

***COMMUNITIES IN SCHOOLS
OF SAN ANTONIO***

FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2016



Communities In Schools

San Antonio

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Communities In Schools

San Antonio

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Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Communities in Schools of San Antonio, which comprise the statement of financial position as of August 31, 2016, 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 audit 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, 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

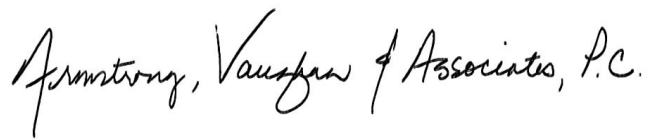
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Non-Federal Awards is presented for purposes of additional analysis as required by the Texas Uniform Grant Management Standards issued by the Texas State Comptroller, and is not a required part of the financial statements. The Schedule of Expenditures of Non-Federal Awards is the responsibility of management and was derived from and relate 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 other 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 Schedule of Expenditures of Non-Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Communities in Schools of San Antonio's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 02, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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.



Armstrong, Vaughan & Associates, P.C.
November 18, 2016

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016
(with summarized financial information at August 31, 2015)

ASSETS	2016	2015
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,779,290	\$ 1,393,508
Investments	1,012,031	1,010,229
Government Grants and Other Receivables	894,966	645,912
Interest Income Receivable	219	219
Prepaid Insurance and Other Deposits	39,151	30,885
<i>Total Current Assets</i>	<u>3,725,657</u>	<u>3,080,753</u>
<i>Assets of Permanently Restricted Endowment Fund:</i>		
Money Market Investments	19,732	18,877
<i>Total Assets of Permanently Restricted Endowment Fund</i>	<u>19,732</u>	<u>18,877</u>
<i>Property and Equipment, Net</i>	<u>872,421</u>	<u>942,015</u>
TOTAL ASSETS	<u><u>\$ 4,617,810</u></u>	<u><u>\$ 4,041,645</u></u>
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 62,833	\$ 61,215
Salaries and Benefits Payable	214,765	183,572
Deferred/Unearned Revenues	34,022	45,727
Current Portion of Debt	52,231	50,272
<i>Total Current Liabilities</i>	<u>363,851</u>	<u>340,786</u>
<i>Long Term Debt:</i>		
Notes Payable - Land and Building	707,834	760,065
<i>Total Long Term Debt</i>	<u>707,834</u>	<u>760,065</u>
<i>Total Liabilities</i>	<u>1,071,685</u>	<u>1,100,851</u>
<i>Net Assets:</i>		
Unrestricted:		
General Operating	2,494,832	2,202,526
Investment in Property & Equipment, Net of Related Debt	112,356	131,678
Temporarily Restricted	925,828	593,481
Permanently Restricted for Endowment	13,109	13,109
<i>Total Net Assets</i>	<u>3,546,125</u>	<u>2,940,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,617,810</u></u>	<u><u>\$ 4,041,645</u></u>

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted for Endowment	2016 Total	2015 Total
REVENUES, GAINS AND SUPPORT					
Grants - State Government	\$ 1,133,247	\$ -	\$ -	\$ 1,133,247	\$ 1,197,694
Grants - Federal Government	748,865	-	-	748,865	669,368
Grants - Local Government	589,774	-	-	589,774	585,622
Service Contracts	3,278,054	-	-	3,278,054	2,951,006
United Way of San Antonio	738,496	-	-	738,496	631,838
Private Grants, Donations & Contributions	224,972	1,275,412	-	1,500,384	1,330,225
Special Events, GALA - Net	161,268	-	-	161,268	85,469
Special Events, Golf Tournament - Net	21,317	-	-	21,317	14,446
Special Events, Stuff The Bus - Net	50,184	-	-	50,184	63,674
Special Events, Other - Net	39,782	-	-	39,782	-
In-Kind Revenues	661,514	-	-	661,514	447,250
Other Income	29,633	-	-	29,633	12,622
<i>Total Revenues and Gains</i>	<u>7,677,106</u>	<u>1,275,412</u>	<u>-</u>	<u>8,952,518</u>	<u>7,989,214</u>
Net Assets Released from Donor Restrictions	943,065	(943,065)	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	<u>8,620,171</u>	<u>332,347</u>	<u>-</u>	<u>8,952,518</u>	<u>7,989,214</u>
EXPENSES					
Program Services	6,863,536	-	-	6,863,536	6,630,876
Supporting Services					
Management and General	1,300,244	-	-	1,300,244	1,056,329
Fundraising	113,813	-	-	113,813	103,147
Depreciation	69,594	-	-	69,594	86,292
TOTAL EXPENSES	<u>8,347,187</u>	<u>-</u>	<u>-</u>	<u>8,347,187</u>	<u>7,876,644</u>
CHANGE IN NET ASSETS	272,984	332,347	-	605,331	112,570
NET ASSETS - BEGINNING OF YEAR	<u>2,334,204</u>	<u>593,481</u>	<u>13,109</u>	<u>2,940,794</u>	<u>2,828,224</u>
NET ASSETS - END OF YEAR	<u>\$ 2,607,188</u>	<u>\$ 925,828</u>	<u>\$ 13,109</u>	<u>\$ 3,546,125</u>	<u>\$ 2,940,794</u>

