

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

FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2012

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TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT 1

STATEMENT OF FINANCIAL POSITION 2

STATEMENT OF ACTIVITIES 3

STATEMENT OF FUNCTIONAL EXPENSES 4

STATEMENT OF CASH FLOWS 5

NOTES TO FINANCIAL STATEMENTS 6

FEDERAL AWARD SECTION 14

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* 15

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 17

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 19

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS 20

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – NON-FEDERAL AWARDS 21

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS 22

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS 23

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SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



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

We have audited the accompanying statement of financial position of Communities In Schools of San Antonio as of August 31, 2012 and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Communities In Schools of San Antonio's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Communities In Schools of San Antonio's 2011 financial statements and, in our report dated November 11, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Communities In Schools of San Antonio as of August 31, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 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 related matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Communities In Schools of San Antonio taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic 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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
November 27, 2012

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COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2012
(with summarized financial information for the year ended August 31, 2011)

ASSETS	2012	2011
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,079,202	\$ 1,902,507
Investments	1,331,623	731,743
Government Grants and Other Receivables	802,611	947,285
Interest Income Receivable	3,073	1,392
Prepaid Insurance and Other Deposits	116,617	61,586
<i>Total Current Assets</i>	3,333,126	3,644,513
 <i>Assets of Permanently Restricted Endowment Fund:</i>		
Money Market Investments	17,847	16,861
<i>Total Assets of Permanently Restricted Endowment Fund</i>	17,847	16,861
 <i>Property and Equipment, Net</i>		
	1,180,235	1,276,330
TOTAL ASSETS	\$ 4,531,208	\$ 4,937,704
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 53,013	\$ 23,077
Salaries and Benefits Payable	210,722	176,915
Compensated Absences	113,149	114,725
Deferred/Unearned Revenues	105,667	105,467
Current Portion of Debt	37,185	35,025
<i>Total Current Liabilities</i>	519,736	455,209
 <i>Long Term Debt:</i>		
Notes Payable - Land and Building	907,810	944,220
<i>Total Long Term Debt</i>	907,810	944,220
<i>Total Liabilities</i>	1,427,546	1,399,429
 <i>Net Assets:</i>		
<i>Unrestricted:</i>		
General Operating	2,182,710	2,184,034
Investment in Property & Equipment, Net of Related Debt	235,240	297,085
Temporarily Restricted	672,603	1,044,047
Permanently Restricted for Endowment	13,109	13,109
<i>Total Net Assets</i>	3,103,662	3,538,275
TOTAL LIABILITIES AND NET ASSETS	\$ 4,531,208	\$ 4,937,704

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, 2012
(with summarized financial information for the year ended August 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted for Endowment	2012 Total	2011 Total
REVENUES, GAINS AND SUPPORT					
Grants - State Government	\$ 784,642	\$ -	\$ -	\$ 784,642	\$ 1,200,286
Grants - Federal Government	1,229,429	-	-	1,229,429	1,436,712
Grants - Local Government	381,685	-	-	381,685	368,876
Service Contracts	2,354,849	-	-	2,354,849	2,108,283
United Way of San Antonio	560,547	-	-	560,547	541,417
Private Grants, Donations & Contributions	390,596	820,618	-	1,211,214	3,205,433
Special Events, GALA - Net	67,427	-	-	67,427	74,271
Special Events, Golf Tournament - Net	49,365	-	-	49,365	43,882
Special Events, Stuff The Bus- Net	30,649	-	-	30,649	31,241
In-Kind Revenues	458,891	-	-	458,891	359,732
Other Income	12,638	986	-	13,624	9,153
<i>Total Revenues and Gains</i>	<u>6,320,718</u>	<u>821,604</u>	<u>-</u>	<u>7,142,322</u>	<u>9,379,286</u>
Net Assets Released from Donor Restrictions	1,193,048	(1,193,048)	-	-	-
<i>Total Revenues, Gains and Support</i>	<u>7,513,766</u>	<u>(371,444)</u>	<u>-</u>	<u>7,142,322</u>	<u>9,379,286</u>
EXPENSES					
Program Services	6,312,666	-	-	6,312,666	6,433,242
Supporting Services, Management and General	906,526	-	-	906,526	715,173
Fundraising	262,100	-	-	262,100	254,531
Depreciation	95,643	-	-	95,643	120,930
TOTAL EXPENSES	<u>7,576,935</u>	<u>-</u>	<u>-</u>	<u>7,576,935</u>	<u>7,523,876</u>
CHANGE IN NET ASSETS	<u>(63,169)</u>	<u>(371,444)</u>	<u>-</u>	<u>(434,613)</u>	<u>1,855,410</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,481,119</u>	<u>1,044,047</u>	<u>13,109</u>	<u>3,538,275</u>	<u>1,682,865</u>
NET ASSETS - END OF YEAR	<u>\$ 2,417,950</u>	<u>\$ 672,603</u>	<u>\$ 13,109</u>	<u>\$ 3,103,662</u>	<u>\$ 3,538,275</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, 2012
(with summarized financial information for the year ended August 31, 2011)

