

**Communities in Schools
of
the Coastal Bend, Inc.
Audited Financial Statements
August 31, 2022**

Communities In Schools of the Coastal Bend, Inc.

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FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

PAUL W. FARRIS, CPA
DEBRA E. FARRIS, CPA

13434 Leopard St., #A-29-A
Corpus Christi, TX 78410
(361) 241-0656
Fax (361) 241-0658
farriscpa@aol.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities in Schools of the Coastal Bend, Inc.
Corpus Christi, Texas

Opinion

We have audited the accompanying financial statements of Communities in Schools of the Coastal Bend, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2022, and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of August 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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MEMBER

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

Other Matters

Supplementary Information

Our Audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Accompanying Schedule of Expenditures of the Federal and State awards as required by the State of Texas Uniform Grant Management Standards Chapter IV of the State of Texas Single Audit Circular is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2023, on our consideration of Communities in Schools of the Coastal Bend, Inc.'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 the effectiveness of 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, Inc.'s internal control over financial reporting and compliance.

FARRIS & FARRIS CPA'S

Farris & Farris, CPA's
Corpus Christi, Texas

August 22, 2023

Communities in Schools of the Coastal Bend, Inc.
Statement of Financial Position
August 31, 2022

<u>ASSETS</u>	
Current Assets	
Cash	\$ 1,442,047
Grants and Contracts Receivable	329,556
Prepaid Expenses	<u>56,233</u>
Total Current Assets	1,827,836
Property and Equipment	
Property and Equipment (Net of Accumulated Depreciation of \$13,747)	<u>5,410</u>
TOTAL ASSETS	\$ <u>1,833,246</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 127,099
Unearned Fundraising Revenues	<u>60,980</u>
Total Current Liabilities	<u>188,079</u>
Total Liabilities	188,079
Net Assets	
Without Donor Restrictions	1,491,300
With Donor Restrictions	<u>153,867</u>
Total Net Assets	<u>1,645,167</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,833,246</u>

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

Communities in Schools of the Coastal Bend, Inc.
Statement of Activities
For Fiscal Year Ended August 31, 2022

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Public Support			
Fees from Governmental Agencies	\$ -	\$ 1,427,229	\$ 1,427,229
Contributions and Other Grants	235,359	348,643	584,002
Fund Raising Revenue	199,061	-	199,061
In-Kind Rental/Utilities/Services	<u>893,809</u>	<u>-</u>	<u>893,809</u>
Total Public Support	1,328,229	1,775,872	3,104,101
Revenue			
Contracted Services	1,839,019	-	1,839,019
Other Income	13,766	-	13,766
Interest/Dividend Income	<u>2,930</u>	<u>-</u>	<u>2,930</u>
Total Revenue	<u>1,855,715</u>	<u>-</u>	<u>1,855,715</u>
TOTAL PUBLIC SUPPORT OR REVENUE	3,183,944	1,775,872	4,959,816
<u>RECLASSIFICATIONS</u>			
Net Assets Released from Restrictions:	<u>1,645,870</u>	<u>(1,645,870)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE NET OF RECLASSIFICATIONS	4,829,814	130,002	4,959,816
<u>EXPENSES</u>			
Program Services	3,454,821	-	3,454,821
Management and General	1,194,175	-	1,194,175
Fundraising	<u>103,715</u>	<u>-</u>	<u>103,715</u>
Total Expenses	<u>4,752,711</u>	<u>-</u>	<u>4,752,711</u>
CHANGE IN NET ASSETS	77,103	130,002	207,105
<u>NET ASSETS</u>			
NET ASSETS, September 1, 2021	<u>1,414,197</u>	<u>23,865</u>	<u>1,438,062</u>
NET ASSETS, August 31, 2022	\$ <u>1,491,300</u>	\$ <u>153,867</u>	\$ <u>1,645,167</u>