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	Program Services	Supporting Services Management & General	Fundraising Expenses	2016 Total	2015 Total
FUNCTIONAL EXPENSES					
<i>Personnel Costs:</i>					
Personnel Costs	\$ 4,632,495	\$ 842,154	\$ 86,593	\$ 5,561,242	\$ 5,240,027
Fringe Benefits	906,976	139,724	15,422	1,062,122	1,027,951
<i>Total Personnel Costs</i>	<u>5,539,471</u>	<u>981,878</u>	<u>102,015</u>	<u>6,623,364</u>	<u>6,267,978</u>
Contractual	45,880	60,661	880	107,421	145,662
Communications	4,633	15,626	1,468	21,727	20,866
Premise Expense	4,175	32,974	-	37,149	17,924
Interest Expense	-	30,463	-	30,463	32,349
Insurance Expense	29,593	28,895	-	58,488	55,081
Travel/Training	74,923	24,333	4,145	103,401	114,038
Equipment	51,006	35,604	-	86,610	28,753
Maintenance & Repair	-	2,607	-	2,607	24,191
Printing and Copying	167	18,176	3,528	21,871	16,664
Marketing	19,361	14,457	-	33,818	47,220
Supplies	20,175	31,369	1,002	52,546	64,730
Enrichment/Need	400,465	-	-	400,465	450,164
In-Kind Expenses	661,514	-	-	661,514	447,250
Other Expenses	12,173	23,201	775	36,149	57,482
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,863,536</u>	<u>\$ 1,300,244</u>	<u>\$ 113,813</u>	<u>\$ 8,277,593</u>	<u>\$ 7,790,352</u>

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016
(with summarized financial information for the year ended August 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 605,331	\$ 112,570
Adjustments to Reconcile the Change in Net Assets to the Net Cash Used in Operating Activities:		
Depreciation	69,594	86,292
Realized & Unrealized (Gain)/Loss on Investments	(664)	2,207
(Increase) Decrease in Current Assets:		
(Increase) Decrease in Receivables	(249,054)	89,587
(Increase) Decrease in Prepaid Insurance & Other Deposits	(8,266)	50,250
Increase (Decrease) in Liabilities:		
Increase (Decrease) in Accounts Payable	1,618	29,687
Increase (Decrease) in Salaries and Benefits Payable	31,193	21,295
Increase (Decrease) in Deferred/Unearned Revenues	(11,705)	33,162
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>438,047</u>	<u>425,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of Income in Investments	(1,993)	(3,465)
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	<u>(1,993)</u>	<u>(3,465)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Debt	(50,272)	(48,386)
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	<u>(50,272)</u>	<u>(48,386)</u>
NET INCREASE (DECREASE) IN CASH	385,782	373,199
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	<u>1,393,508</u>	<u>1,020,309</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,779,290</u>	<u>\$ 1,393,508</u>
SUPPLEMENTAL INFORMATION:		
Cash Paid for Interest During the Year	\$ 30,463	\$ 32,349

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE A -- ORDER AND PURPOSE

Communities in Schools of San Antonio (CISSA) (the organization) 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, Federal Department of Education, service delivery agreements with the schools they serve, Bexar County, City of San Antonio, donations from foundations, corporations and individuals, United Way, and to a lesser extent, special events.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Accounting Method*

Communities in Schools of San Antonio uses the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when they are incurred.