FUNCTIONAL EXPENSES	Program Services	Supporting Services Management & General	Fundraising Expenses	2012 Total	2011 Total
<i>Personnel Costs:</i>					
Personnel Costs	\$ 4,272,202	\$ 379,085	\$ 184,714	\$ 4,836,001	\$ 5,019,082
Fringe Benefits	766,618	81,372	34,339	882,329	885,263
<i>Total Personnel Costs</i>	<u>5,038,820</u>	<u>460,457</u>	<u>219,053</u>	<u>5,718,330</u>	<u>5,904,345</u>
Contractual	59,052	129,646	1,451	190,149	160,648
Communications	16,255	6,583	7,903	30,741	38,319
Premise Expense	21,630	12,641	4,340	38,611	45,671
Interest Expense	-	58,487	-	58,487	60,521
Insurance Expense	41,811	4,430	-	46,241	42,721
Travel/Training	92,362	14,654	3,713	110,729	99,508
Equipment	72,370	7,171	2,697	82,238	33,229
Maintenance & Repair	3,937	5,130	-	9,067	10,083
Printing and Copying	1,260	281	6,890	8,431	10,716
Marketing	128	418	10,579	11,125	13,975
Supplies	26,556	190,126	3,158	219,840	44,409
Enrichment/Need	650,076	-	-	650,076	555,961
In-Kind Expenses	284,924	-	-	284,924	359,732
Other Expenses	<u>3,485</u>	<u>16,502</u>	<u>2,316</u>	<u>22,303</u>	<u>23,108</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,312,666</u>	<u>\$ 906,526</u>	<u>\$ 262,100</u>	<u>\$ 7,481,292</u>	<u>\$ 7,402,946</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, 2012
(with summarized financial information for the year ended August 31, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (434,613)	\$ 1,855,410
Adjustments		
Depreciation	95,643	120,930
(Gain) Loss on Disposal of Property and Equipment	-	751
Realized and Unrealized (Gain)/Loss on Investments	(1,997)	(2,193)
(Increase) Decrease in Current Assets:		
(Increase) Decrease in Receivables	142,993	(300,234)
(Increase) Decrease in Prepaid Insurance & Other Deposits	(55,031)	(2,420)
Increase (Decrease) in Liabilities:		
Increase (Decrease) in Accounts Payable	29,936	(57,567)
Increase (Decrease) in Salaries and Benefits Payable	33,807	19,213
Increase (Decrease) in Compensated Absences	(1,576)	44,085
Increase (Decrease) in Deferred Revenues	200	28,511
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	(190,638)	1,706,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment	(598,869)	(731,346)
Proceeds from Sale of Equipment	452	1,000
Purchase of Property and Equipment	-	(31,372)
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	(598,417)	(761,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal (Paid) - Notes Payable	(34,250)	(33,244)
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	(34,250)	(33,244)
NET INCREASE (DECREASE) IN CASH	(823,305)	911,524
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	1,902,507	990,983
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,079,202	\$ 1,902,507
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ 58,487	\$ 60,521

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

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").

