Communities In Schools
The Coastal Bend

Communities in Schools of the Coastal Bend, Inc.

Audited Financial Statements

For the year ended August 31, 2025

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

COMMUNITIES IN SCHOOLS OF THE COASTAL BEND, INC.

(A NON-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

COMMUNITIES IN SCHOOLS OF THE COASTAL BEND, INC.
(A NON-PROFIT ORGANIZATION)
FOR THE YEAR ENDED AUGUST 31, 2025

TABLE OF CONTENTS

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P. C.
Certified Public Accountants
5402 Holly Rd. Suite 102
Corpus Christi, Texas 78411
Office (361)980-0428 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Communities in Schools of the Coastal Bend, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Communities in Schools of the Coastal Bend, Inc. (a nonprofit organization) as of August 31, 2025, and the related 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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, including omissions, 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.

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 the 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 the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2026 on our consideration of the Communities in Schools of the Coastal Bend, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Communities in Schools of the Coastal Bend, Inc.'s internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
May 4, 2026

COMMUNITIES IN SCHOOLS
OF THE COASTAL BEND, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2025

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	3,316,552
Grants and Contracts Receivable		286,377
Prepaid Expenses		100,154
Total Current Assets		3,703,083
Noncurrent Assets		
Property and Equipment		19,157
Less: accumulated depreciation		(16,699)
Net Property and Equipment		2,458
Total Noncurrent Assets		2,458
TOTAL ASSETS		3,705,541
LIABILITIES		
Current Liabilities		
Accounts Payable		7,742
Accrued Expenditures		9,784
Acrrued Wages		130,781
Unearned Fundraising Revenues		429,271
Total Current Liabilities		577,578
TOTAL LIABILITIES		577,578
Equity		
Without Donor Restrictions:		
Unrestricted Net Assets		2,921,420
Net Investment in Property and Equipment		2,458
Total Without Donor Restrictions		2,923,878
With Donor Restrictions		204,085
TOTAL EQUITY		3,127,963
TOTAL LIABILITIES AND EQUITY	$	3,705,541

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

COMMUNITIES IN SCHOOLS
OF THE COASTAL BEND, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support			
Fees from Governmental Agencies	$ -	$ 1,383,645	$ 1,383,645
Contributions and Other Grants	378,069	608,463	986,532
Fund Raising Revenue	239,275	-	239,275
In-Kind Rental/Utilities/Services	1,207,096	-	1,207,096
Total Public Support	1,824,440	1,992,108	3,816,548
Revenue			
Contracted Services	1,724,217	-	1,724,217
Other Income	8,670	-	8,670
Interest/Dividend Income	112,985	-	112,985
Total Revenue	1,845,872	-	1,845,872
Total Public Support and Revenue	3,670,312	1,992,108	5,662,420
RECLASSIFICATIONS			
Net Assets Released from Restriction	2,146,716	(2,146,716)	-
TOTAL SUPPORT AND REVENUE NET OF RECLASSIFICATIONS	5,817,028	(154,608)	5,662,420
EXPENSES			
Program Services	3,863,384	-	3,863,384
Management and General	1,554,863	-	1,554,863
Fundraising	76,991	-	76,991
TOTAL EXPENSES	5,495,238	-	5,495,238
CHANGE IN NET ASSETS	321,791	(154,608)	167,183
NET ASSETS - BEGINNING OF YEAR	2,587,879	358,693	2,946,572
Adjustments and Restatements	14,208	-	14,208
Adjusted or Restated Beginning Net Assets	2,602,087	358,693	2,960,780
NET ASSETS AT END OF YEAR	$ 2,923,878	$ 204,085	$ 3,127,963

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

COMMUNITIES IN SCHOOLS
OF THE COASTAL BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	Total
Salaries	$ 2,803,618	190,409	-	$ 2,994,027
Employee Benefits and Payroll Taxes	364,421	24,144	-	388,565
Professional Fees and Services	273	73,851	-	74,124
Snacks, Supplies, Clothing and Incentives	308,489	15,211	-	323,701
Student and Family Services	320,121	-	-	320,121
Equipment Lease and Maintenance	240	12,102	-	12,342
Travel and Transportation	22,687	8,002	-	30,689
Insurance	29,870	-	-	29,870
Advertising and Public Relations	8,687	17,905	-	26,592
Miscellaneous	3,993	6,142	-	10,135
In-kind Expenses	-	1,207,096	-	1,207,096
Fundraising Expenses	-	-	76,991	76,991
TOTAL EXPENSES BEFORE DEPRECIATION	3,862,400	1,554,863	76,991	5,494,254
Depreciation Expense	984	-	-	984
TOTAL	$ 3,863,384	$ 1,554,863	$ 76,991	$ 5,495,238