2. *Financial Statement Presentation*

The financial statements of Communities In Schools of San Antonio are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 958-605-15 and 958-205-05 (Formerly Statements No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-profit Organizations*) and the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations (the "Guide").

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CISSA and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of CISSA and/or passage of time.

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that may be maintained permanently by CISSA.

Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. *Income Taxes*

CISSA is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. As such, no provision for income taxes has been made in the financial statements.

At August 31, 2016 and 2015, the Organization has determined that no income taxes are due for its activities. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The CISSA's tax years for 2013 through 2015 are open to examination by the Internal Revenue Service as of August 31, 2016.

4. *Cash and Cash Equivalents*

Cash and cash equivalents include interest-bearing checking, 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 on the statement of financial position and statement of cash flows. The cash and cash equivalents do not include the endowment funds.

5. *Investments*

Investments are reported at fair value on the statement of financial position. Unrealized gains and losses are included in the Statement of Activities.

6. *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.

7. *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.

8. *Functional Expense Allocations*

Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various methods.

9. *Property and Equipment*

Property and equipment is recorded at cost if purchased, or at fair market value if donated. CISSA capitalizes items with useful lives greater than five years and costing more than \$5,000.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

10. *Depreciation*

Depreciation on the property, furniture, and equipment owned by CISSA is calculated using the straight-line method. Estimated useful lives for purposes of depreciation are as follows:

	<u>Years</u>
Building and Improvements	6 to 40
Furniture and Equipment	5 to 10
Vehicles	6

11. *Deferred/Unearned Revenue*

The deferred revenue for the year ended August 31, 2016 was \$34,022 which consisted of \$10,660 collected in advance for the golf event and \$23,362 for a prepayment for services to be provided in fiscal year 2017. The deferred revenue for the year ended August 31, 2015 was \$45,727 which consisted of \$1,000 collected in advance for the golf tournament and \$44,727 for a prepayment for services performed from a school district.

12. *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

13. *Comparative Totals*

The financial statement and footnote disclosures for the year ended August 31, 2015 are presented only to provide a basis for comparison with the year ended August 31, 2016. The 2015 financial statements and footnote disclosures are not intended to present all information necessary for the fair presentation in accordance with U.S. Generally Accepted Accounting Principles. Accordingly, such information should be used in conjunction with the School's financial statements for the year ended August 31, 2015 from which the summarized information was derived.

14. *Reclassifications*

Certain amounts for the year ended August 31, 2015, have been reclassified for comparative purposes to conform to the presentation used in the August 31, 2016 financial statements. The reclassifications have no effect on net assets for the year ended August 31, 2015.

15. *Compensated Absences*

Employees of CISSA are given up to twenty (20) days Paid Time off (PTO) annually, depending upon employee classification. Unused vacation is not paid upon termination, whether voluntary or involuntary. Therefore, no accruals were made for compensated absences as of fiscal year-ends.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

16. *Subsequent Events*

Subsequent events were considered through November 18, 2016, which is the date the financial statements were available to be issued.

NOTE C -- FAIR VALUE MEASUREMENT

CISSA financial instruments consist primarily of cash and cash equivalents and money market investments. The carrying amount of the cash and cash equivalents approximate their fair market value due to the short-term nature of such instruments (Level 1).

The carrying value of the money market investment fund is the fair market value based upon quoted prices (Level 1).

CISSA uses the following hierarchical disclosure framework:

Level 1 - Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 - Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Measurement based on assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

CISSA uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, CISSA measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of CISSA's investments are according to the fair value hierarchy at Level 1.

