

**Communities In Schools
of San Antonio**

**Financial Statements
and Compliance Report**

August 31, 2019 and 2018



Communities In Schools of San Antonio

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Independent Auditor's Report

To the Board of Directors of
Communities In Schools of San Antonio

Report on the Financial Statements

We have audited the accompanying financial statements of Communities In Schools of San Antonio (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, 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 San Antonio as of August 31, 2019, 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.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously audited Communities In Schools of San Antonio's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other 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 state awards, as required by 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 December 5, 2019, on our consideration of Communities In Schools of San Antonio'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 San Antonio's internal control over financial reporting and compliance.



Schrivier, Carmona & Company, PLLC

San Antonio, Texas

December 5, 2019

Financial Statements

Communities In Schools of San Antonio

Statement of Activities

Year Ended August 31, 2019 (with Comparative Totals for the Year Ended August 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 3,380,860	\$ 2,790,766
Investments	797,637	785,946
Government Grants and Other Receivables	1,004,054	844,626
Interest Income Receivable	666	2,357
Prepaid Insurance and Other Deposits	44,440	51,995
<i>Total Current Assets</i>	<u>5,227,657</u>	<u>4,475,690</u>
<i>Assets Limited as to Use - Endowment Fund:</i>		
Money Market Investments	22,665	23,340
<i>Total Assets Limited as to Use - Endowment Fund</i>	<u>22,665</u>	<u>23,340</u>
Property and Equipment, Net of Accumulated Depreciation	698,565	772,683
Total Assets	<u>\$ 5,948,887</u>	<u>\$ 5,271,713</u>
Liabilities and Net Assets		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 91,147	\$ 66,614
Salaries and Benefits Payable	323,611	300,815
Deferred Revenue	26,169	13,742
Note Payable, Current Portion	54,477	51,363
<i>Total Current Liabilities</i>	<u>495,404</u>	<u>432,534</u>
<i>Long Term Debt:</i>		
Note Payable, Long-Term Portion	551,217	605,533
<i>Total Long Term Debt</i>	<u>551,217</u>	<u>605,533</u>
<i>Total Liabilities</i>	<u>1,046,621</u>	<u>1,038,067</u>
<i>Net Assets:</i>		
Without Donor Restrictions	4,159,510	3,485,848
With Donor Restrictions	742,756	747,798
<i>Total Net Assets</i>	<u>4,902,266</u>	<u>4,233,646</u>
Total Liabilities and Net Assets	<u>\$ 5,948,887</u>	<u>\$ 5,271,713</u>

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

Communities In Schools of San Antonio

Statement of Activities

Year Ended August 31, 2019 (with Comparative Totals for the Year Ended August 31, 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues				
Grants - State Government	\$ 1,141,723	\$ -	\$ 1,141,723	\$ 1,164,839
Grants - Federal Government	317,616	-	317,616	408,648
Grants - Local Government	888,829	-	888,829	789,293
Service Contracts	4,518,654	-	4,518,654	4,008,722
United Way of San Antonio and Bexar County	558,134	-	558,134	660,904
Private Grants, Donations and Contributions	801,019	2,136,131	2,937,150	2,408,681
Special Events, GALA Lunch, net	121,082	-	121,082	113,246
Special Events, Golf Tournament, net	22,556	-	22,556	27,911
Special Events, Stuff The Bus, net	52,368	-	52,368	58,780
In-Kind Contributions	567,118	-	567,118	673,886
Other Income	54,428	-	54,428	36,072
Net Assets Released from Restrictions	2,141,173	(2,141,173)	-	-
Total Support and Revenues	11,184,700	(5,042)	11,179,658	10,350,982
Expenses				
Program Services	8,806,251	-	8,806,251	8,297,827
Support Services:				
Management and General	1,571,977	-	1,571,977	1,449,363
Fundraising	132,810	-	132,810	210,737
Total Expenses	10,511,038	-	10,511,038	9,957,927
Change in Net Assets	673,662	(5,042)	668,620	393,055
Net Assets at Beginning of Year	3,485,848	747,798	4,233,646	3,840,591
Net Assets at End of Year	\$ 4,159,510	\$ 742,756	\$ 4,902,266	\$ 4,233,646

