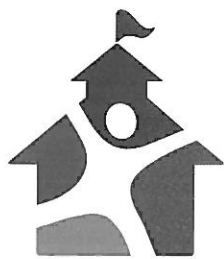


***COMMUNITIES IN SCHOOLS
OF SAN ANTONIO***

FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2013



Communities In Schools

San Antonio

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Communities In Schools

San Antonio

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

Report on the Financial Statements

We have audited the accompanying financial statements of Communities in Schools of San Antonio, which comprise the statements of financial position as of August 31, 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2013, 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 Federal Awards is presented for purposes of additional analysis as required by the 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 financial statements. The Schedule of Expenditures of 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 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012 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 December 02, 2013 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.
December 02, 2013

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013
(with summarized financial information at August 31, 2012)

ASSETS	2013	2012
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 887,236	\$ 1,079,202
Investments	1,037,235	1,331,623
Government Grants and Other Receivables	789,715	802,611
Interest Income Receivable	1,154	3,073
Prepaid Insurance and Other Deposits	83,382	116,617
<i>Total Current Assets</i>	<u>2,798,722</u>	<u>3,333,126</u>
<i>Assets of Permanently Restricted Endowment Fund:</i>		
Money Market Investments	18,615	17,847
<i>Total Assets of Permanently Restricted Endowment Fund</i>	<u>18,615</u>	<u>17,847</u>
<i>Property and Equipment, Net</i>	<u>1,115,908</u>	<u>1,180,235</u>
TOTAL ASSETS	<u><u>\$ 3,933,245</u></u>	<u><u>\$ 4,531,208</u></u>
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 78,238	\$ 53,013
Salaries and Benefits Payable	175,562	210,722
Compensated Absences	-	113,149
Deferred/Unearned Revenues	-	105,667
Current Portion of Debt	45,555	37,185
<i>Total Current Liabilities</i>	<u>299,355</u>	<u>519,736</u>
<i>Long Term Debt:</i>		
Notes Payable - Land and Building	859,738	907,810
<i>Total Long Term Debt</i>	<u>859,738</u>	<u>907,810</u>
<i>Total Liabilities</i>	<u>1,159,093</u>	<u>1,427,546</u>
<i>Net Assets:</i>		
Unrestricted:		
General Operating	2,067,436	2,182,710
Investment in Property & Equipment, Net of Related Debt	210,615	235,240
Temporarily Restricted	482,992	672,603
Permanently Restricted for Endowment	13,109	13,109
<i>Total Net Assets</i>	<u>2,774,152</u>	<u>3,103,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,933,245</u></u>	<u><u>\$ 4,531,208</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, 2013
(with summarized financial information for the year ended August 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted for Endowment	2013 Total	2012 Total
REVENUES, GAINS AND SUPPORT					
Grants - State Government	\$ 732,646	\$ -	\$ -	\$ 732,646	\$ 784,642
Grants - Federal Government	1,213,119	-	-	1,213,119	1,229,429
Grants - Local Government	633,253	-	-	633,253	381,685
Service Contracts	1,997,887	-	-	1,997,887	2,354,849
United Way of San Antonio	545,791	-	-	545,791	560,547
Private Grants, Donations & Contributions	394,017	921,202	-	1,315,219	1,211,214
Special Events, GALA - Net	85,225	-	-	85,225	67,427
Special Events, Golf Tournament - Net	27,798	-	-	27,798	49,365
Special Events, Stuff The Bus - Net	28,478	-	-	28,478	30,649
In-Kind Revenues	307,632	-	-	307,632	458,891
Other Income	8,837	768	-	9,605	13,624
<i>Total Revenues and Gains</i>	<u>5,974,683</u>	<u>921,970</u>	<u>-</u>	<u>6,896,653</u>	<u>7,142,322</u>
Net Assets Released from Donor Restrictions	<u>1,111,581</u>	<u>(1,111,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND SUPPORT	<u>7,086,264</u>	<u>(189,611)</u>	<u>-</u>	<u>6,896,653</u>	<u>7,142,322</u>
EXPENSES					
Program Services	6,111,285	-	-	6,111,285	6,312,666
Supporting Services, Management and General	833,580	-	-	833,580	906,526
Fundraising	187,625	-	-	187,625	262,100
Depreciation	93,673	-	-	93,673	95,643
TOTAL EXPENSES	<u>7,226,163</u>	<u>-</u>	<u>-</u>	<u>7,226,163</u>	<u>7,576,935</u>
CHANGE IN NET ASSETS	<u>(139,899)</u>	<u>(189,611)</u>	<u>-</u>	<u>(329,510)</u>	<u>(434,613)</u>
NET ASSETS - BEGINNING 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>
NET ASSETS - END OF YEAR	<u>\$ 2,278,051</u>	<u>\$ 482,992</u>	<u>\$ 13,109</u>	<u>\$ 2,774,152</u>	<u>\$ 3,103,662</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, 2013
(with summarized financial information for the year ended August 31, 2012)