NOTE D -- INVESTMENTS

As of August 31, 2016, CISSA's investment portfolio consisted of the following:

	Year End 2016 Cost	Year End 2016 Fair Value	Accumulated Gain (loss)
Certificates of Deposit	\$ 538,822	\$ 538,822	\$ -
Money Market	473,210	473,210	-
	<u>\$ 1,012,031</u>	<u>\$ 1,012,031</u>	<u>\$ -</u>
Endowment	<u>\$ 18,742</u>	<u>\$ 19,732</u>	<u>\$ 990</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE D -- INVESTMENTS (CONT.)

As of August 31, 2015, CISSA's investment portfolio consisted of the following:

	Year End 2015 Cost	Year End 2015 Fair Value	Accumulated Gain (loss)
Certificates of Deposit	\$ 538,198	\$ 538,198	\$ -
Money Market	472,031	472,031	-
	<u>\$ 1,010,229</u>	<u>\$ 1,010,229</u>	<u>\$ -</u>
Endowment	<u>\$ 21,816</u>	<u>\$ 18,877</u>	<u>\$ (2,939)</u>

NOTE E -- DEPOSITORY INSURANCE

Deposits consist of demand deposit accounts and interest bearing accounts and are carried at cost. Investments consist of money market funds (other than restricted), mutual funds, certificates of deposit and corporate bonds and are carried at fair market value. These amounts do not include petty cash of \$500. 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.

	August 31, 2016		August 31, 2015	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Deposits Covered by FDIC Insurance	\$ 1,621,000	\$ 1,694,976	\$ 1,413,095	\$ 1,466,563
Collateralized by Insurance Contracts	500,000	500,000	500,000	500,000
Uncollateralized	689,553	747,834	509,019	567,018
	<u>\$ 2,810,553</u>	<u>\$ 2,942,810</u>	<u>\$ 2,422,114</u>	<u>\$ 2,533,581</u>

CISSA has an Endowment Fund at the San Antonio Area Foundation Board (Board). The Board 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 in investments above. The value of this investment at August 31, 2016 and 2015 was \$19,732 and \$18,877 respectively.

NOTE F -- PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of August 31:

	2016	2015
Land	\$ 135,000	\$ 135,000
Buildings and Improvements	1,239,060	1,239,060
Equipment, Furniture & Fixtures	151,965	151,965
Vehicles	36,417	36,417
Total Property and Equipment	<u>1,562,442</u>	<u>1,562,442</u>
Less: Accumulated Depreciation	<u>(690,021)</u>	<u>(620,427)</u>
Property and Equipment - Net	<u>\$ 872,421</u>	<u>\$ 942,015</u>

Land is not depreciated.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE G -- LONG TERM DEBT

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 of \$14,275. The remaining balance of \$1,080,000 is secured by a 20 year note, with interest at 6% adjustable every 5 years thereafter. The adjustable interest rate is dependent on the treasury rate plus 300 basis points. The interest was adjusted during the fiscal year 2013 to 3.83% for next 5 years. The new monthly installment for the next five years is \$6,728 as compared to previous monthly installment of \$7,793. The annual requirements for principal and interest (based on current 3.83%) payments on the notes payable for the next five years and thereafter is as follows:

	For Year Ended 2016		
	Principal	Interest	Total
2017	\$ 52,231	\$ 28,503	\$ 80,734
2018	54,267	26,467	80,734
2019	56,382	24,352	80,734
2020	58,580	22,154	80,734
2021	60,864	19,871	80,735
2022-2026	341,809	61,862	403,671
2027-2028	135,932	5,354	141,286
	<u>\$ 760,065</u>	<u>\$ 188,563</u>	<u>\$ 948,628</u>

NOTE H -- FEDERAL AND GRANT CONTINGENCY

Communities in Schools of San Antonio is funded by various federal and state grant programs which are governed by various rules and regulations of the grantor agencies. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agency. To the extent that CISSA has not complied with the rules and regulations governing the grant, refunds of any money received may be required. It is the opinion of management, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

NOTE I -- IN-KIND CONTRIBUTIONS

Annually CISSA coordinates an event, Stuff the Bus, to solicit donations of school supplies. The supplies are collected and divided amongst CISSA and several other nonprofit agencies serving school-age children. As of August 31, 2015, the fair market value of the supplies was determined to be \$447,250. Various other In-Kind donations occurred during the fiscal year-ended 2015 and each was recorded at fair market value. As of August 31, 2016 the fair market value of supplies was determined to be \$661,514, which is reported as in-kind contributions on the Statement of Activities.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE J -- TAX DEFERRED ANNUITY PLAN

Communities in Schools of San Antonio, Inc. participates in a tax-deferred annuity plan qualified under Section 403(B) of the Internal Revenue Code. The plan covers full-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 \$60,134 and \$56,893 for the years ended August 31, 2016 and 2015, 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 1000 hours of service to receive credit for 1 year of service.

NOTE K -- TEMPORARILY RESTRICTED NET ASSETS

The remaining balances of the temporarily restricted net assets as of August 31, are as follows:

	2016	2015
Participant Emergency Needs	\$ 4,754	\$ 2,730
Stuff the Bus	59,166	8,982
Arts Program	1,883	5,259
Martial Arts/Boxing for Fitness	106,553	161,000
Project Access	-	295
Parent Involvement	10,416	2,590
Enrichment	-	11,201
ROPES	434	554
Emergency Food Program	32,703	31,623
XY Zone	-	29,267
Program Support for Specifically Identified Schools	452,910	245,528
STEM Programs	136,569	23,683
Pre-College Program	32,276	31,708
Mentoring	19,631	18,131
Technology	41,153	4,000
Endowment Fund	6,623	5,768
Various Miscellaneous	20,757	11,162
	<u>\$ 925,828</u>	<u>\$ 593,481</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE K -- TEMPORARILY RESTRICTED NET ASSETS (CONT.)

The uses of temporarily restricted funds as of August 31, are as follows:

	<u>2016</u>	<u>2015</u>
Participant Emergency Needs	\$ 3,474	\$ 5,464
Stuff the Bus	82,236	17,005
Backpack Program	-	4,258
Arts Program	7,119	4,111
Martial Arts/Boxing for Fitness	54,447	52,191
Project Access	295	153,386
Parent Involvement	2,646	6,872
Enrichment	19,729	5,951
ROPES	200	3,041
Emergency Food Program	23,920	23,320
XY Zone	29,947	21,231
Program Support for Specifically Identified Schools	561,877	415,008
Strength Finders and STEM Programs	57,564	223,027
Pre-College Program	24,432	25,626
Mentoring	18,500	3,868
Technology	10,878	-
Endowment Fund	-	2,152
Various Miscellaneous	45,801	36,470
	<u>\$ 943,065</u>	<u>\$ 1,002,981</u>

NOTE L -- SPECIAL EVENTS

The following is a summary of special events accomplished during the years ended August 31, 2016 and 2015:

<u>For Year Ended 2016</u>					
	<u>Gala Lunch</u>	<u>Stuff the Bus</u>	<u>Top Golf</u>	<u>Other</u>	<u>Total</u>
Revenues	\$ 187,931	\$ 132,420	\$ 26,109	\$ 39,782	\$ 386,242
Expenses	<u>(26,663)</u>	<u>(82,236)</u>	<u>(4,792)</u>	<u>-</u>	<u>(113,691)</u>
	<u>\$ 161,268</u>	<u>\$ 50,184</u>	<u>\$ 21,317</u>	<u>\$ 39,782</u>	<u>\$ 272,551</u>

<u>For Year Ended 2015</u>				
	<u>Gala Lunch</u>	<u>Stuff the Bus</u>	<u>Golf Tourney</u>	<u>Total</u>
Revenues	\$ 120,760	\$ 97,324	\$ 32,217	\$ 250,301
Expenses	<u>(35,291)</u>	<u>(33,650)</u>	<u>(17,771)</u>	<u>(86,712)</u>
	<u>\$ 85,469</u>	<u>\$ 63,674</u>	<u>\$ 14,446</u>	<u>\$ 163,589</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2016