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

Communities In Schools of San Antonio

Statement of Functional Expenses

Year Ended August 31, 2019 (with Comparative Totals for the Year Ended August 31, 2018)

	Support Services			Total Support Services	2019 Totals	2018 Totals
	Program Services	Management and General	Fundraising			
Salaries and Related Expenses:						
Salaries and Wages	\$ 6,299,513	\$ 955,644	\$ 100,788	\$ 1,056,432	\$ 7,355,945	\$ 6,780,974
Payroll Taxes and Employee Benefits	1,241,077	183,521	15,724	199,245	1,440,322	1,349,839
Total Salaries and Related Expenses	<u>7,540,590</u>	<u>1,139,165</u>	<u>116,512</u>	<u>1,255,677</u>	<u>8,796,267</u>	<u>8,130,813</u>
Other Operating Expenses:						
Contractual	84,138	90,487	1,432	91,919	176,057	176,679
Communications	5,805	14,398	1,073	15,471	21,276	18,798
Premise Expense	3,300	29,557	-	29,557	32,857	33,005
Interest Expense	-	37,877	-	37,877	37,877	31,883
Insurance	52,946	20,813	-	20,813	73,759	72,608
Travel and Training	90,501	61,631	7,041	68,672	159,173	162,873
Equipment	64,136	2,813	-	2,813	66,949	57,462
Maintenance and Repair	2,851	2,364	125	2,489	5,340	10,755
Printing and Copying	1,550	23,231	1,267	24,498	26,048	24,756
Advertising and Marketing	18,749	19,075	828	19,903	38,652	33,558
Supplies	39,122	55,162	1,139	56,301	95,423	69,731
Enrichment and Need	303,559	-	-	-	303,559	339,742
In-Kind Expenses - School Supplies	567,118	-	-	-	567,118	673,886
Other	31,886	1,286	3,393	4,679	36,565	38,134
Total Other Operating Expenses	<u>1,265,661</u>	<u>358,694</u>	<u>16,298</u>	<u>374,992</u>	<u>1,640,653</u>	<u>1,743,870</u>
Total Expenses before Depreciation	8,806,251	1,497,859	132,810	1,630,669	10,436,920	9,874,683
Depreciation	-	74,118	-	74,118	74,118	83,244
Total Expenses	<u>\$ 8,806,251</u>	<u>\$ 1,571,977</u>	<u>\$ 132,810</u>	<u>\$ 1,704,787</u>	<u>\$ 10,511,038</u>	<u>\$ 9,957,927</u>

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

Communities In Schools of San Antonio

Statements of Cash Flows Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 668,620	\$ 393,055
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	74,118	83,244
Realized and Unrealized (Gain) Loss on Investments	578	(1,504)
(Increase) Decrease in:		
Government Grants and Other Receivables	(159,428)	(206,679)
Interest Income Receivable	1,691	(2,121)
Prepaid Insurance and Other Deposits	7,555	(1,257)
Increase (Decrease) in:		
Accounts Payable	24,533	16,365
Salaries and Benefits Payable	22,796	42,145
Deferred Revenue	12,427	11,469
Net Cash Provided by Operating Activities	<u>652,890</u>	<u>334,717</u>
Cash Flows From Investing Activities:		
Purchase of Investments	-	(245,000)
Reinvestment of Income from Investments	(11,594)	(838)
Net Cash Used by Investing Activities	<u>(11,594)</u>	<u>(245,838)</u>
Cash Flows From Financing Activities:		
Payments on Note Payable	(51,202)	(50,938)
Net Cash Used by Financing Activities	<u>(51,202)</u>	<u>(50,938)</u>
Net Increase in Cash and Cash Equivalents	590,094	37,941
Cash and Cash Equivalents, Beginning of Year	<u>2,790,766</u>	<u>2,752,825</u>
Cash and Cash Equivalents, End of Year	\$ <u>3,380,860</u>	\$ <u>2,790,766</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 37,877</u>	<u>\$ 31,883</u>

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

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note A: Nature of Organization

Communities In Schools of San Antonio (CISSA) was organized as a nonprofit corporation on June 3, 1985 for the purpose of providing a positive environment for at-risk students by ensuring their access to all educational opportunities, social services and support services available. By developing positive self-esteem, confidence and respect, CISSA facilitates the ultimate mission of the student graduating from high school and continuing to reach his/her highest potential as a successful citizen, contributor to the community, and participant in building a world-class society.