The accompanying notes are an integral part of the financial statements

Communities in Schools of the Coastal Bend, Inc.
Statement of Functional Expenses
For Fiscal Year Ended August 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries	\$ 2,447,997	\$ 166,257	\$ -	\$ 2,614,254
Employee Benefits and Payroll Taxes	386,895	25,633	-	412,528
Professional Fee and Services	230	62,186	-	62,416
Snacks, Supplies, Clothing and Incentives	227,096	11,198	-	238,294
Student and Family Services	332,654	-	-	332,654
Equipment Lease and Maintenance	62	3,122	-	3,184
Travel and Transportation	20,072	7,080	-	27,152
Insurance	24,465	-	-	24,465
Advertising and Public Relations	5,343	11,013	-	16,356
Miscellaneous	9,023	13,877	-	22,900
In-Kind	-	893,809	-	893,809
Fundraising Expenses	-	-	<u>103,715</u>	<u>103,715</u>
TOTAL EXPENSES BEFORE DEPRECIATION	3,453,837	1,194,175	103,715	4,751,727
Depreciation	<u>984</u>	-	-	<u>984</u>
TOTAL EXPENSES	<u>\$ 3,454,821</u>	<u>\$ 1,194,175</u>	<u>\$ 103,715</u>	<u>\$ 4,752,711</u>

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

Communities in Schools of the Coastal Bend, Inc.
Statement of Cash Flows
For Fiscal Year Ended August 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Agencies, Fundraising and Contributions	\$ 4,069,899
Cash Paid to Suppliers and Employees	(3,819,184)
Interest Income	<u>2,930</u>
Net Cash Used by Operations	253,645
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in Certificates of Deposit	(1,134)
Net Cash Flows Used by Investing Activities	<u>(1,134)</u>
NET INCREASE (DECREASE) IN CASH	252,511
Cash, at the Beginning of the Year	<u>1,077,711</u>
Cash, at the End of the Year	\$ <u>1,330,222</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:	
INCREASE (DECREASE) IN NET ASSETS	\$ 207,105
ADJUSTMENT TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	984
Decrease in Accounts Receivable	6,821
(Increase) Decrease in Prepaid Expenses	(26,853)
Increase in Accounts Payable and Accrued Expenses	<u>65,588</u>
Total Adjustments	<u>46,540</u>
Net Cash Provided by Operating Activities	\$ <u>253,645</u>
SUPPLEMENTAL DISCLOSURES:	
NON-CASH ITEMS:	
Donated Facilities and Materials	\$ <u>893,809</u>
RECONCILIATION OF CASH	
Cash as Presented in the Statement of Financial Position	\$ 1,442,047
Certificates of Deposit with Maturities Exceeding Three Months	<u>(111,825)</u>
Cash as Presented in the Statement of Cash Flows	\$ <u>1,330,222</u>

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

Communities in Schools of the Coastal Bend, Inc.
Notes to Financial Statements
August 31, 2022

Nature of Activities

Communities in Schools of the Coastal Bend, Inc. 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, Inc. 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 2020, 2021 and 2022.

Financial Statement Presentation

Communities in Schools of the Coastal Bend, Inc. 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, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Communities in Schools of the Coastal Bend, Inc. is required to present a statement of cash flows. As permitted by this statement, Communities in Schools of the Coastal Bend, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the two classes of net assets required.

Contributed Services

During the year ended August 31, 2022, individuals volunteered their time and performed a variety of tasks that assisted Communities in Schools of the Coastal Bend, Inc. 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 \$1000. 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, Inc. considers all cash and time deposits with maturity of three months or less to be cash equivalents.

Communities in Schools of the Coastal Bend, Inc.
Notes to Financial Statements
(continued)
August 31, 2022

Summary of Significant Accounting Policies (continued)

Advertising

Communities in Schools of the Coastal Bend, Inc. 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, 2022, was \$16,356.

Note 1 – CASH

Monies of Communities in Schools of the Coastal Bend, Inc. are held in financial institutions. Accordingly, the monies are federally insured up to a maximum \$ 250,000. At August 31, 2022, deposits with financial institutions are under insured by \$ 193,812.

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, 2022, the total accounts receivable in the amount of \$329,556 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:

	<u>Balance</u> <u>09/01/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>08/31/22</u>
Office Furniture and Equipment	\$ <u>19,157</u>	\$ -	\$ -	\$ <u>19,157</u>
Total Property and Equipment	19,157	-	-	19,157
Less: Accumulated Depreciation	<u>(12,762)</u>	<u>(984)</u>	-	<u>(13,747)</u>
Net Property and Equipment	\$ <u>6,395</u>	\$ <u>984</u>	\$ -	\$ <u>5,410</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, 2022, totaled \$984.

At the termination of grants, the grantor may request that Communities in Schools of the Coastal Bend, Inc. 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, 2022.

Note 4 – FEES FROM GOVERNMENT AGENCIES

Amounts included in Fees from Federal and State Government Agencies in the total amount of \$1,427,229 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, 2022, an amount of \$114,184 was granted.

City of Corpus Christi, serving as the fiscal agent, is contracted with Communities in Schools of the Coastal Bend, Inc. through its Community Youth Development Program. For the year ended August 31, 2022, an amount of \$203,415 has been recognized.

Texas Education Agency provides funding to Communities in Schools of the Coastal Bend, Inc. through State funds. For the year ended August 31, 2022, an amount of \$980,268 was granted.

Communities in Schools of the Coastal Bend, Inc.
Notes to Financial Statements
(continued)
August 31, 2022

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, 2021 through September 30, 2022. Amounts received for the year ended August 31, 2022, totaled \$129,361.

Note 5 – DONATED FACILITIES AND SUPPLIES

During the year, a total of \$ 893,809 In-Kind revenue was recognized by Communities in Schools of the Coastal Bend, Inc. An amount of \$ 893,809 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.

Note 6 – 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.

Vacation

Annual vacation is provided for all regular full time employees. At the end of the year, any unused vacation is not available and therefore, is not subject to accrual.

Sick Leave

Non-vesting sick pay benefits that accumulate and can be carried forward to succeeding years and are not to be recorded as a liability in the financial statements for the following reasons:

- a. The cost/benefit rule,
- b. The materiality rule, and
- c. The reliability of estimating the days an employee will be sick in succeeding years.

All regular full time employees earn 1 sick day per month. Sick leave may be accumulated without limit, but no one may receive compensation for unused sick leave upon termination of service with the Organization

Note 7 – NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, support, and revenues are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of Communities in Schools of the Coastal Bend are classified and reported as follows:

Communities in Schools of the Coastal Bend, Inc.
Notes to Financial Statements
(continued)
August 31, 2022

Without donor restrictions – Net assets that are not subject to donor imposed restrictions	\$ 1,491,399
With donor imposed restrictions – Net assets subject to donor imposed restrictions that may or will be met, by actions of Communities in Schools of the Coastal Bend, Inc.	\$ 153,867

When restrictions expire, donor imposed restricted net assets are reclassified to without donor imposed net assets and reported in the "Statement of Activities" as net assets released from restrictions.

Monies received by Communities in Schools of the Coastal Bend, Inc. which were considered donor imposed restricted and subsequently released from restrictions are as follows:

Texas Education Agency	\$ 980,268
Texas Workforce Commission Compensatory Education/TANF Funding	114,184
Community Youth Development Funding	203,415
Abstinence	129,360
Other	<u>348,644</u>

Total Donor Imposed Restricted net assets subsequently released from restrictions.	<u>\$ 1,775,872</u>
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Note 8 – CREDIT RISK CONCENTRATIONS

Communities in Schools of the Coastal Bend, Inc. operates within South Texas with activities designed to support youth and their families. As such, State and Federal governmental agencies award grants which provide substantial support for the Organization's operation. During the year ended August 31, 2022, revenues recognized totaled \$1,427,229 from these grantors. Amounts receivable from these sources totaled \$ 125,707.

Note 9 – SIMPLE INDIVIDUAL RETIREMENT PLAN

Communities in Schools of the Coastal Bend, Inc. maintains a retirement savings incentive match plan for employees of the Organization. Employees may contribute up to \$6,000 annually on a pre-tax basis. Communities In Schools of the Coastal Bend, Inc. shall make matching contributions in an amount equal to 100% of employee contributions and shall not exceed 3% of participant compensation. Amounts contributed by the Organization totaled \$24,972 for the year ended August 31, 2022.

