

**Communities in Schools of the Dallas Region, Inc.  
and Communities in Schools Dallas Region  
Endowment, Inc.**

**Consolidated Financial Statements with Supplementary  
Information and Compliance Reports  
August 31, 2015**

# Communities in Schools of the Dallas Region, Inc. and Communities in Schools Dallas Region Endowment, Inc.

## Contents

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Independent Auditors' Report	1
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information and Compliance Reports:	
Schedule of Expenditures of State and Federal Awards	17
Notes to Schedule of Expenditures of State and Federal Awards	18
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Report of Independent Auditors on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the <i>State of Texas Single Audit Circular</i>	21
Schedule of Findings and Questioned Costs	23
Summary Schedule of Prior Audit Findings	24



## **Independent Auditors' Report**

The Board of Directors of  
Communities in Schools of the Dallas Region, Inc. and Communities in Schools Dallas Region Endowment, Inc.

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Communities in Schools of the Dallas Region, Inc. (CISDR) and Communities in Schools Dallas Region Endowment, Inc. (Endowment) (collectively, the Organization) which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consolidated financial statements are free of material misstatement. The financial statements of the Endowment were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of the Dallas Region, Inc. and Communities in Schools Dallas Region Endowment, Inc. as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Prior Period Adjustment***

As described in Note 3 to the consolidated financial statements, the Organization's net assets as of September 1, 2014 were restated to correct the net asset classification for a donor-restricted endowment contribution. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state and federal awards, as required by *the State of Texas Single Audit Circular*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of CISDR'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 CISDR's internal control over financial reporting and compliance.

*Sutton Grost Cary*

A Limited Liability Partnership

Arlington, Texas  
October 29, 2015

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Consolidated Statement of Financial Position  
August 31, 2015**

	CISDR	CISDR Endowment	Eliminating Entries	Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 591,170	\$ -	\$ -	\$ 591,170
Accounts receivable	636,262	-	(54,850)	581,412
Pledges receivable	352,950	120,150	(95,150)	377,950
Prepaid expenses	52,548	-	-	52,548
<b>Total current assets</b>	<b>1,632,930</b>	<b>120,150</b>	<b>(150,000)</b>	<b>1,603,080</b>
<b>Non-current assets:</b>				
Other assets	7,965	-	-	7,965
Property and equipment, net	79,676	-	-	79,676
Cash equivalents	-	14,729	-	14,729
Investments	-	1,029,335	-	1,029,335
<b>Total assets</b>	<b>\$ 1,720,571</b>	<b>\$ 1,164,214</b>	<b>\$ (150,000)</b>	<b>\$ 2,734,785</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 235,334	\$ -	\$ (150,000)	\$ 85,334
Accrued expenses	22,525	-	-	22,525
Deferred revenue	576,207	-	-	576,207
<b>Total current liabilities</b>	<b>834,066</b>	<b>-</b>	<b>(150,000)</b>	<b>684,066</b>
<b>Non-current liabilities:</b>				
Deferred rent	67,778	-	-	67,778
<b>Total liabilities</b>	<b>901,844</b>	<b>-</b>	<b>(150,000)</b>	<b>751,844</b>
<b>Net assets (deficit):</b>				
Unrestricted	(233,651)	-	-	(233,651)
Temporarily restricted	1,052,378	142,339	-	1,194,717
Permanently restricted	-	1,021,875	-	1,021,875
<b>Total net assets</b>	<b>818,727</b>	<b>1,164,214</b>	<b>-</b>	<b>1,982,941</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,720,571</b>	<b>\$ 1,164,214</b>	<b>\$ (150,000)</b>	<b>\$ 2,734,785</b>

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Consolidated Statement of Activities  
Year Ended August 31, 2015**