CISSA is supported primarily by the Texas Education Agency, service delivery agreements with the schools they serve, Bexar County, City of San Antonio, donations from foundations, corporations and individuals, United Way of San Antonio, and to a lesser extent, special events.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of CISSA generally are not considered “restricted” under GAAP, though for internal reporting CISSA tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- With Donor Restrictions – net assets subject to donor-imposed stipulations that are more restrictive than CISSA’s mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Methods Used for Allocation of Expenses among Program and Support Services

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses which can be directly identified with specific programs are allocated to those programs. Any expenses not directly chargeable are allocated to programs and supporting service classifications on an indirect basis according to management estimates. For example, salaries and wages for the majority of CISSA staff are directly charged to specific grants, contracts, and other activities if readily identifiable. The salaries and wages of certain CISSA staff, including but not limited to CEO, CFO, Controller, and HR Director, are entirely indirectly charged to specific grants, contracts, and other activities as these staff perform functions which are necessary and beneficial to all programs. Occupancy expenses such as utilities, maintenance, janitorial, and security services are allocated directly and indirectly based on square footage. Office supplies expenses are directly charged to specific grants or contracts, however office supplies used by CISSA staff engaged in indirect activities will be charged on an indirect basis.

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing checking accounts, savings accounts, and money market funds. All other highly liquid debt instruments with an original maturity of three months or less are also included as cash equivalents in the Statements of Financial Position and Statements of Cash Flows. The cash and cash equivalents do not include the endowment funds and certificates of deposit.

Federal and State Income Taxes

CISSA is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. Management of CISSA believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. In addition, CISSA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended August 31, 2019 and 2018. CISSA is not subject to the Texas state income tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC, 820-10, defines fair value, establishes a three level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that CISSA has the ability to access.
- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

CISSA's financial instruments include cash and cash equivalents, receivables, investments, endowment fund, and payables. The carrying amount of these financial instruments as reflected in the Statements of Financial Position, except for investments and the endowment fund (see **Note D**), approximates fair value.

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Government Grants and Other Receivables

CISSA provides services that are paid for by federal, state, and local grants. Other receivables consist of service delivery agreements with the schools that CISSA provides services. CISSA has deemed these receivables to be fully collectible.

Contributions Receivable (Promises to Give)

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue and a corresponding asset in the period the pledge is received.

Property and Equipment

CISSA capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives as follows:

Building and Building Improvements	6 to 40 years
Equipment, Furniture and Fixtures	5 to 10 years
Vehicles	6 years

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. CISSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Deferred Revenue

Deferred revenue for the year ended August 31, 2019 was \$26,169, which consisted of \$24,550 collected in advance for a special event and \$1,619 for the gain on investments to be recognized in fiscal year ending August 31, 2020. Deferred revenue for the year ended August 31, 2018 was \$13,742, which consisted of \$12,523 collected in advance for a special event and \$1,219 for the gain on investments to be recognized in fiscal year ending August 31, 2019.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CISSA's financial statements for the year ended August 31, 2018 from which the summarized information was derived.

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Compensated Absences

Employees of CISSA are given up to twenty days paid time off (PTO) annually, depending upon employee classification. Unused PTO is not paid upon termination, whether voluntary or involuntary. Therefore, no accruals were made for compensated absences as of the fiscal years ending August 31, 2019 and 2018.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ending August 31, 2019 and 2018 were \$0 and \$475, respectively.

New Accounting Pronouncements

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. Management of CISSA is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2020. This new pronouncement provides users of financial statements with additional information about lessors' leasing activities and lessors' exposure to credit and asset risk as a result of leasing. Management of CISSA expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Management of CISSA is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note C: Investments

CISSA has an Endowment Fund (the Endowment Fund) at the San Antonio Area Foundation (SAAF). The Investment Committee of the SAAF manages the funds held in CISSA's name. CISSA decides how the funds will be distributed and used. The Endowment Fund is recorded at fair market value and is collateralized by insurance contracts. The value of this investment at August 31, 2019 and 2018 was \$22,665 and \$23,340 respectively. For additional information, refer to **Note L**.