Note 10 – SECTION 125 PLAN

Communities in Schools of the Coastal Bend, Inc. 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 11 – 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 12 – 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, 2022, totaled \$199,061. Costs associated with fundraising activities totaled \$103,715.

Note 13 – SUBSEQUENT EVENTS

The Organization's management has reviewed financial information for possible events subsequent to its year end. This evaluation was performed through August 22, 2023, which was the date the financial statements were available to be issued.

Communities in Schools of the Coastal Bend, Inc.
Notes to Financial Statements
(continued)
August 31, 2022

Note 14 FINANCIAL ASSETS AVAILABLE

The organization is substantially supported by contributions, some of which are donor restricted. Because donor restrictions require resources to be used in a particular manner, Communities in Schools of the Coastal Bend, Inc. must maintain sufficient resources to meet those responsibilities to donors. Thus, financial assets may not be available for general expenditures. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at August 31, 2022	\$ 1,827,836
Less Amounts Unavailable for General Expenditures Within One Year Due to Donor Imposed Restrictions	(188,079)
Donor Imposed Grants and Contributions	<u>(153,867)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 1,485,890</u>

Note 15 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION

In August of 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14 Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes, applicable to the Organization, include requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions", requiring disclosure of quantitative and qualitative information on liquidity, and modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expected to be entitled for exchange for those goods and services. As such, funds received by the Organization for the future period are reflected as deferred revenue. Topic 606 is effective for years beginning or after December 31, 2019. The organization has not determined that the standard will have a material effect on the financial statements.

In February 2016, the FASB issued ASU-2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessees in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments as well as capitalize indirect costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the fiscal year ending August 31, 2021. The Organization does not anticipate that the standard will have a material effect on the financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classifications of Certain Cash Reports and Cash Payments. This update requires restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. This update is effective for years beginning after December 15, 2018.

On June 21, 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard is intended to address questions stemming from FASB ASU 2014-09, Revenue from Contracts with Customers, regarding its implications on accounting for contributions, grants and contracts of not-for-profit organizations.

Communities in School of the Coastal Bend, Inc.
Notes to Financial Statements
(continued)
August 31, 2022

The standard provides criteria which assists organizations in identifying and accounting for transactions as to whether such transactions are exchange transactions (thus revenue) or contributions. The provisions of the ASU are effective for annual statements in years beginning after December 15, 2019. Management is evaluating the impact that this update will have on the Organization's financial statements when adopted.

Note 16 – CORONAVIRUS

In December 2019, a novel strain of coronavirus (COVID – 19) was reported to have surfaced in China and was declared to be a pandemic. The spread of the virus began causing business disruptions domestically in January 2021. While the organization operates in an industry that has been identified as an essential business, Communities and Schools of the Coastal Bend, Inc. does not expect this matter to have an impact on its operating results. The extent of the impact of the COVID – 19 on the organizations operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions and the impact of the COVID-19 on overall demand for the organizations services. Management has not determined any negative impact on its operations.

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PAUL W. FARRIS, CPA
DEBRA E. FARRIS, CPA

13434 Leopard St., #A-29-A
Corpus Christi, TX 78410
(361) 241-0656
Fax (361) 241-0658
farriscpa@aol.com

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,, Inc.

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, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2022, 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 August 22, 2023 .

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.

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

August 22, 2023

FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

PAUL W. FARRIS, CPA
DEBRA E. FARRIS, CPA

13434 Leopard St., #A-29-A
Corpus Christi, TX 78410
(361) 241-0656
Fax (361) 241-0658
farriscpa@aol.com

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

The Board of Directors
Communities in Schools of the Coastal Bend, Inc.

