



**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, 2020 (with summarized comparative totals for 2019)**

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

Contents

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	18
Notes to Schedule of Expenditures of State and Federal Awards	19
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 <i>Government Auditing Standards</i>	20
Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the State of Texas <i>Uniform Grant Management Standards</i>	22
Schedule of Findings and Questioned Costs	25

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, 2020, 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, 2020, 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 2019 consolidated financial statements, and our report dated February 5, 2020, 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, 2019, 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 state and federal awards is presented for the purpose of additional analysis as required by the State of Texas *Uniform Grant Management Standards*, 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 January 21, 2021 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 solely 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
January 21, 2021

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.
Consolidated Statement of Financial Position
August 31, 2020
(with Comparative Totals for 2019)**

	2020			2019
	CISDR	CISDR Endowment	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,012,816	\$ -	\$ 1,012,816	\$ 290,583
Accounts receivable	85,688	561	86,249	146,455
Prepaid expenses	15,616	-	15,616	34,999
Total current assets	1,114,120	561	1,114,681	472,037
Non-current assets:				
Other assets	7,965	-	7,965	7,965
Property and equipment, net	28,630	-	28,630	36,849
Restricted cash equivalents	-	16,790	16,790	16,343
Investments	-	1,479,103	1,479,103	1,461,285
Total assets	\$ 1,150,715	\$ 1,496,454	\$ 2,647,169	\$ 1,994,479
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 35,144	\$ -	\$ 35,144	\$ 10,920
Accrued expenses	139,848	-	139,848	34,336
Deferred revenue	220,750	-	220,750	169,167
Total current liabilities	395,742	-	395,742	214,423
Non-current liabilities:				
Deferred rent	46,291	-	46,291	56,300
Total liabilities	442,033	-	442,033	270,723
Net assets:				
Without donor restrictions	494,584	-	494,584	104,507
With donor restrictions	214,098	1,496,454	1,710,552	1,619,249
Total net assets	708,682	1,496,454	2,205,136	1,723,756
Total liabilities and net assets	\$ 1,150,715	\$ 1,496,454	\$ 2,647,169	\$ 1,994,479

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, 2020
(with Comparative Totals for 2019)**

	2020						2019	
	CISDR			CISDR Endowment			Consolidated Total	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenue and support:								
Contributions	\$ 752,114	\$ 170,000	\$ 922,114	\$ -	\$ 1,131	\$ 1,131	\$ 923,245	\$ 1,418,519
Grants from governmental agencies	2,996,372	-	2,996,372	-	-	-	2,996,372	2,128,383
School district contracted services	1,166,335	-	1,166,335	-	-	-	1,166,335	911,416
Special events, net of direct costs of \$23,463	107,802	-	107,802	-	-	-	107,802	108,721
Investment income, net	-	-	-	-	214,073	214,073	214,073	72,525
Other income	3,728	-	3,728	-	-	-	3,728	1,630
Net assets released from restrictions	225,000	(225,000)	-	68,901	(68,901)	-	-	-
Total revenue and support	5,251,351	(55,000)	5,196,351	68,901	146,303	215,204	5,411,555	4,641,194
Expenses:								
Program services	4,095,301	-	4,095,301	-	-	-	4,095,301	3,808,645
General and administrative	537,608	-	537,608	-	-	-	537,608	604,199
Fundraising	297,266	-	297,266	-	-	-	297,266	305,501
Total expenses	4,930,175	-	4,930,175	-	-	-	4,930,175	4,718,345
Change in net assets	321,176	(55,000)	266,176	68,901	146,303	215,204	481,380	(77,151)
Transfers	68,901	-	68,901	(68,901)	-	(68,901)	-	-
Net assets at beginning of year	104,507	269,098	373,605	-	1,350,151	1,350,151	1,723,756	1,800,907
Net assets at end of year	\$ 494,584	\$ 214,098	\$ 708,682	\$ -	\$ 1,496,454	\$ 1,496,454	\$ 2,205,136	\$ 1,723,756

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, 2020
(with Comparative Totals for 2019)**

	2020								2019	
	CISDR				CISDR Endowment				Consolidated Total	Consolidated Total
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total		
Personnel	\$ 3,810,220	\$ 391,640	\$ 145,896	\$ 4,347,756	\$ -	\$ -	\$ -	\$ -	\$ 4,347,756	\$ 3,921,135
Occupancy and equipment	80,448	81,065	31,940	193,453	-	-	-	-	193,453	207,770
Office operations	66,679	19,094	7,723	93,496	-	-	-	-	93,496	71,235
Other fundraising expenses	-	-	23,463	23,463	-	-	-	-	23,463	27,784
Other operating expenses	22,898	45,809	111,707	180,414	-	-	-	-	180,414	212,995
Other program expenses	115,056	-	-	115,056	-	-	-	-	115,056	305,210
	4,095,301	537,608	320,729	4,953,638	-	-	-	-	4,953,638	4,746,129
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	(23,463)	(23,463)	-	-	-	-	(23,463)	(27,784)
Total expenses included in the expense section on the statement of activities	\$ 4,095,301	\$ 537,608	\$ 297,266	\$ 4,930,175	\$ -	\$ -	\$ -	\$ -	\$ 4,930,175	\$ 4,718,345

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, 2020
(with Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 481,380	\$ (77,151)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,493	14,727
Unrealized gains on investments	(180,074)	(41,025)
Contributions restricted for permanent endowment	(1,131)	(1,075)
Changes in operating assets and liabilities:		
Accounts receivable	60,206	80,342
Prepaid expenses	19,383	1,014
Other assets	-	63,705
Accounts payable	24,224	(6,845)
Accrued expenses	105,512	3,012
Deferred revenue	51,583	(197,033)
Deferred rent	(10,009)	(8,675)
Net cash provided (used) by operating activities	561,567	(169,004)
Cash flows from investing activities:		
Purchases of property and equipment	(2,274)	(10,425)
Purchases of investments	(34,122)	(31,584)
Proceeds from sale of investments	196,378	-
Net cash provided (used) by investing activities	159,982	(42,009)
Cash flows from financing activities:		
Collection of contributions restricted for permanent endowment	1,131	1,075
Net increase (decrease) in cash and cash equivalents	722,680	(209,938)
Cash and cash equivalents at beginning of year	306,926	516,864
Cash and cash equivalents at end of year	\$ 1,029,606	\$ 306,926
Reconciliation of cash and cash equivalents reported within the consolidated statement of financial position to the consolidated statement of cash flows:		
Cash and cash equivalents	\$ 1,012,816	\$ 290,583
Restricted cash equivalents	16,790	16,343
Cash and cash equivalents reported on the consolidated statement of cash flows	\$ 1,029,606	\$ 306,926

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 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 the 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, 2019, 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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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 and accounts 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, 2020, the Organization's uninsured bank balances totaled \$442,614. 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.

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

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

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.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization from school districts and government agencies for services rendered under contractual obligations and reimbursable amounts incurred under cost reimbursement grants. 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.

Accounts receivable are considered to be fully collectible by management at August 31, 2020; accordingly, no allowance for doubtful accounts is required.

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.

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

Deferred Revenue

Deferred revenue results from school district contract fees and event sponsorships collected in advance of when the related service is performed. 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

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Government grants and contracts 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.

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 financial statements. Accordingly, certain costs have been allocated among the various functions. The expenses that are allocated include personnel, which are allocated on the basis of time and effort, and occupancy and equipment, which is allocated on a square footage basis. Office operations and other operating expenses are allocated based on a combination of square footage, time and effort and direct allocations. All other expenses are directly attributable to various program services and supporting activities.

**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, 2020. 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, 2020, 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.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use 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. The standard takes effect for fiscal years beginning after December 15, 2021.

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

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

Accounting Pronouncements Adopted

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended August 31, 2020 with retrospective application for the 2019 financial statements. Topic 606 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 Organization adopted FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, as of and for the year ended August 31, 2020 with retrospective application for the 2019 financial statements. ASU 2018-08 was issued 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.

Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

The Organization adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, as of and for the year ended August 31, 2020 with retrospective application for the 2019 financial statements. ASU 2016-08 requires that the statement of cash flows explains the change during the year in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of year and end of year total amounts shown on the statement of cash flows.

**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. All of the mutual funds are held in an index fund, Vanguard Balanced Index Fund Admiral. The NAV is a quoted price in an active market.

4. Property and Equipment

Property and equipment consist of the following at August 31, 2020:

Furniture and equipment	\$ 95,742
Computer equipment	120,367
Software	287,781
Leasehold improvements	<u>12,775</u>
	516,665
Less: accumulated depreciation	<u>(488,035)</u>
	<u><u>\$ 28,630</u></u>

Depreciation expense totaled \$10,493 for the year ended August 31, 2020.

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

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

Restricted for program use	\$	172,352
Restricted for scholarships		41,746
Endowment restricted in perpetuity		1,025,070
Accumulated gains for endowment fund		471,384
	\$	1,710,552

6. In-Kind Donations

The Organization received donations of various school supplies, school uniforms, gift cards and food during the year ended August 31, 2020. The estimated fair market value of these donations totaling \$89,032 is reflected in the accompanying consolidated statement of activities as contributions and program 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 \$428,563 for the year ended August 31, 2020.

7. Operating Leases

The Organization entered into two non-cancelable operating lease agreements for office space expiring April 13, 2025 and a copier lease expiring August 16, 2024. The office 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 these lease agreements for the years ending August 31:

2021	\$	113,338
2022		113,338
2023		113,338
2024		112,968
2025		68,061

Operating lease expense related to office space and equipment totaled \$143,361 for the year ended August 31, 2020.

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

8. Related Party Transactions

The Organization received contributions from employees and board members totaling \$318,161 during the year ended August 31, 2020.

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 are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the Endowment has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies as permanent endowment (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 earnings from the original gifts are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUMPIFA, the Endowment, in making a determination to appropriate or accumulate donor-restricted endowment funds act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the funds
- 2) The purposes of the 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
- 7) The Endowment's investment policy

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

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, 2020 are summarized as follows:

	Net assets with donor restrictions		
	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets at beginning of year	\$ 326,212	\$ 1,023,939	\$ 1,350,151
Contributions	-	1,131	1,131
Interest and dividend income	29,264	-	29,264
Capital gains	4,886	-	4,886
Unrealized gains	180,074	-	180,074
Investment fees	(151)	-	(151)
Appropriation of assets for expenditure	(68,901)	-	(68,901)
Endowment net assets at end of year	<u>\$ 471,384</u>	<u>\$ 1,025,070</u>	<u>\$ 1,496,454</u>

10. Coronavirus Aid, Relief, and Economic Security Act

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. On April 28, 2020, the Organization received a forgivable loan in the amount of \$770,000 pursuant to the Paycheck Protection Program. The Organization used all of the proceeds to make eligible payments by August 31, 2020. The Organization has elected to account for the Paycheck Protection Program forgivable loan as a conditional grant in accordance with Topic 958 and expects all of the loan to be forgiven. Accordingly, the Organization has recognized \$770,000 as government grant revenue in the accompanying consolidated statement of activities for the year ended August 31, 2020.

11. Liquidity and Availability of Resources

The Organization's financial assets available within within one year of the consolidated statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,012,816
Restricted cash equivalents	16,790
Accounts receivable	86,249
Investments	<u>1,479,103</u>
Total financial assets	2,594,958
Less amounts not available for general expenditures within one year:	
Future expendable donor restricted endowment	411,384
Donor restricted endowments to be retained in perpetuity	<u>1,025,070</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,158,504</u></u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Organization strives to maintain liquid financial assets sufficient to cover near-term operating needs and to maintain sufficient reserves to provide reasonable assurance that long-term obligation will be fulfilled. To achieve this, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

12. Subsequent Events

The Organization evaluated subsequent events through 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 State and Federal Awards
Year Ended August 31, 2020

State or Federal Grantor/Pass-through Grantor Program Title	CFDA #	Grant Number	Expenditures
State awards:			
Texas Education Agency State Compensatory Education Funds - Communities In Schools	n/a	200958027110008	<u>\$ 1,894,076</u>
Total expenditures of state awards			1,894,076
Federal awards:			
U.S. Department of Health and Human Services Texas Education Agency Temporary Assistance for Needy Families	93.558	203630027110008	254,143
U.S. Department of Housing and Urban Development City of McKinney Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-48-0043	17,147
U.S. Department of Justice National Institute of Justice Research, Evaluation and Development Project Grants	16.560	2015-CK-BX-0015	<u>61,006</u>
Total expenditures of federal awards			<u>332,296</u>
Total expenditures of state and federal awards			<u><u>\$ 2,226,372</u></u>

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

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

1. Basis of Presentation

The accompanying schedule of expenditures of state and federal awards (Schedule) includes the state and federal 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 the State of Texas *Uniform Grant Management Standards* (UGMS). 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of Texas UGMS, 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 State of Texas UGMS.

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, 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 consolidated financial statements of Communities In Schools of the Dallas Region, Inc. and Communities in School Dallas Region Endowment, Inc. (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2020, 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 January 21, 2021. 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 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
January 21, 2021

Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance Required by the State of Texas *Uniform Grant Management Standards*

To the Board of Directors of
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 (CISDR) compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of CISDR's major state programs for the year ended August 31, 2020. CISDR's major 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CISDR'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 audit requirements of the State of Texas UGMS. Those standards and the State of Texas UGMS 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 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 state program. However, our audit does not provide a legal determination of CISDR's compliance.

Opinion on Each Major 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 state programs for the year ended August 31, 2020.

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 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 state program and to test and report on internal control over compliance in accordance with the State of Texas UGMS, 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 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 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 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 the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 21, 2021

Communities In Schools of the Dallas Region, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

Section I – Summary of Auditors’ Results

Consolidated 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

State Awards:

Internal control over major state program:

- Material weaknesses identified? _yes _no
- Significant deficiencies identified? _yes _none reported

Type of auditors’ 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 *Uniform Guidance Management Systems*? _yes _no

Identification of major state programs:

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

Section II – Financial Statement Findings

None

Section III – State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Award Findings

None