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

COMMUNITIES IN SCHOOLS
OF THE COASTAL BEND, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Cash flows from operating activities		
Change in net assets	$	167,183
Adjustment to reconcile change in net assets		
to reconcile cash used by operating activities:		
Depreciation and amortization		984
(Increase) decrease in receivables		(59,798)
(Increase) decrease in prepaid expenses		(28,426)
Increase (decrease) in accounts payables		(35,797)
Increase (decrease) in accrued expenditures		896
Increase (decrease) in accrued wages		7,061
Increase (decrease) in deferred revenue		(82,222)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(30,119)
Net increase (decrease) in cash and cash equivalents		(30,119)
Cash and cash equivalents at beginning of year		3,346,671
Cash and cash equivalents at end of year	$	3,316,552
SUPPLEMENTAL DISCLOSURES:		
NON-CASH ITEMS:		
Donated Facilities and Materials	$	1,207,096
RECONCILIATION OF CASH		
Cash as Presented in the Statement of Position	$	3,316,552
Certificates of Deposit with Maturities Exceeding Three Months		1,694,162
Cash as Presented in the Statement of Cash Flows	$	5,010,714

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

NOTE 1 – NATURE OF ACTIVITIES

Communities in Schools of the Coastal Bend, Inc. is an in-school multidisciplinary approach to decreasing the drop-out rate in 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets without donor restrictions represent resources available for general use and not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets with donor restrictions represent resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions that are satisfied in the same fiscal year are reported as increases in net assets without donor restrictions.

Contributions

During the year ended August 31, 2025, 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.

Property and Equipment

It is the organization's policy to capitalize all property and equipment in excess of $1,000. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued):

Advertising Costs
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, 2025, was $26,592.

Income Taxes
Communities in Schools of the Coastal Bend, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

No compensated absences for the August 31, 2025, year.

Cash and Cash Equivalents - For purposes of the statements of cash flows, Communities in Schools of the Coastal Bend, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued):

Accounting Pronouncements
On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Communities in Schools of the Coastal Bend, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Communities in Schools of the Coastal Bend, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires Communities in Schools of the Coastal Bend, Inc. to recognize revenue when it transfers control of promised goods or services. Revenue is recognized in an amount that reflects the consideration Communities in Schools of the Coastal Bend, Inc. expects to receive in exchange for those goods or services. The ASU also requires Communities in Schools of the Coastal Bend, Inc. to disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not impact Communities in Schools of the Coastal Bend, Inc.'s financial statements.

Communities in Schools of the Coastal Bend, Inc. adopted Accounting Standards Update (ASU) No. 2019-02, Leases (Topic 842). This update increases the transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. Communities in Schools of the Coastal Bend, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Fair Value of Financial Instruments

Level – 1

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and receivables: The carrying amounts reported in the statement of financial position approximate the fair value because of the short maturities of those instruments. Receivables are stated at the amount management expects to collect for outstanding balances.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued):

Interest Revenue

Income earned on money market accounts. These revenues are recorded as unrestricted support.

Deferred Revenue

Revenue collected in advance is deferred and is shown as a liability in the accompanying balance sheet.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as of the financial statement date and revenues and expensed recognized during the reporting period. Actual results may differ from those estimates.

NOTE 3-DEPOSITS AND INVESTMENTS

All cash deposits are held at various banks. The Federal Deposit Insurance Corporation (F.D.I.C.) insures deposits of the Corporation up to $250,000 at each depository institution. The carrying amounts of cash & cash equivalents reported on the financial statements approximate fair market value because of the short-term maturities of these instruments. The bank balances exceeded the FDIC limits at August 31, 2025; however, the organization maintains its cash with a high-quality financial institution which the organization believes limits this risk.

Collateralized Deposit

Communities in Schools of the Coastal Bend, Inc.'s bank deposits are covered by the Federal Deposit Insurance Corporation or by pledge collateral by the organization's depository. The following is a summary of coverage at August 31, 2025.

Cash and Cash Equivalents	$ 3,316,552
FDIC Insurance	1,534,983
Deficit Insurance	$ (1,781,569)

NOTE 4 – PROPERTY AND EQUIPMENT

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

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Office Furnitre and Equipment	$ 19,157	$ -	$ -	$ 19,157
Depreciation	(15,715)	(984)	-	(16,699)
NET PROPERTY & EQUIPMENT	$ 3,442	$ (984)	$ -	$ 2,458

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, 2025, 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, 2025.

NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE

Grants and Contract Services Receivable represent amounts earned and billed to grantors and school districts. As of August 31, 2025, the total accounts receivable in the amount of $286,377 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 6 – FEES FROM GOVERNMENT AGENCIES

Amounts included in Fees from Federal and State Government Agencies in the total amount of $1,383,645 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, 2025, an amount of $119,904 was granted.

City of Corpus Christi, serving as the fiscal agent for a state-funded Community Youth Development program, is contracted with Communities in Schools of the Coastal Bend, Inc. through its Community Youth Development Program. For the year ended August 31, 2025, an amount of $189,806 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, 2025, an amount of $937,947 was granted.

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, 2024 through September 30, 2025. Amounts received for the year ended August 31, 2025, totaled $135,988.

NOTE 7 – REVENUE RECOGNITION

Fund Raising Activities

The Organization conducts fundraising programs during the year, including special events. Fundraising revenue earned during fiscal year end August 31, 2025, totaled $239,275. Costs associated with fundraising activities totaled $76,991.

Donated Facilities and Supplies

During the year, a total of $1,207,096 of In-Kind revenue was recognized by Communities in Schools of the Coastal Bend, Inc. An amount of $1,207,096 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 8 – FUNCTIONAL EXPENSE ALLOCATION

The costs of providing various programs and supporting activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses are charged to each program/event based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to a program based on Communities in Schools of the Coastal Bend, Inc.'s cost allocation procedures. The financial statement reports categories of expenses that are attributable to more than one program or support function; therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated based on detailed weekly timesheets required of all personnel. Information technology is based on other number of digital outreach efforts and content included in the communication being distributed. Bank fees, printing, postage, and supplies are typically incurred as a result of a mix of outreach that ranges between administrative, fundraising and program support efforts and is based on management estimates. Occupancy, insurance, and other costs are allocated based on square footage.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Full Time Equivalent
Payroll Taxes and Fringe Benefits	Full Time Equivalent
Professional Fees and Services	Time and Effort
Snacks, Supplies, Clothing and Incentives	Time and Effort
Student and Family Services	Time and Effort
Equipment Lease and Maintenance	Time and Effort
Travel and Transportation	Time and Effort
Insurance	Time and Effort
Advertising and Public Relations	Time and Effort
Miscellaneous Expenses	Time and Effort
In-Kind Expenses	Time and Effort
Fundraising Expenses	Time and Effort

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Communities in Schools of the Coastal Bend, Inc. has financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The organization has structured its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The following schedule presents the financial assets available for the respective years:

Financial Assets at year-end	$ 3,703,083
Less those unavailable for general expenditures within one year, due to:	
Cash with Donor Restrictions	(577,578)
Cash with Board of Directors Designations	(204,085)
Financial Assets available to meet cash needs for general expenditures within one year.	$ 2,921,420

NOTE 10 –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, 2025, revenues recognized totaled $1,383,645 from these grantors. Amounts receivable from these sources totaled $139,553.

NOTE 11 –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 $33,422 for the year ended August 31, 2025.

NOTE 12 – 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 13 – 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 14 – LITIGATION

Communities in Schools of the Coastal Bend, Inc. has no legal actions arising in the ordinary course of business. In the opinion of management, if legal actions were to arise, Communities in Schools of the Coastal Bend, Inc. has adequate legal defense and/or insurance coverage respecting these actions and does not believe that they will materially affect Communities in Schools of the Coastal Bend, Inc. operations or financial position.

NOTE 15 – 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:

Without donor restrictions - Net assets that are not subject to donor imposed restrictions	$	2,766,812
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.	$	204,085

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	$	937,947
Texas Workforce Commission Compensatory Education/TANF Funding		119,904
Community Youth Development Funding		189,806
Abstinence		135,988
Other	$	763,071
Total Donor Imposed Restricted net assets subsequently released from restrictions.	$	2,146,716

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the Organization identified an error related to the prior fiscal year. As a result, beginning net assets have been restated to correct this error. The correction resulted in an increase in beginning net assets of $14,208. This adjustment had no effect on the change in net assets for the current fiscal year.

NOTE 17 – DATE OF SUBSEQUENT REVIEW

Subsequent events were evaluated through May 4, 2026, which is the date the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE AND INTERNAL CONTROL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P. C.
Certified Public Accountants
5402 Holly Rd. Suite 102
Corpus Christi, Texas 78411
(361)980-0428 Fax (361)980-1002

Independent Auditors' 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

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

We have audited, 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, the financial statements of the Communities in Schools of the Coastal Bend, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2025, and 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 4, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Communities in Schools of the Coastal Bend, Inc.'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 the Communities in Schools of the Coastal Bend, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Communities in Schools of the Coastal Bend, Inc.'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 considered 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 Communities in Schools of the Coastal Bend, Inc.'s financial statements are free of 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.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
May 4, 2026