



**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, 2018 (with summarized comparative totals for 2017)**

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

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Independent Auditors' Report

To 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, 2018, 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 the Organization as of August 31, 2018, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and our report dated October 16, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 federal and state awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, 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 19, 2018 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.



A Limited Liability Partnership

Arlington, Texas
October 19, 2018

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.
Consolidated Statement of Financial Position
August 31, 2018
(with Comparative Totals for 2017)**

	2018			2017
	CISDR	CISDR Endowment	Total	Total
Assets				
Cash and cash equivalents	\$ 501,512	\$ -	\$ 501,512	\$ 279,702
Accounts receivable	226,797	-	226,797	146,714
Pledges receivable	-	-	-	83,000
Due to/due from	61,755	(61,755)	-	-
Prepaid expenses	36,013	-	36,013	31,024
Other current assets	63,705	-	63,705	26,604
Total current assets	889,782	(61,755)	828,027	567,044
Non-current assets:				
Other assets	7,965	-	7,965	7,965
Property and equipment, net	41,151	-	41,151	34,576
Cash equivalents	-	15,352	15,352	14,459
Investments	-	1,326,921	1,326,921	1,246,450
Total assets	\$ 938,898	\$ 1,280,518	\$ 2,219,416	\$ 1,870,494
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 17,765	\$ -	\$ 17,765	\$ 11,435
Accrued expenses	31,324	-	31,324	30,677
Deferred revenue	366,200	-	366,200	129,472
Total current liabilities	415,289	-	415,289	171,584
Non-current liabilities:				
Deferred rent	64,975	-	64,975	70,180
Total liabilities	480,264	-	480,264	241,764
Net assets (deficit):				
Unrestricted	99,506	-	99,506	(47,530)
Temporarily restricted	359,128	319,409	678,537	654,371
Permanently restricted	-	1,022,864	1,022,864	1,021,889
Total net assets	458,634	1,342,273	1,800,907	1,628,730
Total liabilities and net assets	\$ 938,898	\$ 1,342,273	\$ 2,281,171	\$ 1,870,494

See notes to consolidated financial statements.

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.
Consolidated Statement of Activities
Year Ended August 31, 2018
(with Comparative Totals for 2017)**

	2018							2017	
	CISDR			CISDR Endowment				Consolidated Total	Consolidated Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Revenue and Support:									
Contributions	\$ 1,081,837	\$ 325,000	\$ 1,406,837	\$ -	\$ -	\$ 975	\$ 975	\$ 1,407,812	\$ 1,189,362
Grants from governmental agencies	2,000,638	-	2,000,638	-	-	-	-	2,000,638	2,042,475
School district contracted services	971,497	-	971,497	-	-	-	-	971,497	1,100,167
Program service revenue	-	-	-	-	-	-	-	-	-
Special events, net of direct costs of \$29,458	100,502	-	100,502	-	-	-	-	100,502	92,951
Interest and dividend income	-	-	-	-	27,493	-	27,493	27,493	38,089
Other income (loss)	(6,552)	-	(6,552)	-	-	-	-	(6,552)	4,000
Unrealized gains on investments	-	-	-	-	114,801	-	114,801	114,801	88,865
Net assets released from restrictions	381,223	(381,223)	-	61,905	(61,905)	-	-	-	-
Total revenue and support	4,529,145	(56,223)	4,472,922	61,905	80,389	975	143,269	4,616,191	4,555,909
Expenses:									
Program services	3,787,002	-	3,787,002	-	-	-	-	3,787,002	4,219,990
General and administrative	400,500	-	400,500	150	-	-	150	400,650	417,270
Fundraising	256,362	-	256,362	-	-	-	-	256,362	282,054
Total expenses	4,443,864	-	4,443,864	150	-	-	150	4,444,014	4,919,314
Increase (decrease) in net assets	85,281	(56,223)	29,058	61,755	80,389	975	143,119	172,177	(363,405)
Transfers	61,755	-	61,755	(61,755)	-	-	(61,755)	-	-
Net assets (deficit) at beginning of year	(47,530)	415,351	367,821	-	239,020	1,021,889	1,260,909	1,628,730	1,992,135
Net assets at end of year	\$ 99,506	\$ 359,128	\$ 458,634	\$ -	\$ 319,409	\$ 1,022,864	\$ 1,342,273	\$ 1,800,907	\$ 1,628,730

See notes to consolidated financial statements.