	Program Services	Supporting Services Management & General	Fundraising Expenses	2013 Total	2012 Total
FUNCTIONAL EXPENSES					
<i>Personnel Costs:</i>					
Personnel Costs	\$ 4,159,614	\$ 467,190	\$ 127,275	\$ 4,754,079	\$ 4,836,001
Fringe Benefits	754,542	85,897	28,205	868,644	882,329
<i>Total Personnel Costs</i>	<u>4,914,156</u>	<u>553,087</u>	<u>155,480</u>	<u>5,622,723</u>	<u>5,718,330</u>
Contractual	46,138	71,818	6,642	124,598	190,149
Communications	14,214	7,354	7,533	29,101	30,741
Premise Expense	18,723	12,268	3,744	34,735	38,611
Interest Expense	-	51,271	-	51,271	58,487
Insurance Expense	36,848	2,488	-	39,336	46,241
Travel/Training	89,575	14,475	3,112	107,162	110,729
Equipment	26,608	38,563	2,268	67,439	82,238
Maintenance & Repair	2,350	8,055	-	10,405	9,067
Printing and Copying	2,048	8,768	1,450	12,266	8,431
Marketing	873	3,437	4,153	8,463	11,125
Supplies	31,155	44,084	1,671	76,910	219,840
Enrichment/Need	610,425	-	-	610,425	650,076
In-Kind Expenses	308,561	-	-	308,561	284,924
Other Expenses	9,611	17,912	1,572	29,095	22,303
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,111,285</u>	<u>\$ 833,580</u>	<u>\$ 187,625</u>	<u>\$ 7,132,490</u>	<u>\$ 7,481,292</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, 2013
(with summarized financial information for the year ended August 31, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (329,510)	\$ (434,613)
Adjustments		
Depreciation	93,673	95,643
Realized and Unrealized (Gain)/Loss on Investments	(2,112)	(1,997)
(Increase) Decrease in Current Assets:		
(Increase) Decrease in Receivables	14,815	142,993
(Increase) Decrease in Prepaid Insurance & Other Deposits	33,235	(55,031)
Increase (Decrease) in Liabilities:		
Increase (Decrease) in Accounts Payable	25,225	29,936
Increase (Decrease) in Salaries and Benefits Payable	(35,160)	33,807
Increase (Decrease) in Compensated Absences	(113,149)	(1,576)
Increase (Decrease) in Deferred Revenues	(105,667)	200
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>(418,650)</u>	<u>(190,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	295,732	(598,869)
Proceeds from Sale of Equipment	103	452
Purchase of Property and Equipment	(29,449)	-
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	<u>266,386</u>	<u>(598,417)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal (Paid) - Notes Payable	(39,702)	(34,250)
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	<u>(39,702)</u>	<u>(34,250)</u>
NET INCREASE (DECREASE) IN CASH	(191,966)	(823,305)
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	<u>1,079,202</u>	<u>1,902,507</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 887,236</u>	<u>\$ 1,079,202</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ 51,271	\$ 58,487

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

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

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, 2013

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, 2010.

The most significant tax positions of the CISSA is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). 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 2010 through 2012 are open to examination by the Internal Revenue Service as of August 31, 2013.

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.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

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

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

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*

In, 2012 employees of CISSA were entitled to paid vacation days depending on length of service. Employees with 0 to 5 years of service accrued 7 hours of vacation leave per month. Employees with 6 to 10 years of service accrued 10 hours of vacation leave per month. Employees with over 10 years of service accrued 13.5 hours of vacation leave per month. Accrued but unused vacation was accumulated at a maximum of 160 hours. In 2013, CISSA changed their compensated absences policy. The new policy states that paid time off will not be paid upon termination, whether voluntary or involuntary. Therefore, no accrual was made for compensated absences as of August 31, 2013. As of August 31, 2012, accrued compensated absences were recorded on the Statement of Financial Position in the amount of \$113,149.