	CISDR			CISDR Endowment				Consolidated Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Revenue and Support</b>								
Contributions	\$ 701,575	\$ 878,278	\$ 1,579,853	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,580,853
Grants from governmental agencies	1,263,157	-	1,263,157	-	-	-	-	1,263,157
School district contracted services	1,108,793	-	1,108,793	-	-	-	-	1,108,793
Program service revenue	180,833	-	180,833	-	-	-	-	180,833
Special events, net of direct costs of \$88,640	263,541	-	263,541	-	-	-	-	263,541
Interest and dividend income	7,106	-	7,106	-	20,613	-	20,613	27,719
Other income	7,088	-	7,088	-	-	-	-	7,088
Unrealized losses on investments	-	-	-	-	(11,251)	-	(11,251)	(11,251)
Net assets released from restrictions	998,656	(998,656)	-	55,008	(55,008)	-	-	-
<b>Total revenue and support</b>	<b>4,530,749</b>	<b>(120,378)</b>	<b>4,410,371</b>	<b>55,008</b>	<b>(45,646)</b>	<b>1,000</b>	<b>10,362</b>	<b>4,420,733</b>
<b>Expenses:</b>								
Program services	3,554,991	-	3,554,991	-	-	-	-	3,554,991
General and administrative	739,888	-	739,888	158	-	-	158	740,046
Fundraising	281,788	-	281,788	-	-	-	-	281,788
<b>Total expenses</b>	<b>4,576,667</b>	<b>-</b>	<b>4,576,667</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>158</b>	<b>4,576,825</b>
<b>Increase (decrease) in net assets</b>	<b>(45,918)</b>	<b>(120,378)</b>	<b>(166,296)</b>	<b>54,850</b>	<b>(45,646)</b>	<b>1,000</b>	<b>10,204</b>	<b>(156,092)</b>
Transfers	54,850	-	54,850	(54,850)	-	-	(54,850)	-
<b>Net assets (deficit) at beginning of year, as restated</b>	<b>(242,583)</b>	<b>1,172,756</b>	<b>930,173</b>	<b>-</b>	<b>187,985</b>	<b>1,020,875</b>	<b>1,208,860</b>	<b>2,139,033</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ (233,651)</b>	<b>\$ 1,052,378</b>	<b>\$ 818,727</b>	<b>\$ -</b>	<b>\$ 142,339</b>	<b>\$ 1,021,875</b>	<b>\$ 1,164,214</b>	<b>\$ 1,982,941</b>

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Consolidated Statement of Functional Expenses  
Year Ended August 31, 2015**

	CISDR				CISDR Endowment				Consolidated Total
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total	
Personnel	\$ 3,164,388	\$ 480,501	\$ 216,481	\$ 3,861,370	\$ -	\$ -	\$ -	\$ -	\$ 3,861,370
Occupancy and equipment	77,158	86,739	47,268	211,165	-	-	-	-	211,165
Office operations	50,699	89,529	12,196	152,424	-	-	-	-	152,424
Other fundraising expenses	-	-	32	32	-	-	-	-	32
Other operating expenses	53,996	83,119	5,811	142,926	-	158	-	158	143,084
Other program expenses	<u>208,750</u>	<u>-</u>	<u>-</u>	<u>208,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,750</u>
	<u>\$ 3,554,991</u>	<u>\$ 739,888</u>	<u>\$ 281,788</u>	<u>\$ 4,576,667</u>	<u>\$ -</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 158</u>	<u>\$ 4,576,825</u>
	<u>78%</u>	<u>16%</u>	<u>6%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Consolidated Statement of Cash Flows  
Year Ended August 31, 2015**

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<b>Cash flows from operating activities:</b>	
Decrease in net assets	\$ (156,092)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	28,947
Unrealized losses on investments	11,251
Contributions restricted for permanent endowment	(1,000)
Changes in operating assets and liabilities:	
Accounts receivable	(217,989)
Pledges receivable	30,003
Prepaid expenses and other assets	(61)
Accounts payable and accrued expenses	25,224
Deferred revenue	499,257
Deferred rent	63,658
<b>Net cash provided by operating activities</b>	<u>283,198</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(10,012)
Purchases of investments	(20,535)
Change in cash equivalents restricted for permanent endowment	(921)
<b>Net cash used by investing activities</b>	<u>(31,468)</u>
<b>Cash flows from financing activities:</b>	
Collection of contributions restricted for permanent endowment	<u>1,000</u>
Net increase in cash and cash equivalents	252,730
<b>Cash and cash equivalents at beginning of year</b>	<u>338,440</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 591,170</u></u>

