as follows:

Corpus Christi Independent School District	\$ 384,750
Flour Bluff Independent School District	30,047
Kingsville Independent School District	87,250
West Oso Independent School District	116,000
Robstown Independent School District	31,500
Calallen Independent School District	58,333
Mathis Independent School District	49,875
Aransas County Independent School District	30,083
Gregory Portland Independent School District	31,749
Riviera Independent School District	30,075
Premont Independent School District	28,954
Ingleside Independent School District	30,000
Brooks County	<u>30,075</u>
Total Contracted Services	\$ <u>938,691</u>

**Note 7 – COMPENSATED ABSENCES**

Compensated absences arise from employees' absences from employment due to vacation, illness, or other reasons. When an employer expects to pay an employee for such compensated absences, a liability for the estimated probable future payment must be accrued if all of the following conditions are met:

- a. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
- b. The employee's right to receive the compensation for the future absences is vested or accumulated.
- c. It is probable that the compensation will be paid.
- d. The amount of compensation can be reasonably estimated.

Vested rights are those that have been earned by the employee for services already performed. Thus, vested rights are not contingent on any future services by the employee and are an obligation of the employer even if the employee leaves the employment. Rights that accumulate increase an employee's benefits in one or more years subsequent to the year in which they are earned.



**Communities In Schools of the Coastal Bend  
Notes to Financial Statements (continued)  
August 31, 2018**

**Note 11 – SECTION 125 PLAN**

Communities In Schools of the Coastal Bend maintains a Section 125 premium only plan whereby health insurance premiums are paid from the plan for the benefit of participants. Benefits under the plan are financed by salary reductions of employee participants.

**Note 12 – COMMITMENTS AND CONTINGENCIES**

The Organization participates in several federally funded grant programs, all of which are subject to federal regulations and guidelines. Should any of the grant program expenditures be disallowed by any of the respective grantor agencies or should any other contingency become a reality, funds would have to be designated in future periods for settlement.

**Note 13 – FUND RAISING ACTIVITIES**

The Organization conducts fundraising programs during the year including events and food sales. Fundraising revenue earned during fiscal year end August 31, 2018, totaled \$220,020. Costs associated with fundraising activities totaled \$68,906.

**Note 14 – SUBSEQUENT EVENTS**

The Organization's management has reviewed financial information for possible events subsequent to its year end. This evaluation was performed through May 15, 2019, which was the date the financial statements were available to be issued.

# FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Communities In Schools of the Coastal Bend

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 financial statements of Communities In Schools of the Coastal Bend (a non-profit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Communities In Schools of the Coastal Bend's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Communities In Schools of the Coastal Bend'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.

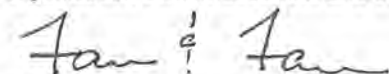
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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 Communities In Schools of the Coastal Bend's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Farris & Farris, CPA's  
Corpus Christi, Texas

May 15, 2019

MEMBER

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS \* AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS