



**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, 2021 (with summarized comparative totals for 2020)**

**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, 2021, 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, 2021, 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 2020 consolidated financial statements, and our report dated January 21, 2021, 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, 2020, 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 18, 2022 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 18, 2022

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.
Consolidated Statement of Financial Position
August 31, 2021
(with Comparative Totals for 2020)**

	2021			2020
	CISDR	CISDR Endowment	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 975,061	\$ -	\$ 975,061	\$ 1,012,816
Pledges receivable	500,000	-	500,000	-
Government grants receivable	555,369	-	555,369	2,413
Accounts receivable	163,000	-	163,000	83,836
Prepaid expenses	22,677	-	22,677	15,616
Total current assets	2,216,107	-	2,216,107	1,114,681
Non-current assets:				
Other assets	7,965	-	7,965	7,965
Property and equipment, net	51,169	-	51,169	28,630
Assets restricted for endowment:				
Restricted cash equivalents	-	17,204	17,204	16,790
Endowment investments	-	1,684,120	1,684,120	1,479,103
Total assets	\$ 2,275,241	\$ 1,701,324	\$ 3,976,565	\$ 2,647,169
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 37,564	\$ -	\$ 37,564	\$ 35,144
Accrued expenses	201,542	-	201,542	139,848
Deferred revenue	514,519	-	514,519	220,750
Total current liabilities	753,625	-	753,625	395,742
Non-current liabilities:				
Deferred rent	36,283	-	36,283	46,291
Total liabilities	789,908	-	789,908	442,033
Net assets:				
Without donor restrictions	578,334	-	578,334	494,584
With donor restrictions	906,999	1,701,324	2,608,323	1,710,552
Total net assets	1,485,333	1,701,324	3,186,657	2,205,136
Total liabilities and net assets	\$ 2,275,241	\$ 1,701,324	\$ 3,976,565	\$ 2,647,169

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, 2021
(with Comparative Totals for 2020)**

	2021						2020	
	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	\$ 1,224,274	\$ 982,901	\$ 2,207,175	\$ -	\$ -	\$ -	\$ 2,207,175	\$ 923,245
Grants from governmental agencies	2,221,812	-	2,221,812	-	-	-	2,221,812	2,996,372
School district contracted services	1,440,969	-	1,440,969	-	-	-	1,440,969	1,166,335
Special events, net of direct costs of \$30,261	127,298	-	127,298	-	-	-	127,298	107,802
Investment income, net	-	-	-	-	283,670	283,670	283,670	214,073
Other income	660	-	660	-	-	-	660	3,728
Net assets released from restrictions	290,000	(290,000)	-	78,800	(78,800)	-	-	-
Total revenue and support	5,305,013	692,901	5,997,914	78,800	204,870	283,670	6,281,584	5,411,555
Expenses:								
Program services	4,348,685	-	4,348,685	-	-	-	4,348,685	4,095,301
General and administrative	668,747	-	668,747	-	-	-	668,747	537,608
Fundraising	282,631	-	282,631	-	-	-	282,631	297,266
Total expenses	5,300,063	-	5,300,063	-	-	-	5,300,063	4,930,175
Change in net assets	4,950	692,901	697,851	78,800	204,870	283,670	981,521	481,380
Transfers	78,800	-	78,800	(78,800)	-	(78,800)	-	-
Net assets at beginning of year	494,584	214,098	708,682	-	1,496,454	1,496,454	2,205,136	1,723,756
Net assets at end of year	\$ 578,334	\$ 906,999	\$ 1,485,333	\$ -	\$ 1,701,324	\$ 1,701,324	\$ 3,186,657	\$ 2,205,136

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, 2021
(with Comparative Totals for 2020)**

	2021								2020	
	CISDR				CISDR Endowment				Consolidated Total	Consolidated Total
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total		
Personnel	\$ 3,994,673	\$ 501,748	\$ 144,247	\$ 4,640,668	\$ -	\$ -	\$ -	\$ -	\$ 4,640,668	\$ 4,347,756
Occupancy and equipment	94,587	103,970	22,892	221,449	-	-	-	-	221,449	193,453
Office operations	70,703	17,291	16,306	104,300	-	-	-	-	104,300	93,496
Other fundraising expenses	-	-	31,229	31,229	-	-	-	-	31,229	23,463
Other operating expenses	30,264	45,738	98,218	174,220	-	-	-	-	174,220	180,414
Other program expenses	158,458	-	-	158,458	-	-	-	-	158,458	115,056
	4,348,685	668,747	312,892	5,330,324	-	-	-	-	5,330,324	4,953,638
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	(30,261)	(30,261)	-	-	-	-	(30,261)	(23,463)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,348,685</u>	<u>\$ 668,747</u>	<u>\$ 282,631</u>	<u>\$ 5,300,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,300,063</u>	<u>\$ 4,930,175</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, 2021
(with Comparative Totals for 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 981,521	\$ 481,380
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,488	10,493
Unrealized gains on investments	(240,087)	(180,074)
Contributions restricted for permanent endowment	-	(1,131)
Changes in operating assets and liabilities:		
Pledges receivable	(500,000)	-
Government grants receivable	(552,956)	(2,554)
Accounts receivable	(79,164)	62,760
Prepaid expenses	(7,061)	19,383
Accounts payable	2,420	24,224
Accrued expenses	61,694	105,512
Deferred revenue	293,769	51,583
Deferred rent	(10,008)	(10,009)
Net cash provided (used) by operating activities	(38,384)	561,567
Cash flows from investing activities:		
Purchases of property and equipment	(34,027)	(2,274)
Purchases of investments	(43,730)	(34,122)
Proceeds from sale of investments	78,800	196,378
Net cash provided by investing activities	1,043	159,982
Cash flows from financing activities:		
Collection of contributions restricted for permanent endowment	-	1,131
Net increase (decrease) in cash and cash equivalents	(37,341)	722,680
Cash and cash equivalents at beginning of year	1,029,606	306,926
Cash and cash equivalents at end of year	\$ 992,265	\$ 1,029,606
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	\$ 975,061	\$ 1,012,816
Restricted cash equivalents	17,204	16,790
Cash and cash equivalents reported on the consolidated statement of cash flows	\$ 992,265	\$ 1,029,606

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 by 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, 2020, 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, pledges, government grants 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, 2021, the Organization's uninsured bank balances totaled \$367,690. 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

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

At August 31, 2021, 100% of pledges receivable were due from two donors. At August 31, 2021, approximately 98% of government grants receivable were due from three government agencies.

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, Government Grants and Accounts Receivable

Pledges receivable are amounts due based on unconditional promises to give made by individuals and foundations and are unsecured. Pledges receivable are reported at fair value in the period the promise is made and subsequently carried at their estimated collectible amounts. Pledges receivable are periodically evaluated for collectability based on past collection history with donors. Provisions for losses on pledges receivable are determined on the basis of loss experience, known and inherent risk in the pledge balances, and current economic conditions.

Government grants receivable represent amounts owed to the Organization from government agencies for reimbursable amounts incurred under cost reimbursement grants. Accounts receivable are stated at the amount of consideration due from school districts for services rendered under contractual obligations. 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.

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

Pledges, government grants and accounts receivable are considered to be fully collectible by management at August 31, 2021; 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.

Deferred Revenue

Deferred revenue results from advance payments from school districts or future events to be held and are recognized when the related service is performed or event occurs. 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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The Organization considers government grants to be contributions. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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

The Organization has been awarded cost-reimbursable federal and state grants of \$1,475,170 that have not been recognized in the consolidated financial statements at August 31, 2021 because qualifying expenditures have not yet been incurred.

Contracted service revenue is recognized over the term of the year as the Organization provides services to schools. Revenue is reported at the amount of consideration which the Organization expects to be entitled in exchange for providing services. The Organization determines the transaction price based on standard charges for services provided.

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 are 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.