# **Communities In Schools of the Dallas Region, Inc. and Communities In Schools Dallas Region Endowment, Inc.**

## **Notes to Consolidated Financial Statements**

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### **1. Organization**

Communities in Schools of the Dallas Region, Inc. (CISDR) is a not-for-profit organization incorporated under the laws of the state of Texas in 1985. The purpose of CISDR is to identify and assist at-risk students in improving their academic, vocational, social and interpersonal skills in order to stay in school, be promoted and enhance their graduation rates from high school and then obtain further training or enter the labor market. The Communities In Schools' state office is a branch of the Texas Education Agency (TEA), which provides funding and training to local Communities In Schools organizations. CISDR receives funding from state and federal grants, corporations, foundations, school districts and individuals.

Communities In Schools Dallas Region Endowment, Inc. DBA Communities In Schools Dallas Region, Inc. Foundation (Endowment) is a not-for-profit organization incorporated under the laws of the state of Texas in 2003. The purpose of the Endowment is to provide long-term support to ensure that CISDR can provide academic support and case management services to the growing number of at-risk children in the Dallas region. The majority of the board of trustees of the Endowment also serve as directors of CISDR. The Endowment is supported primarily from contributions and investment income.

CISDR and the Endowment are collectively referred to herein as the Organization.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts and transactions of CISDR and the Endowment. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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***Financial Statement Presentation***

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

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

***Financial Instruments and Credit and Market Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable and pledges receivable.

The Organization places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at each institute are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2015, the Organization's uninsured balances totaled \$308,424. The Organization has not experienced losses on such assets.

Investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these instruments could occur in the near term. Such changes could materially affect the amounts reported in the consolidated financial statements of the Organization.

Accounts receivable are unsecured and are due primarily from government agencies. Pledges receivable are unsecured and are due from donors. The Organization periodically evaluates the collectability of accounts and pledges receivable and maintains allowances as necessary.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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For the year ended August 31, 2015, the Organization received approximately 23% of its support and revenue from one funding source. The balance due from four sources totaled approximately 79% of total accounts and pledges receivables at year end.

The Organization operates mainly within the Dallas region. Therefore, results of operations and collectability of receivables are subject to the economic conditions of the area.

***Estimates and Assumptions***

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

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalents in investment accounts or held for long-term purposes.

***Investments***

The Organization's investments consist of mutual funds and are carried at fair value with the related gains and losses included in the consolidated statement of activities.

***Pledges and Accounts Receivable***

Unconditional promises to give, or pledges, which are expected to be collected within one year are recorded as support at net realizable value when the pledge is made. Unconditional pledges that are expected to be collected in future years are recorded as support at an amount that approximates the present value of their estimated future cash flows. Risk-free rates are used to discount long-term pledges.

Accounts receivable represent contract and government grant receivables due at August 31, 2015. Accounts receivable are recorded based on the reimbursable amount incurred or the invoiced amount. The collectability of the Organization's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions.

Pledges and accounts receivable are due within the next year and are considered to be fully collectible by management at August 31, 2015; accordingly no allowance for doubtful pledges or accounts is required.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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***Property and Equipment***

Property and equipment are recorded at cost if purchased or at estimated fair value on the day of receipt if donated. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 3 to 10 years.

***Deferred Revenue***

Deferred revenue results from school district contract fees invoiced in advance of when the related service is performed and special event sponsorships. All deferred revenue is recognizable within one year.

***Deferred Rent***

The Organization entered into an office lease which contains free rent for eight months and escalating rent over the term of the lease. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the lease term. Deferred rent represents rent expense recognized in excess of rental payments made.

***Revenue Recognition***

Government grants are recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as support when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed. Contributions are recorded when received or unconditionally pledged.

Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

***Allocation of Functional Expenses***

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the various functions.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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***Grant Compliance***

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's consolidated financial statements.

***Federal Income Taxes***

CISDR and the Endowment are exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and have not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended August 31, 2015. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

**3. Net Asset Restatement**

The Organization's net assets as of September 1, 2014 were restated to correct the net asset classification for a donor-restricted endowment contribution. The effect of the restatement decreased CISDR's temporarily restricted net assets by \$175,000 and increased the Endowment's permanently restricted net assets by the same amount as of September 1, 2014.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Notes to Consolidated Financial Statements**

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#### **4. Fair Value Measurements**

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1	Inputs to the valuation methodology are quoted prices available in active markets;
Level 2	Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable;
Level 3	Inputs to the valuation methodology are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end and are considered Level 1 index funds. The NAV is a quoted price in an active market.

#### **5. Property and Equipment**

Property and equipment consist of the following:

Furniture and equipment	\$ 64,817
Computer equipment	81,697
Software	319,527
Automobiles	51,697
Leasehold improvements	<u>12,775</u>
	530,513
Less accumulated depreciation	<u>(450,837)</u>
<b>Property and equipment, net</b>	<b><u>\$ 79,676</u></b>

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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**6. Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

Restricted as to program use and time	\$ 607,347
Restricted for program use	270,031
Restricted as to time	175,000
Endowment earnings	<u>142,339</u>
	<u>\$ 1,194,717</u>

The Endowment's permanently restricted net assets consist of funds to be held indefinitely, the income from which is expendable to support CISDR.

**7. In-Kind Donations**

The Organization received donations of various school supplies, school uniforms, gift cards, and food during the year ended August 31, 2015. The estimated fair market value of these donations of \$22,552 is reflected in the accompanying consolidated statement of activities as contributions and program expense.

During the year ended August 31, 2015 the Organization received donated services for the position of Director of Finance with a fair market value of \$49,722 which is reflected in the accompanying consolidated statement of activities as contributions and general and administrative expense.

Many individuals volunteer from time-to-time to perform a variety of tasks that assist the Organization in its operations. These amounts are not reflected in the consolidated financial statements since these contributed services do not meet the criteria for recognition. It is estimated that volunteer services were provided with a fair value of approximately \$329,000 for the year ended August 31, 2015.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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## **8. Leases**

In August 2014, the Organization entered into a non-cancelable operating lease agreement for office space expiring April 13, 2025. The lease includes rent abatements and fixed rent escalations, which are amortized and recorded over the lease term on a straight-line basis. The Organization also has an operating lease for a copier expiring in October 2017. The following is a schedule of future minimum lease payments under these lease agreements for the years ending August 31:

2016	\$	101,252
2017		105,523
2018		105,043
2019		107,563
2020		108,898
Thereafter		544,489

Operating lease expense related to office space and equipment totaled \$99,651 for the year ended August 31, 2015.

## **9. Endowment**

The Endowment consists of a fund established to provide financial support and long-term stability to CISDR. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the Endowment has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Notes to Consolidated Financial Statements**

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The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration of preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Endowment's investment policy.

***Investment Return Objectives, Risk Parameters and Strategies***

The Endowment has adopted investment and spending policies, approved by the board of trustees, for endowment assets that attempt to provide a predictable stream of funding to support CISDR, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a total rate of return (net interest and dividends plus realized or unrealized capital appreciation or depreciation) equal to the distributable funds rate plus the rate of the Consumer Price Index. Endowment assets are invested in mutual funds and cash equivalents.

***Spending Policy***

The Endowment has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the charitable purposes of CISDR. Distributions consist of net investment income and may include a portion of the cumulative realized and unrealized gains. Changes in the Endowment fund by net asset classification for the year ended August 31, 2015 are summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Endowment net assets, beginning of year	\$ 187,985	\$ 845,875	\$ 1,033,860
Restatement (Note 3)	-	175,000	175,000
Endowment net assets, beginning of year, as restated	187,985	1,020,875	1,208,860
Contributions	-	1,000	1,000
Interest and dividend income	20,613	-	20,613
Unrealized losses	(11,251)	-	(11,251)
Appropriation of assets for expenditure	(55,008)	-	(55,008)
Endowment net assets, end of year	<u>\$ 142,339</u>	<u>\$ 1,021,875</u>	<u>\$ 1,164,214</u>

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.**  
**Notes to Consolidated Financial Statements**

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**10. Subsequent Events**

Subsequent to year-end the Organization's existing government grant contracts were renewed. Additionally, the Organization was awarded a grant contract from the Department of Justice for 2016 through 2019 resulting in approximately \$3,073,000 additional funding for program expansion within the Organization's existing service areas.

The Organization evaluated subsequent events after the consolidated statement of financial position date through October 29, 2015, which was the date the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.

**Communities In Schools of the Dallas Region, Inc. and  
Communities In Schools Dallas Region Endowment, Inc.  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31,2015**

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State or Federal Grantor/Pass-through Grantor Program Title	CFDA #	Grant Number	Expenditures
<b>State awards:</b>			
Texas Education Agency			
State Compensatory Education Funds - Communities In Schools	n/a	150958027120008	\$ 981,504
Total expenditures of state awards			<u>981,504</u>
<b>Federal awards:</b>			
U.S. Department of Health and Human Services			
Texas Education Agency			
Temporary Assistance for Needy Families	93.558	153630027120008	269,577
U.S. Department of Housing and Urban Development			
City of McKinney			
Community Development Block Grant	14.218	B-14-MC-48-0043	<u>12,076</u>
Total expenditures of federal awards			<u>281,653</u>
<b>Total expenditures of state and federal awards</b>			<u><u>\$ 1,263,157</u></u>

**Communities In Schools of the Dallas Region, Inc. and Communities In  
Schools Dallas Region Endowment, Inc.**  
**Notes to Schedule of Expenditures of State and Federal Awards**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of state and federal awards is prepared on the accrual basis of accounting and includes the state and federal grant activity of Communities In Schools of the Dallas Region, Inc. The information in this schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

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

Board of Directors  
Communities In Schools of the Dallas Region, Inc.

We have audited the consolidated financial statements of Communities In Schools of the Dallas Region, Inc. and Communities In Schools Dallas Region Endowment, Inc. which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 29, 2015. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Dallas Region Endowment, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Communities In Schools Dallas Region Endowment, Inc.

***Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Communities In Schools of the Dallas Region, Inc.'s (Organization) 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Board of Directors  
Communities In Schools of the Dallas Region, Inc.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
A Limited Liability Partnership

Arlington, Texas  
October 29, 2015

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

Board of Directors  
Communities In Schools of the Dallas Region, Inc.

### ***Report on Compliance for Each Major State Program***

We have audited Communities In Schools of the Dallas Region, Inc.'s (Organization) compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Organization's major state programs for the year ended August 31, 2015. The Organization's major state program is 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 state programs.

### ***Auditor's Responsibility***

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

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

### ***Opinion on Major State Program***

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended August 31, 2015.

***Report on Internal Control over Compliance***

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the state program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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



A Limited Liability Partnership

Arlington, Texas  
October 29, 2015

**Communities In Schools of the Dallas Region, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2015**

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**Section I – Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***State Awards***

Internal control over major state program:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditor’s report issued on compliance for major state program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State of Texas Single Audit Circular* Section 510(a)  yes  no

**Identification of major state program:**

State Compensatory Education Funds – Communities in Schools

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

None

**Section III – State Award Findings and Questioned Costs**

None

**Communities In Schools of the Dallas Region, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended August 31, 2015**

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None.