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited, Communities in Schools of the Coastal Bend, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the State of Texas Single Audit Circular that could have a direct and material effect on each of Communities in Schools of the Coastal Bend, Inc.'s major state programs for the year ended August 31, 2022. Communities in Schools of the Coastal Bend, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Communities in Schools of the Coastal Bend, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the State of Texas Single Audit Circular. Our responsibilities under those standards and the Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the State of Texas Single Audit Circular, we:

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022 – 1. Our opinion on each major state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Communities in Schools of the Coastal Bend, Inc. response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

FARRIS & FARRIS CPAs

Corpus Christi, Texas
August 22, 2023

**Communities in Schools of the Coastal Bend, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year End August 31, 2022**

<u>Federal/State Grantor/Pass Through Grantor</u>	<u>Federal/State CFDA#/ID#</u>	<u>Pass Through Entity #</u>	<u>Passed Through to Sub Recipients</u>	<u>Total Expenditures</u>
State Awards:				
Texas Education Agency	220958027110007	-	-	\$ 869,908
Texas Education Agency Expansion Grant	21095802711007	-	-	<u>110,360</u>
Total State Awards				\$ <u>980,268</u>
Federal Awards:				
US Department of Education: Passed Through the Texas Education Agency	93.558	223630027110007	-	\$ <u>111,293</u>
Total US Department of Education				\$ <u>111,293</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
PASSED through the Texas Department of Health And Human Services	93.235	HHS000229300006		\$ <u>126,167</u>
Total US Department of Health & Human Services				\$ <u>126,167</u>
Total Federal Awards				\$ <u>237,460</u>

See Accompanying Notes to the Schedule of Federal and State Awards

Communities in Schools of the Coastal Bend, Inc.
Notes to Schedule of Expenditures of
Federal and State Awards for the year ended August 31, 2022

Note A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the Federal and state award activity of Communities in Schools of the Coastal Bend, Inc. under programs of the federal and state government for the year ended August 31, 2021. The information in the Schedule is presented in accordance with the requirements of The State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of Communities in Schools of the Coastal Bend, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Communities in Schools of the Coastal Bend, Inc.

Note B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of Texas Single Audit Circular wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – INDIRECT COST RATE

Communities in Schools of the Coastal Bend, Inc. has elected to use 10% de minimis indirect cost rate as allowed Under the Uniform Guidance.

**Communities in Schools of the Coastal Bend, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended August 31, 2022**

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to financial statements noted?	No

Major State Award: Texas Education Agency 203630027110007	\$ 869,908
Audit findings that are required to be reported in accordance with the State of Texas Single Audit Circular are reported in this schedule.	

Auditee considered as Low Risk Auditee	No
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Dollar threshold for Type A Programs	\$500,000
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2022 – 1 Audit Issuance Date

Condition: Audits of entities that receive state awards should have their audits completed and issued within nine months from the organization's year end.

Criteria: Completion of audits with regulatory guidelines assists in assuring timely financial accountability.

Cause: Due to turnover in accounting staff, the organization did not comply with the financial statement issuance requirements.

Communities In Schools of the Coastal Bend, Inc.
Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended August 31, 2022

Effect: Financial statements for grantors were not available timely.

Recommendation: Assure that accounting staff and management has information submitted to the organization's auditors so that the audit can be completed timely.

Views of Responsible Official and Planned Corrective Action: The organization will comply with financial statement completion in order to meet regulatory requirements.

**Communities in Schools of the Coastal Bend, Inc.
Schedule of Prior Audit Findings
For the Year Ended August 31, 2022**

2021 - 1 Reconciliations

Condition: Reconciliations on gift cards and other prepaid items that are acquired by the organization to be used by students are required to be prepared and documented.

Recommendation: Procedures should be adhered to that require prepaid balances and gift card transactions and outstanding balances be reconciled and accounted for on a monthly basis.

Current Status: The organization has taken steps to better reconcile gift card inventory on a timely basis.

2021 - 2 Audit Issue Date

Condition: Audits of entities that receive state awards should have their audits completed and issued within nine months from the organization's year end.

Recommendation: The organization should assure that accounting information is completed and submitted to the organization's auditors so that the audit can be completed timely.

Current Status: While improvement has been accomplished, financial records were not completed and submitted to auditors timely.