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, 2021. 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

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

Notes to Consolidated Financial Statements

Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2021, 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 consolidated 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.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in an effort to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU requires NFPs to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities.

The ASU requires additional footnote disclosures that include:

- Disaggregation of gifts-in-kind by asset category and corresponding asset value,
- Whether the asset was monetized or used,
- If used, a description of the programs or services that used the asset,
- The valuation techniques used to value the asset, including the principal market used to arrive at a fair value measure, and
- A description of any donor-imposed restrictions.

The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021.

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

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Notes to Consolidated Financial Statements

Reclassification

Certain items in the 2020 consolidated financial statements have been reclassified to conform with the 2021 presentation.

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.

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Notes to Consolidated Financial Statements**

4. Property and Equipment

Property and equipment consist of the following at August 31, 2021:

Furniture and equipment	\$ 95,742
Computer equipment	154,394
Software	287,781
Leasehold improvements	<u>12,775</u>
	550,692
Less: accumulated depreciation	<u>(499,523)</u>
	<u><u>\$ 51,169</u></u>

Depreciation expense totaled \$11,488 for the year ended August 31, 2021.

5. Net Assets With Donor Restrictions

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

Restricted for program use	\$ 865,253
Restricted for scholarships	41,746
Endowment restricted in perpetuity	1,025,070
Accumulated gains for endowment fund	<u>676,254</u>
	<u><u>\$ 2,608,323</u></u>

6. In-Kind Donations

The Organization received donations of various school supplies, school uniforms, gift cards and food during the year ended August 31, 2021. The estimated fair market value of these donations totaling \$133,075 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 \$26,371 for the year ended August 31, 2021.

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

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:

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

Operating lease expense related to office space and equipment totaled \$147,023 for the year ended August 31, 2021.

8. Related Party Transactions

The Organization received contributions from employees and board members totaling \$145,428 during the year ended August 31, 2021.

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 TUPMIFA, 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

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

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

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, 2021 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	\$ 471,384	\$ 1,025,070	\$ 1,496,454
Interest and dividend income	24,290	-	24,290
Capital gains	19,443	-	19,443
Unrealized gains	240,087	-	240,087
Investment fees	(150)	-	(150)
Appropriation of assets for expenditure	(78,800)	-	(78,800)
Endowment net assets at end of year	<u>\$ 676,254</u>	<u>\$ 1,025,070</u>	<u>\$ 1,701,324</u>

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

10. Uncertainty

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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	\$ 975,061
Restricted cash equivalents	17,204
Pledges receivable	500,000
Government grants receivable	555,369
Accounts receivable	163,000
Investments	<u>1,684,120</u>
Total financial assets	3,894,754
Less amounts not available for general expenditures within one year:	
Future expendable donor restricted endowment	606,254
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>\$ 2,263,430</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, 2021

State or Federal Grantor/Pass-through Grantor Program Title	ALN #	Grant Number	Expenditures
State awards:			
Texas Education Agency State Compensatory Education Funds - Communities In Schools	n/a	210958027110008	\$ 1,934,768
Total expenditures of state awards			1,934,768
Federal awards:			
U.S. Department of Health and Human Services Texas Education Agency Temporary Assistance for Needy Families	93.558	213630027110008	256,443
U.S. Department of Housing and Urban Development City of McKinney Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-48-0043	21,250
U.S. Department of Education Texas Education Agency 21st Century Community Learning Centers	84.287	226950307110013	9,351
Total expenditures of federal awards			287,044
Total expenditures of state and federal awards			<u>\$ 2,221,812</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, 2021, 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 18, 2022. 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 18, 2022

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, 2021. 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, 2021.

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.

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

A Limited Liability Partnership

Arlington, Texas
January 18, 2022

Communities In Schools of the Dallas Region, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

Section I – Summary of Auditors’ Results

Consolidated Financial Statements:

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

State Awards:

Internal control over major state program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	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 <i>Uniform Guidance Management Systems</i> ?	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

Section II – Financial Statement Findings

None

Section III – State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Award Findings

None