12. *Deferred/Unearned Revenue*

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. There were no deferred/unearned revenues for the year ended August 31, 2013.

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, 2012, have been reclassified for comparative purposes to conform to the presentation used in the August 31, 2013 financial statements. The reclassifications have no effect on net assets for the year ended August 31, 2012.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

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

15. *Subsequent Events*

Subsequent events were considered through December 02, 2013, 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

August 31, 2013, CISSA's investment portfolio consists of the following:

	Year End 2013 Cost	Year End 2013 Fair Value	Accumulated Gain (loss)
Certificates of Deposit	\$ 535,095	\$ 535,095	\$ -
Money Market	402,240	402,240	-
Corporate Bonds	99,104	99,900	796
	<u>\$ 1,036,439</u>	<u>\$ 1,037,235</u>	<u>\$ 796</u>
Endowment	<u>\$ 17,299</u>	<u>\$ 18,615</u>	<u>1,316</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

As of August 31, 2012, CISSA's investment portfolio consists of the following:

	Year End 2012 Cost	Year End 2012 Fair Value	Accumulated Gain (loss)
Certificates of Deposit	\$ 285,000	\$ 285,000	\$ -
Money Market	845,456	845,456	-
Corporate Bonds	199,718	201,167	1,449
	<u>\$ 1,330,174</u>	<u>\$ 1,331,623</u>	<u>\$ 1,449</u>
Endowment	<u>\$ 17,299</u>	<u>\$ 17,847</u>	<u>548</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, 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.

	August 31, 2013		August 31, 2012	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Deposits Covered by FDIC Insurance	\$ 1,352,630	\$ 1,517,553	\$ 1,416,530	\$ 1,400,215
Collateralized by Insurance Contracts	500,000	500,000	316,680	316,680
Uncollateralized	89,957	492,969	493,795	491,899
	<u>\$ 1,942,587</u>	<u>\$ 2,510,522</u>	<u>\$ 2,227,005</u>	<u>\$ 2,208,794</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, 2013 and 2012 was \$18,615 and \$17,847 respectively.

NOTE F -- PROPERTY AND EQUIPMENT

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

	2013	2012
Land	\$ 135,000	\$ 135,000
Buildings and Improvements	1,239,060	1,239,060
Equipment, Furniture & Fixtures	356,217	369,685
Vehicles	36,417	38,331
Total Property and Equipment	1,766,694	1,782,076
Less: Accumulated Depreciation	(650,786)	(601,841)
Property and Equipment - Net	<u>\$ 1,115,908</u>	<u>\$ 1,180,235</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

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 \$6,619 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 2013				For Year Ended 2012			
	Principal	Interest	Total		Principal	Interest	Total
2014	\$ 45,555	\$ 33,879	\$ 79,434	2013	\$ 39,702	\$ 56,327	\$ 96,029
2015	47,331	32,103	79,434	2014	45,555	33,879	79,434
2016	49,176	30,258	79,434	2015	47,331	32,103	79,434
2017	51,093	28,341	79,434	2016	49,176	30,258	79,434
2018	53,084	26,350	79,434	2017	51,093	28,341	79,434
2019-2023	298,121	99,048	397,169	2018-2022	286,935	110,232	397,167
2024-2028	360,933	36,236	397,169	2023-2027	347,393	49,778	397,171
	<u>\$ 905,293</u>	<u>\$ 286,215</u>	<u>\$ 1,191,508</u>	2028	77,810	1,624	79,434
					<u>\$ 944,995</u>	<u>\$ 342,542</u>	<u>\$ 1,287,537</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, 2012, the fair market value of the supplies was determined to be \$244,563. As of August 31, 2013 the fair market value of supplies was determined to be \$259,092. Various other In-Kind donations occurred during the year and each was recorded at fair market value.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

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 \$56,808 and \$56,270 for the years ended August 31, 2013 and 2012, 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 -- 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 2013		For Year ended 2012	
Fiscal Year	Minimum Lease Payments	Fiscal Year	Minimum Lease Payments
2014	\$ 9,516	2013	\$ 9,516
	<u>\$ 9,516</u>	2014	<u>9,516</u>
			<u>\$ 28,548</u>