Under the provisions of ACS 958-205-05 and 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, 2012

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. CISSA generally is no longer subject to income tax examination by Federal authorities for years prior to August 31, 2009.

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 their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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. *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.

9. *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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2012

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

10. *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.

11. *Compensated Absences*

Employees of CISSA are entitled to paid vacation days depending on length of service. Employees with 0 to 5 years of service accrue 7 hours of vacation leave per month. Employees with 5 to 10 years of service accrue 10 hours of vacation leave per month. Employees with over 10 years of service accrue 13.5 hours of vacation leave per month. Accrued but unused vacation may be accumulated at a maximum of 160 hours. In 2011, CISSA changed the compensated absences policy. Employees giving proper notice and leaving in good standing are eligible to receive unused accrued vacation pay in an amount depending on their tenure with the organization and length of notice. As of August 31, 2012 and 2011, accrued compensated absences were recorded on the Statement of Financial Position in the amount of \$113,149 and \$114,725, respectively.

12. *Deferred/Unearned Revenue*

Deferred Revenue/Unearned Revenue for the year ended August 31, 2011 was \$105,467 and consists of income promised in advance of the new school year by corporations and foundations in the amount of \$45,000, \$36,667 paid by Somerset Independent School District (ISD) with the remaining \$23,800 revenue collected in advance for the golf tournament. The deferred revenue for the year ended August 31, 2012 was \$105,667 which consisted of \$6,750 collected in advance for the golf tournament, \$10,000 promised in advance of the new school year by corporations and foundations, and \$88,917 paid by Somerset ISD.

13. *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.

14. *Reclassifications*

Certain amounts for the year ended August 31, 2011, have been reclassified for comparative purposes to conform to the presentation used in the August 31, 2012 financial statements. The reclassifications have no effect on net assets for the year ended August 31, 2011.

15. *Subsequent Events*

Subsequent events were considered through November 27, 2012, which is the date the financial statements were available to be issued.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2012

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

CISSA's investment portfolio consists of the following:

	Year End 2012 Cost	Year End 2012 Fair Value
Certificates of Deposit	\$ 285,000	\$ 285,000
Money Market	845,456	845,456
Corporate Bonds	199,718	201,167
	<u>\$ 1,330,174</u>	<u>\$ 1,331,623</u>
Endowment	\$ 17,299	\$ 17,847

An unrealized gain of \$1,997 is recorded in other income on the Statement of Activities.

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, certificate of deposits 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.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2012

NOTE E -- DEPOSITORY INSURANCE (Continued)

	2012		2011	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Deposits Covered by FDIC Insurance	\$ 1,416,530	\$ 1,400,215	\$ 1,271,545	\$ 1,308,155
Collateralized by Insurance Contracts	316,680	316,680	516,861	516,861
Uncollateralized	493,795	491,899	862,205	774,666
	<u>\$ 2,227,005</u>	<u>\$ 2,208,794</u>	<u>\$ 2,650,611</u>	<u>\$ 2,599,682</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 included in collateralized by insurance contracts in investments above. The value of this investment at August 31, 2012 and 2011 was \$17,847 and \$16,861 respectively.

NOTE F -- PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2012 and 2011 are comprised of the following:

	2012	2011
Land	\$ 135,000	\$ 135,000
Buildings and Improvements	1,239,060	1,239,060
Equipment, Furniture & Fixtures	369,685	371,255
Vehicles	38,331	38,331
Total Property and Equipment	<u>1,782,076</u>	1,783,646
Less: Accumulated Depreciation	<u>(601,841)</u>	(507,316)
Property and Equipment - Net	<u>\$ 1,180,235</u>	<u>\$ 1,276,330</u>

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 monthly installment for the first five years is \$7,793. The annual requirements for principal and interest (based on current 6%) payments on the notes payable for the next five years and thereafter is as follows:

	For Year Ended 2012			For Year Ended 2011		
	Principal	Interest	Total	Principal	Interest	Total
2013	37,185	56,327	93,512	\$ 35,025	\$ 58,487	\$ 93,512
2014	39,478	54,034	93,512	37,185	56,327	93,512
2015	41,913	51,598	93,511	39,478	54,034	93,512
2016	44,499	49,012	93,511	41,913	51,598	93,511
2017	47,243	46,268	93,511	44,499	49,012	93,511
Thereafter	734,677	270,974	1,005,651	781,145	329,461	1,110,606
	<u>\$ 944,995</u>	<u>\$ 528,213</u>	<u>\$ 1,473,208</u>	<u>\$ 979,245</u>	<u>\$ 598,919</u>	<u>\$ 1,578,164</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2012

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 -- TAX DEFERRED ANNUITY PLAN

Communities in Schools of San Antonio 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 \$56,270 and \$61,804 for the years ended August 31, 2012 and 2011, 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 J -- OPERATING LEASES

CISSA leases copiers under various lease agreements which expire December 2014. Minimum commitments under the various operating leases are as follows:

For Year ended 2012		For Year ended 2011	
Fiscal Year	Minimum Lease Payments	Fiscal Year	Minimum Lease Payments
2013	\$ 9,516	2012	\$ 9,516
2014	9,516	2013	9,516
	\$ 19,032	2014	9,516
			\$ 28,548

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2012

NOTE K -- TEMPORARILY RESTRICTED NET ASSETS

	2012	2011
Technology	\$ 1,529	\$ -
Participant Emergency Needs	20,339	16,075
Rowdy Readers	1,303	6,059
Girls Group	-	312
Arts Program	32,494	42,000
Martial Arts/Boxing for Fitness	207,649	298,122
Project Access	5,462	69,965
Parent Involvement	11,552	12,862
Enrichment	4,901	2,229
ROPES	1,290	1,243
Mentoring and Job Shadowing	-	105
School Supplies and Student Uniforms	-	2,500
XY Zone	5,810	8,299
Program Support for Specifically Identified Schools	342,003	570,047
Disaster Recovery System	7,032	1,556
Pre - College Program	24,014	250
Endowment Fund	4,738	3,752
Van	-	911
Various Miscellaneous	2,056	2,760
Backpack Buddies	431	5,000
	<u>\$ 672,603</u>	<u>\$ 1,044,047</u>

NOTE L -- ENDOWMENT FUND

The Communities In Schools of San Antonio Endowment Fund (Endowment Fund) was created as a permanent endowment fund in 2005, to support Communities In Schools of San Antonio. 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 insure the preservation of capital in the overall capital and offsets during a twelve-month period. Communities In Schools of San Antonio has permanent ownership of the principal portion of the Endowment Fund and in the event of dissolution of Communities In Schools of San Antonio 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's operating activities or for specific purpose designated by the donor. The fair value of the Endowment Fund is \$17,847 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 \$4,738 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.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2012

NOTE L -- ENDOWMENT FUND (CONT.)

<u>Endowment Fund</u>	2012	2011
Beginning Endowment Fund Balance	\$ 16,861	\$ 15,065
Investment Return:		
Income	543	403
Investment Fees	(106)	(88)
Appreciation or Depreciation	549	1,481
Ending Endowment Fund Balance	<u>\$ 17,847</u>	<u>\$ 16,861</u>
 Breakdown of Endowment Fund:		
Temporarily Restricted Fund	\$ 4,738	\$ 3,752
Permanently Restricted Fund	\$ 13,109	\$ 13,109

NOTE M -- 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, 2011, the fair market value of the supplies was determined to be \$211,015. As of August 31, 2012, the fair market value of supplies was determined to be \$244,563 and a donation from Microsoft of \$173,967 for software. Various other In-Kind donations occurred during the year and each was recorded at fair market value.

NOTE N -- SPECIAL EVENTS

During 2012, a Gala was held in which \$75,931 was raised and \$8,504 was spent resulting in net revenue of \$67,427 (net revenue for the Gala was \$74,271 in 2011). Additionally, the total revenue for the 2012 golf tournament was \$71,936 less expense of \$22,571 resulting in net revenue of \$49,365. Net revenue for the Golf Tournament was \$43,882 in 2011. The special event revenue for the Stuff the Bus was \$30,649 in 2012 and \$31,241 in 2011.