NOTE M -- ENDOWMENT FUND

The Communities in Schools of San Antonio, Inc. Endowment Fund (Endowment Fund) was created as a permanent endowment fund in 2005, to support Communities in Schools of San Antonio, Inc. 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. Communities in Schools of San Antonio, Inc. has permanent ownership of the principal portion of the Endowment Fund and in the event of dissolution of Communities in Schools of San Antonio, Inc. it will control the distribution of the funds. The net appreciation from the Endowment Fund is to be used to support the Communities in Schools of San Antonio, Inc.'s operating activities or for specific purpose designated by the donor. As of August 31, 2016, the fair value of the Endowment Fund is \$19,732 (\$18,877 as of August 31, 2015) and is held by the San Antonio Area Foundation. 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 \$6,623 is recorded in the temporarily restricted fund and is available for use by CISSA. The entire endowment fund contribution of \$13,109 is donor restricted.

<u>Endowment Fund</u>	<u>2016</u>	<u>2015</u>
Beginning Endowment Fund Balance	\$ 18,877	\$ 21,029
Investment Return:		
Income	355	435
Investment Fees	(164)	(380)
Appreciation or Depreciation	664	(2,207)
Ending Endowment Fund Balance	<u>\$ 19,732</u>	<u>\$ 18,877</u>
Breakdown of Endowment Fund:		
Temporarily Restricted Fund	\$ 6,623	\$ 5,768
Permanently Restricted Fund	\$ 13,109	\$ 13,109

NOTE N -- LITIGATION

Management is not aware of any threatened or pending litigation.

STATE AWARD SECTION

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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
Communities in Schools of San Antonio

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 Communities in Schools of San Antonio, which comprise the statement of financial position as of August 31, 2016, 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 November 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Communities in Schools of San Antonio'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 San Antonio's internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of San Antonio'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 Communities in Schools of San Antonio'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

November 18, 2016

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE RELATED TO MAJOR PROGRAMS (STATE OF TEXAS *SINGLE AUDIT CIRCULAR*) AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Communities in Schools of San Antonio

Compliance

We have audited the compliance of Communities in Schools of San Antonio 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 its major state programs for the year ended August 31, 2016. CISSA's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations contracts, and grants applicable to its major state program is the responsibility of CISSA's management. Our responsibility is to express an opinion on CISSA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Single Audit Circular* issued by the State of Texas. 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. Our audit does not provide a legal determination of CISSA's compliance with those requirements.

In our opinion, CISSA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the year ended August 31 2016.

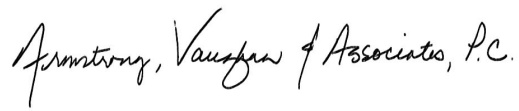
Internal Control Over Compliance

Management of CISSA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered CISSA's internal control over compliance. Accordingly, we express no such opinion.

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 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.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in CISSA's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

This report is intended solely for the use of the board of directors, management of CISSA, TEA and the State of Texas and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
November 18, 2016

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Summary of Auditor's Results

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Communities in Schools of San Antonio
2. No instances of noncompliance material to the financial statements of Communities in Schools of San Antonio were disclosed during the audit.
3. The auditor's report on compliance for the major non-federal award programs for Communities in Schools of San Antonio expresses an unmodified opinion on all major non-federal programs.
4. Non Federal Programs tested are as follows:
 - A) Texas Education Agency
Compensatory Education Program
5. CISSA was classified as a low-risk auditee in the context of the Texas Uniform Grant Management Standards, Texas Single Audit Circular.
6. No material weaknesses or reportable conditions were identified in internal control over financial reporting in accordance with *GAGAS*.
7. There were no material weaknesses identified over major programs in accordance with the State of Texas Uniform Grant Management Standards, Texas Single Audit Circular.

B. Findings

None

C. Prior Year Findings

None

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Federal CFDA Number	Pass-through Entity Identifying Number	State Expenditures
STATE FINANCIAL ASSISTANCE			
Texas Education Agency	N/A	160958027120024	<u>\$ 1,133,247</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Basis of Presentation

The accompanying schedule of expenditures of non-federal awards includes the non-federal grant activity of Communities in Schools of San Antonio and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Texas Uniform Grant Management Standards issued by the Texas State Comptroller. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.



Communities In Schools

San Antonio