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note C: Investments (Continued)

Investments at August 31 are summarized as follows:

	2019		
	Cost	Fair Value	Accumulated Gain (Loss)
Certificates of Deposit	\$ 797,637	\$ 797,637	\$ -
Total Investments	\$ 797,637	\$ 797,637	\$ -
Endowment Fund	\$ 21,046	\$ 22,665	\$ 1,619
	2018		
	Cost	Fair Value	Accumulated Gain (Loss)
Certificates of Deposit	\$ 785,946	\$ 785,946	\$ -
Total Investments	\$ 785,946	\$ 785,946	\$ -
Endowment Fund	\$ 22,121	\$ 23,340	\$ 1,219

Note D: Fair Value Measurement

The reporting entity uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how CISSA measures fair value, refer to **Note B**.

The following describes the valuation methods and assumptions used by CISSA in estimating the fair value disclosures for investments. There have been no changes in methodologies used at August 31, 2019 and 2018:

- *Money Markets* are valued at the fair value of shares at quoted market prices.
- *Certificates of Deposits* are valued at fair value at quoted market prices for assets not traded regularly.

The following table sets forth by level, within the fair value hierarchy, CISSA's investments at fair value as of August 31, 2019.

	Level 1	Level 2	Level 3	Total
Money Markets	\$ 22,665	\$ -	\$ -	\$ 22,665
Certificates of Deposits	-	797,637	-	797,637
Total Investments at Fair Value	\$ 22,665	\$ 797,637	\$ -	\$ 820,302

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note D: Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, CISSA's investments at fair value as of August 31, 2018.

	Level 1	Level 2	Level 3	Total
Money Markets	\$ 23,340	\$ -	\$ -	\$ 23,340
Certificates of Deposits	-	785,946	-	785,946
Total Investments at Fair Value	\$ 23,340	\$ 785,946	\$ -	\$ 809,286

Note E: Concentrations

Credit Risk of Financial Instruments and Investments

Financial instruments that potentially subject CISSA to concentrations of credit risk consist of its cash balances held at its financial institutions and its investment balances held with an investment firm if such balances exceed the related Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) protection limits. Accounts at the institutions are insured by the FDIC up to \$250,000. Accounts held with an investment firm are insured by the SIPC up to \$500,000. At August 31, 2019 and 2018, the cash balances at the institutions were in excess of the FDIC limit by **\$2,211,598** and \$1,610,856, respectively. At August 31, 2019 and 2018, the investment balance was in excess of the SIPC limit by **\$297,637** and \$285,946, respectively.

Deposits consist of demand deposit accounts and interest bearing accounts and are carried at cost. Investments consist of certificates of deposit and are carried at fair market value. It is the opinion of management that the solvency of the financial institution is not a particular concern at this time. CISSA continues to monitor the uncollateralized deposits.

Support and Revenues

CISSA received approximately **21%** and 23% of total support and revenues from government grants in 2019 and 2018, respectively. For additional information, refer to **Note J**.

Note F: Tax Deferred Annuity Plan

CISSA participates in a tax-deferred annuity plan qualified under Section 403(B) of the Internal Revenue Code. The plan covers full-time and part-time employees of CISSA. All employees are eligible to make voluntary contributions. CISSA will match a qualified employee contribution up to 3% of their gross pay. CISSA contributed matching contributions of **\$74,985** and \$66,051 for the years ended August 31, 2019 and 2018, respectively. The plan requires two years of service, without an intervening break, to be vested in the matching portion of the plan. Additionally, employees must complete 1,000 hours of service to receive credit for one year of service.

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note G: Government Grants and Other Receivables

Government Grants and Other Receivables at August 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Federal Agencies	\$ 78,283	\$ 25,098
State Agencies	112,084	118,410
Local Agencies and Organizations	308,505	333,278
Service Delivery Agreements	<u>505,182</u>	<u>367,840</u>
Total Government Grants and Other Receivables	<u>\$ 1,004,054</u>	<u>\$ 844,626</u>

Note H: Property and Equipment

Property and Equipment, Net of Accumulated Depreciation at August 31 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 135,000	\$ 135,000
Building and Building Improvements	1,239,060	1,239,060
Equipment, Furniture and Fixtures	119,560	119,560
Vehicles	<u>36,417</u>	<u>36,417</u>
Total Property and Equipment	<u>1,530,037</u>	<u>1,530,037</u>
Less: Accumulated Depreciation	<u>(831,472)</u>	<u>(757,354)</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 698,565</u>	<u>\$ 772,683</u>

Depreciation expense for the years ended August 31, 2019 and 2018 was **\$74,118** and \$83,244, respectively.

Note I: Note Payable

In May of 2008, CISSA purchased land and buildings located at 1616 East Commerce, San Antonio, Texas, for \$1,350,000. A \$270,000 payment was made at the time of closing in addition to closing costs. The remaining balance of \$1,080,000 is secured by a 20 year note, with interest at 6% adjustable every five years thereafter. The adjustable interest rate is dependent on the treasury rate plus 300 basis points. The interest was adjusted during the fiscal year ended August 31, 2018 to 5.90% for the next five years. The note is payable in monthly installments of \$7,423, secured by CISSA real estate, and matures on May 22, 2028. The note payable balance at August 31, 2019 and 2018 was **\$605,694** and \$656,896, respectively.

Future maturities of the note payable at August 31, 2019 are as follows:

2020	\$ 54,477
2021	57,780
2022	61,282
2023	64,998
2024	68,938
Thereafter	<u>298,219</u>
	<u>\$ 605,694</u>

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note J: Commitments and Contingencies

CISSA participates in several state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that CISSA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note K: Donated Facilities, Goods, and Professional Services

Donated facilities, goods, and professional services are valued on their estimated fair market value on the date of contribution. CISSA coordinates an annual event, Stuff The Bus, to solicit donations of school supplies. The supplies are collected and divided amongst CISSA and several other non-profit agencies serving school-age children. The fair market value of the donated supplies is estimated to be **\$567,118** and \$673,886 for the years ended August 31, 2019 and 2018, respectively.

Note L: Endowment Fund

The Endowment Fund was created as a permanent endowment fund in 2005 to support CISSA. The investment objective for the capital fund is the preservation of capital, with the secondary purpose being to provide an income stream. The risk tolerance objective is investments should be made that ensure the preservation of capital in the overall capital and offsets during a twelve-month period. CISSA has permanent ownership of the principal portion of the Endowment Fund and in the event of dissolution of CISSA it will control the distribution of the funds. The net appreciation from the Endowment Fund is to be used to support CISSA's operating activities or for specific purpose designated by the donor. As of August 31, 2019, and 2018, the fair value of the Endowment Fund is **\$22,665** and \$23,340, respectively, and is held by the Investment Committee of the SAAF. The principal portion of the Endowment Fund in the amount of \$13,109 is not currently available for use by CISSA. The net appreciation of \$9,556 during the year ended August 31, 2019 is recorded as With Donor Restrictions and is available for use by CISSA. The entire endowment fund contribution of \$13,109 is donor restricted.

Activity of the Endowment Fund for the years ended August 31 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 23,340	\$ 21,972
Investment Income	223	189
Investment Fees	(320)	(325)
Appreciation or Depreciation	<u>(578)</u>	<u>1,504</u>
Ending Balance	<u>\$ 22,665</u>	<u>\$ 23,340</u>

Net Asset Breakdown of the Endowment Fund:

Restricted by Time or Purpose	\$ 9,556	\$ 10,231
Restricted by Perpetuity	<u>13,109</u>	<u>13,109</u>
Total Endowment Fund	<u>\$ 22,665</u>	<u>\$ 23,340</u>

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note M: Special Events

Special events are held by CISSA to help fund current operations and consisted of the following for the years ended August 31:

	<u>2019</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Special Events, net</u>
GALA Lunch	\$ 154,390	\$ (33,308)	\$ 121,082
Stuff The Bus	99,920	(47,552)	52,368
Golf Tournament	<u>35,798</u>	<u>(13,242)</u>	<u>22,556</u>
Total	<u>\$ 290,108</u>	<u>\$ (94,102)</u>	<u>\$ 196,006</u>
	<u>2018</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Special Events, net</u>
GALA Lunch	\$ 143,162	\$ (29,916)	\$ 113,246
Stuff The Bus	105,946	(47,166)	58,780
Golf Tournament	<u>43,245</u>	<u>(15,334)</u>	<u>27,911</u>
Total	<u>\$ 292,353</u>	<u>\$ (92,416)</u>	<u>\$ 199,937</u>

Note N: Net Assets

With Donor Restrictions

With Donor Restrictions at August 31 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Restricted by Time or Purpose		
Participant Emergency Needs	\$ 26,630	\$ 14,351
Stuff The Bus	30,431	32,640
Property and Equipment	9,824	10,000
General Operations	120,000	-
Project Access	37,112	29,185
Parent Involvement	11,951	-
Pre-K	68,816	-
ROPES	552	-
Base Wellness Project	10,548	-
XY Zone	28,820	29,790
Program Support for Specifically Identified Schools	312,552	526,315
STEM Program	9,660	7,644
Pre-College Program	33,740	-
Training and Development	-	60,000
Endowment Fund	\$ 9,556	\$ 10,231

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note N: Net Assets (Continued)

With Donor Restrictions (Continued)

	<u>2019</u>	<u>2018</u>
Restricted by Time or Purpose (Continued)		
Miscellaneous	\$ 19,455	\$ 14,533
Restricted by Perpetuity		
Endowment Fund	<u>13,109</u>	<u>13,109</u>
Total Net Assets With Donor Restrictions	<u>\$ 742,756</u>	<u>\$ 747,798</u>

Net Assets Released from Restrictions

During the years ended August 31, 2019 and 2018, the following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2019</u>	<u>2018</u>
Participant Emergency Needs	\$ 9,838	\$ 5,823
Stuff The Bus	98,961	122,637
Endowment Fund	675	-
Martial Arts/Boxing for Fitness	-	40,644
Operation Graduation	100,000	-
General Operations	40,000	-
Pre-K	2,606	-
Stay-In-School Project	125,000	-
Base Wellness Project	76,363	-
Property and Equipment	15,176	-
Inspire U Program	5,000	-
Student Leaders	28,000	-
Project Access	90,651	76,855
Parent Involvement	5,549	6,427
Mental Health Project	-	3,578
Rising Scholars	-	2,382
Enrichment	-	9,568
ROPES	1,149	645
Emergency Food Program	-	13,092
XY Zone	20,970	13,210
Program Support for Specifically Identified Schools	1,275,027	1,304,103
STEM Program	154,099	162,500
Pre-College Program	20,000	51,585
Mentoring	-	32,595
Training and Development	60,500	-
Miscellaneous	<u>11,609</u>	<u>25,307</u>
Total Net Assets Released from Restrictions	<u>\$ 2,141,173</u>	<u>\$ 1,870,951</u>

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note O: Operating Lease Income

In July 2018, CISSA renewed a lease for property space to an unaffiliated tenant under a non-cancellable lease agreement, which is effective August 1, 2018 and expires on July 31, 2021.

Future minimum rental income due under this non-cancellable lease agreement at August 31, 2019 is summarized as follows:

2020	\$	16,350
2021		<u>16,500</u>
	\$	<u><u>32,850</u></u>

Note P: Reclassification

Certain amounts in the 2018 presentation have been reclassified to conform to the 2019 presentation.

Note Q: Liquidity and Availability

The following represents CISSA's financial assets at August 31:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 3,380,860	\$ 2,790,766
Investments	797,637	785,946
Government Grants and Other Receivables	1,004,054	844,626
Interest Income Receivable	<u>666</u>	<u>2,357</u>
Total Financial Assets	<u>\$ 5,183,217</u>	<u>\$ 4,423,695</u>

Less those unavailable for general expenditures within one year due to:

Net Assets with Donor Restrictions	\$ 742,756	\$ 747,798
Less Net Assets with Timing Restrictions to be Met in Less Than One Year	<u>(40,000)</u>	<u>-</u>
	<u>702,756</u>	<u>747,798</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 4,480,461</u>	<u>\$ 3,675,897</u>