**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, 2018
(with Comparative Totals for 2017)**

	2018								2017	
	CISDR				CISDR Endowment				Consolidated Total	Consolidated Total
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total		
Personnel	\$ 3,313,336	\$ 220,149	\$ 212,712	\$ 3,746,197	\$ -	\$ -	\$ -	\$ -	\$ 3,746,197	\$ 4,200,765
Occupancy and equipment	70,964	92,667	33,976	197,607	-	-	-	-	197,607	198,492
Office operations	36,172	39,596	6,454	82,222	-	-	-	-	82,222	114,408
Other fundraising expenses	-	-	29,458	29,458	-	-	-	-	29,458	20,190
Other operating expenses	42,747	48,088	3,220	94,055	150	-	-	150	94,205	101,301
Other program expenses	323,783	-	-	323,783	-	-	-	-	323,783	304,348
	3,787,002	400,500	285,820	4,473,322	150	-	-	150	4,473,472	4,939,504
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	(29,458)	(29,458)	-	-	-	-	(29,458)	(20,190)
Total expenses included in the expense section on the statement of activities	<u>\$ 3,787,002</u>	<u>\$ 400,500</u>	<u>\$ 256,362</u>	<u>\$ 4,443,864</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 4,444,014</u>	<u>\$ 4,919,314</u>
	<u>85%</u>	<u>9%</u>	<u>6%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	

See notes to consolidated financial statements.

**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, 2018
(with Comparative Totals for 2017)**

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 172,177	\$ (363,405)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	13,052	29,172
Unrealized gains on investments	(114,801)	(88,865)
Contributions restricted for permanent endowment	(975)	-
Changes in operating assets and liabilities:		
Accounts receivable	(80,083)	45,428
Pledges receivable	83,000	226,994
Prepaid expenses and other assets	(42,090)	(29,066)
Accounts payable and accrued expenses	6,977	(886)
Deferred revenue	236,728	(191,495)
Deferred rent	(5,205)	(934)
Net cash provided (used) by operating activities	268,780	(373,057)
Cash flows from investing activities:		
Purchases of property and equipment	(19,627)	(10,335)
Purchases of investments	(27,425)	(24,290)
Proceeds from sales of investments	-	59,147
Change in cash equivalents restricted for permanent endowment	(893)	137
Net cash provided (used) by investing activities	(47,945)	24,659
Cash flows from financing activities:		
Collection of contributions restricted for permanent endowment	975	-
Net increase (decrease) in cash and cash equivalents	221,810	(348,398)
Cash and cash equivalents at beginning of year	279,702	628,100
Cash and cash equivalents at end of year	\$ 501,512	\$ 279,702

See notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

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 federal and state 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.

Summarized Comparative Totals

The consolidated financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended August 31, 2017, from which the summarized information was derived.

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

Consolidated 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 institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2018, the Organization's uninsured bank balances totaled \$276,407. 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

For the year ended August 31, 2018, the Organization received approximately 43% of its support and revenue from two funding sources. The balance due from two sources totaled 74% of total accounts and pledges receivable 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.

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, 2018. 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 considered to be fully collectible by management at August 31, 2018; 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

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 collected 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**

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, 2018. 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. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2018, 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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

**Communities In Schools of the Dallas Region, Inc. and
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In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

The Organization is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

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

3. 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 valued using Level 1 inputs and all of the mutual funds are held in an index fund. The NAV is a quoted price in an active market.

4. Property and Equipment

Property and equipment consist of the following at August 31, 2018:

Furniture and equipment	\$ 90,918
Computer equipment	120,367
Software	279,906
Automobiles	26,964
Leasehold improvements	<u>12,775</u>
	530,930
Less: accumulated depreciation	<u>(489,779)</u>
	<u>\$ 41,151</u>

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

5. Restricted Net Assets

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

Restricted for program use	\$ 270,764
Restricted for conference room	28,579
Restricted for scholarships	50,099
Restricted for other	9,686
Endowment earnings	<u>319,409</u>
	<u>\$ 678,537</u>

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

6. In-Kind Donations

The Organization received donations of various school supplies, school uniforms, gift cards, and food during the year ended August 31, 2018. The estimated fair market value of these donations of \$283,470 is reflected in the accompanying consolidated statement of activities as contributions. Of these contributions, \$219,765 and \$63,705 are recognized as program expense and other current assets, respectively, at August 31, 2018.

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 \$218,000 for the year ended August 31, 2018.

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

7. Operating Leases and Service Agreements

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 following is a schedule of future minimum lease payments under this lease agreement for the years ending August 31:

2019	\$ 107,563
2020	108,898
2021	108,898
2022	108,898
2023	108,898
Thereafter	176,959

Operating lease expense related to office space and equipment totaled \$105,043 for the year ended August 31, 2018.

In April 2017, the Organization entered into a contract with a service organization for software expiring in April 2020. The following is a schedule of future minimum contract payments for the years ending August 31:

2019	\$ 15,808
2020	9,221

8. Related Party Transactions

The Organization received contributions from various board members totaling \$432,038 during the year ended August 31, 2018.

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.

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

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.

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.

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

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, 2018 are summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 239,020	\$ 1,021,889	\$ 1,260,909
Contributions	-	975	975
Interest and dividend income	27,493	-	27,493
Unrealized gains	114,801	-	114,801
Appropriation of assets for expenditure	(61,905)	-	(61,905)
Endowment net assets at end of year	<u>\$ 319,409</u>	<u>\$ 1,022,864</u>	<u>\$ 1,342,273</u>

10. Subsequent Events

The Organization evaluated subsequent events after the consolidated statement of financial position date through October 19, 2018, 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.
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2018

Federal or State Grantor/Pass-through Grantor Program Title	CFDA #	Grant Number	Expenditures
Federal awards:			
U.S. Department of Health and Human Services			
Texas Education Agency			
Temporary Assistance for Needy Families	93.558	183630027120008	\$ 250,613
U.S. Department of Housing and Urban Development			
City of McKinney			
Community Development Block Grant	14.218	B-17-MC-48-0043	16,250
U.S. Department of Justice			
National Institute of Justice Research, Evaluation and Development Project Grants			
	16.560	2015-CK-BX-0015	<u>703,891</u>
Total expenditures of federal awards			970,754
State awards:			
Texas Education Agency			
State Compensatory Education Funds - Communities In Schools			
	n/a	180958027120008	<u>1,029,751</u>
Total expenditures of state awards			<u>1,029,751</u>
Total expenditures of federal and state awards			<u><u>\$ 2,000,505</u></u>

See notes to schedule of expenditures of federal and state awards.

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Communities In Schools of the Dallas Region, Inc. (CISDR). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Because the Schedule presents only a selected portion of the operations of CISDR, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CISDR.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the *State of Texas Single Audit Circular*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CISDR has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

To the Board of Directors of
Communities In Schools of 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, 2018, 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 19, 2018. 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 (CISDR) 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 CISDR's internal control. Accordingly, we do not express an opinion on the effectiveness of CISDR'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 CISDR'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 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 CISDR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CISDR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
October 19, 2018

Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by the Uniform Guidance and the *State of Texas Single Audit Circular*

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

Report on Compliance for Each Major Federal and State Program

We have audited Communities In Schools of the Dallas Region, Inc.'s (CISDR) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of CISDR's major federal and state programs for the year ended August 31, 2018. CISDR's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CISDR's major federal and 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about CISDR'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 and state program. However, our audit does not provide a legal determination of CISDR's compliance.

Opinion on Each Major Federal and State Program

In our opinion, CISDR 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 and state programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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 Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sutton Grost Carey". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Arlington, Texas
October 19, 2018

Communities In Schools of the Dallas Region, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2018

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ 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

Federal and State Awards:

Internal control over major federal and state programs:

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

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or *State of Texas Single Audit Circular*? yes no

Identification of major federal and state programs:

CFDA 16.560 National Institute of Justice Research, Evaluation and Development Project Grants

State Compensatory Education Funds – Communities In Schools

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

*Communities In Schools of the Dallas Region, Inc. did not spend in excess of \$750,000 of federal awards in the previous two years.

Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Award Findings

None