NOTE L -- TEMPORARILY RESTRICTED NET ASSETS

	2013	2012
Technology and Cloud Computing	\$ 42,700	\$ 1,529
Participant Emergency Needs	9,026	20,339
Rowdy Readers	-	1,303
Backpack Program	12,333	431
Arts Program	6,034	32,494
Martial Arts/Boxing for Fitness	108,060	207,649
Project Access	23,246	5,462
Parent Involvement	1,978	11,552
Enrichment	-	4,901
ROPES	1,073	1,290
Emergency Food Program	13,395	-
XY Zone	27,218	5,810
Program Support for Specifically Identified Schools	189,990	342,003
Disaster Recovery System	-	7,032
Pre-College Program	32,747	24,014
Endowment Fund	5,506	4,738
Various Miscellaneous	9,686	2,056
	<u>\$ 482,992</u>	<u>\$ 672,603</u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

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 insure 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, 2013, the fair value of the Endowment Fund is \$18,615 (\$17,847 as of August 31, 2012) 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 \$5,506 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>2013</u>	<u>2012</u>
Beginning Endowment Fund Balance	\$ 17,847	\$ 16,861
Investment Return:		
Income	451	543
Investment Fees	(110)	(106)
Appreciation or Depreciation	427	549
Ending Endowment Fund Balance	<u>\$ 18,615</u>	<u>\$ 17,847</u>
Breakdown of Endowment Fund:		
Temporarily Restricted Fund	\$ 5,506	\$ 4,738
Permanently Restricted Fund	\$ 13,109	\$ 13,109

NOTE N -- SPECIAL EVENTS

During 2013, a Gala was held in which \$110,744 was raised and \$25,519 was spent resulting in net revenue of \$85,225 (net revenue for the Gala was \$67,427 in 2012). Additionally, the total revenue for the 2013 golf tournament was \$39,151 less expense of \$11,353 resulting in net revenue of \$27,798 (net revenue for the golf tournament was \$49,365 in 2012). Furthermore, the special event revenue for the Stuff the Bus was \$28,478 in 2013 and \$30,649 in 2012.

NOTE O -- LITIGATION

Management is not aware of any threatened or pending litigation.

FEDERAL AND STATE AWARD SECTION

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, 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, 2013, 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 02, 2013.

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

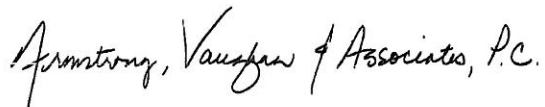
As part of obtaining reasonable assurance about whether Communities in Schools of San Antonio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

We noted certain matters that we have reported to management of Communities in Schools of San Antonio in a separate letter dated December 02, 2013.

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.



Armstrong, Vaughan & Associates, P.C.

December 02, 2013

SHAREHOLDERS:

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



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

INDEPENDENT AUDITOR'S REPORT

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

December 02, 2013

To the Board of Directors
Communities in Schools of San Antonio

Report on Compliance for Each Major Federal Program

We have audited Communities in Schools of San Antonio's compliance with the types of compliance requirements described in 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Communities in Schools of San Antonio's major federal 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Communities in Schools of San Antonio's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

Management of Communities in Schools of San Antonio 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 Communities in Schools of San Antonio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Circular A-133, 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 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 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. 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 federal 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.

We noted certain matters that we have reported to management of Communities in Schools of San Antonio in a separate letter dated December 02, 2013.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

December 02, 2013

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SUMMARY SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS
AUGUST 31, 2013

FINDINGS –

None

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Auditor's Results

Financial Statements

- | | |
|------------------------------------------------------------------------------------------------|------------|
| 1. Type of auditor's report issued on the financial Statements of the auditee: | Unmodified |
| 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: | Unmodified |
| 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

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, 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

December 02, 2013

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, 2013. 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 2013.

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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

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 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 *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.

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
TRIO - Upward Bound	84.047		\$ 432,385
PASS THROUGH			
TEXAS EDUCATION AGENCY			
21st Century Community Learning Centers (CCLC)	84.287C	12695014710018	529,357
Temporary Assistance for Needy Families (TANF)	93.558	133630027120022	<u>251,377</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 1,213,119</u></u>
			State
			<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE			
Texas Education Agency	N/A		<u><u>\$ 732,646</u></u>

COMMUNITIES IN SCHOOLS OF SAN ANTONIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

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.



Communities In Schools

San Antonio