CISSA regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In accordance with CISSA's Operating Reserves and Working Capital Policy, CISSA's goal is to maintain working capital (defined by CISSA as cash) to cover one month of operating expenses. In addition, CISSA maintains a Board Designated Operating Reserve Fund to achieve the following objectives:

- To enable CISSA to sustain operations through delays in payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations;
- To promote public and funder confidence in the long-term sustainability of CISSA by preventing chronic cash flow crisis that can diminish CISSA's reputation and force CISSA's leaders to make expensive, short-term, crisis based decisions;

Communities In Schools of San Antonio

Notes to Financial Statements
August 31, 2019 and 2018

Note Q: Liquidity and Availability (Continued)

- To create an internal line of credit to manage cash flow and maintain financial flexibility

The target amount to be maintained of the Board Designated Operating Reserve Fund is 25% of CISSA's annual operating budget or three months of operating expenses. Board Designated Operating Reserves shall be accounted for separate and apart from Undesignated Operating Funds.

CISSA has various resources of liquidity at its disposal, including cash and cash equivalents, investments, and various receivables. In addition to the financial assets available to meet general expenditures within one year, CISSA operates a balanced budget and anticipates earned revenues and annual support contributions sufficient to cover general expenditures not provided by other donor restricted sources.

Note R: Subsequent Events

Subsequent events have been evaluated through December 5, 2019, which is the date the financial statements were available to be issued.

Compliance Report

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Communities In Schools of San Antonio

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 San Antonio (CISSA) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, 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 December 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CISSA'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 CISSA's internal control. Accordingly, we do not express an opinion on the effectiveness of CISSA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CISSA'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*.

**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* (Continued)**

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 CISSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CISSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

December 5, 2019

**Independent Auditor's Report on Compliance for
Each Major State Program and on Internal Control
Over Compliance Required by the *State of Texas
Single Audit Circular***

To the Board of Directors of
Communities In Schools of San Antonio

Report on Compliance for Each Major State Program

We have audited Communities In Schools of San Antonio's (CISSA's) compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of CISSA's major state programs for the year ended August 31, 2019. CISSA's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CISSA's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Texas Single Audit Circular*. Those standards and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about CISSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Communities In Schools of San Antonio 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, 2019.

**Independent Auditor's Report on Compliance for
Each Major State Program and on Internal Control
Over Compliance Required by the *State of Texas*
Single Audit Circular (Continued)**

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Schrivier, Carmona & Company, PLLC

San Antonio, Texas

December 5, 2019

Communities In Schools of San Antonio

Schedule of Expenditures of State Awards
 Year Ended August 31, 2019

Federal or State Grantor/Pass through Grantor/ Program Title	CFDA Number	Pass Through Grant ID Number	State Grant Expended During the Year
<i>U.S. Department of Justice</i>			
<i>Pass through Texas Office of the Governor</i>			
<i>Criminal Justice Division</i>			
Stay In School Program	N/A	3559601	50,244
Middle School Partner's Program	N/A	3276801	<u>3,994</u>
<i>Total U.S. Department of Justice</i>			<u>54,238</u>
<i>U.S. Department of Education</i>			
<i>Pass through Texas Education Agency</i>			
Communities In Schools	N/A	190958027120022	<u>1,121,957</u>
<i>Total U.S. Department of Education</i>			<u>1,121,957</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 1,176,195</u>

Communities In Schools of San Antonio

Notes to Schedule of Expenditures of State Awards
August 31, 2019

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of Communities In Schools of San Antonio (CISSA) under programs of the State of Texas for the year ended August 31, 2019. The information in this 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 CISSA it is not intended, and does not, present the financial position, changes in net assets or cash flows of CISSA. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements.

All of CISSA's state awards were in the form of cash assistance for the year ended August 31, 2019.

Note B: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Communities In Schools of San Antonio

State Awards – Schedule of Findings and Questioned Costs
Year Ended August 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

State Awards

Internal Control Over Major Programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?	No

Identification of Major Programs:

<u>Grant ID Number</u>	<u>Name of State Program or Cluster</u>
190958027120022	Communities In Schools

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS None

SECTION III - STATE AWARD FINDINGS None