NOTE O -- LITIGATION

Management is not aware of any threatened or pending litigation.

FEDERAL AWARD SECTION



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 the financial statements of the Communities In Schools of San Antonio, as of and for the year ended August 31, 2012 and have issued our report thereon dated November 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Communities In Schools of San Antonio's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Communities In Schools of San Antonio's internal control over financial reporting.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Communities In Schools of San Antonio's financial statements will not be prevented or detected and corrected on a timely basis.


Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Communities In Schools of San Antonio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Communities In Schools of San Antonio in a separate letter dated November 27, 2012.

This report is intended for the information and use of management, Board of Directors, Audit Committee, Executive Committee, State and Federal Awarding Agencies and others within the organization and is not intended to, and should not, be used by anyone other than these specific parties.



Armstrong, Vaughan & Associates, P.C.

November 27, 2012



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 27, 2012

To the Board of Directors
Communities In Schools of San Antonio

Compliance

We have audited Communities In Schools of San Antonio compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Communities In Schools of San Antonio's major federal programs for the year ended August 31, 2012. Communities In Schools of San Antonio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Communities In Schools of San Antonio's management. Our responsibility is to express an opinion on Communities In Schools of San Antonio'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about Communities In Schools of San Antonio'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 on Communities In Schools of San Antonio's compliance with those requirements.

In our opinion, Communities In Schools of San Antonio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

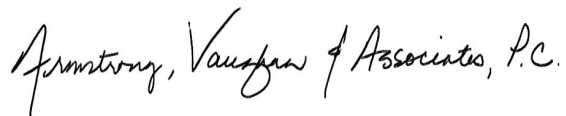
The management of Communities In Schools of San Antonio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Communities In Schools of San Antonio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Communities In Schools of San Antonio's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal 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 federal program will not be prevented or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, Board of Directors, Audit Committee, Executive Committee, State and Federal Awarding Agencies and others within the organization and is not intended to, and should not, be used by anyone other than these specific parties.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

November 27, 2012

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SUMMARY SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS
AUGUST 31, 2012

FINDINGS –

None

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Auditor’s Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditor’s report issued on the financial Statements of the auditee: | Unqualified |
| 2. Internal Control over Financial Reporting: | |
| a) One or more material weaknesses identified | No |
| b) One or more significant deficiencies identified that are not considered
Material weaknesses | No |
| 3. Noncompliance material to the financial statements noted: | No |

Federal Awards

- | | |
|---|-------------|
| 1. Type of auditor’s report issued on the compliance for major programs: | Unqualified |
| 2. Internal Control over Major Programs: | |
| a) One or material weaknesses identified: | No |
| b) One or more significant deficiencies identified that are not considered
Material weaknesses: | No |
| 3. Identification of Major Program
United States Department of Education passed thru Texas Education Agency
21 st Century Community Learning Centers (CCLC)/CFDA No. 84.287C | |
| 4. Threshold used to distinguish between Type A and Type B federal program: | \$300,000 |
| 5. CISSA qualified as a low-risk auditee in the context of OMB Circular A-133: | Yes |

B. Federal Award Findings and Questioned Costs for Federal Awards

None

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Summary of Auditor's Results

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified 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 unqualified 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 OMB Circular A-133 and 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 *GAS*.
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.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
UNITED STATES DEPARTMENT OF EDUCATION			
TRIO - Upward Bound	84.047	\$ 369,402	\$ -
21st Century Community Learning Centers (CCLC)	84.287C	537,457	-
PASS THROUGH TEXAS EDUCATION AGENCY			
Temporary Assistance for Needy Families (TANF)	93.558	<u>322,570</u>	<u>-</u>
TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 1,229,429</u>	<u>\$ -</u>
STATE FINANCIAL ASSISTANCE			
Texas Education Agency	N/A	<u>\$ -</u>	<u>\$ 784,642</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

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