



**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, 2022 (with summarized comparative totals for 2021)**

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

Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information and Compliance Reports:	
Schedule of Expenditures of Federal and State Awards	20
Notes to Schedule of Expenditures of Federal and State Awards	21
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas <i>Uniform Grant Management Standards</i>	24
Schedule of Findings and Questioned Costs	28
Management's Corrective Action Plan	30



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.

Opinion

We have audited the accompanying consolidated financial statements of Communities In Schools of the Dallas Region, Inc. and Communities In Schools Dallas Region Endowment, Inc. (Organization) (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Communities In Schools of the Dallas Region, Inc. and Communities In Schools Dallas Region Endowment, Inc. as of August 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Communities In Schools Dallas Region Endowment, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and our report dated January 18, 2022, 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, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards*, is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of federal and state awards 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 May 2, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
May 2, 2023

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.
Consolidated Statement of Financial Position
August 31, 2022
(with Comparative Totals for 2021)**

	2022			2021	
	CISDR	CISDR Endowment	Eliminating	Consolidated Total	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 4,251,911	\$ -	\$ -	\$ 4,251,911	\$ 975,061
Unconditional promises to give	227,667	-	(82,919)	144,748	500,000
Government grants receivable	156,941	-	-	156,941	555,369
Accounts receivable	452,167	-	-	452,167	163,000
Prepaid expenses	58,403	-	-	58,403	22,677
Total current assets	5,147,089	-	(82,919)	5,064,170	2,216,107
Non-current assets:					
Other assets	7,965	-	-	7,965	7,965
Unconditional promises to give, net - long term	224,252	-	-	224,252	-
Property and equipment, net	125,065	-	-	125,065	51,169
Assets restricted for endowment:					
Restricted cash equivalents	-	17,056	-	17,056	17,204
Endowment investments	-	1,765,384	-	1,765,384	1,684,120
Total assets	\$ 5,504,371	\$ 1,782,440	\$ (82,919)	\$ 7,203,892	\$ 3,976,565
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 35,262	\$ 82,919	\$ (82,919)	\$ 35,262	\$ 37,564
Accrued expenses	415,073	-	-	415,073	201,542
Deferred revenue	386,917	-	-	386,917	514,519
Total current liabilities	837,252	82,919	(82,919)	837,252	753,625
Non-current liabilities:					
Deferred rent	26,274	-	-	26,274	36,283
Total liabilities	863,526	82,919	(82,919)	863,526	789,908
Net assets:					
Without donor restrictions	3,950,513	279,757	-	4,230,270	578,334
With donor restrictions	690,332	1,419,764	-	2,110,096	2,608,323
Total net assets	4,640,845	1,699,521	-	6,340,366	3,186,657
Total liabilities and net assets	\$ 5,504,371	\$ 1,782,440	\$ (82,919)	\$ 7,203,892	\$ 3,976,565

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, 2022
(with Comparative Totals for 2021)**

	2022						2021		
	CISDR			CISDR Endowment			Eliminating	Consolidated Total	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Revenue and support:									
Contributions of cash and financial assets	\$ 4,502,994	\$ 679,664	\$ 5,182,658	\$ -	\$ -	\$ -	\$ -	\$ 5,182,658	\$ 2,074,100
Contributions of nonfinancial assets	45,105	-	45,105	-	-	-	-	45,105	133,075
Grants from governmental agencies	3,585,662	-	3,585,662	-	-	-	-	3,585,662	2,221,812
School district contracted services	3,050,615	-	3,050,615	-	-	-	-	3,050,615	1,440,969
Special events, net of direct costs of \$36,036	191,256	-	191,256	-	-	-	-	191,256	127,298
Net investment income (loss)	-	-	-	(50,243)	(198,641)	(248,884)	-	(248,884)	283,670
Other income	1,283	-	1,283	-	-	-	-	1,283	660
Net assets released from restrictions	896,331	(896,331)	-	82,919	(82,919)	-	-	-	-
Total revenue and support	12,273,246	(216,667)	12,056,579	32,676	(281,560)	(248,884)	-	11,807,695	6,281,584
Expenses:									
Program services	7,293,370	-	7,293,370	-	-	-	-	7,293,370	4,348,685
General and administrative	959,603	-	959,603	-	-	-	-	959,603	668,747
Fundraising	401,013	-	401,013	-	-	-	-	401,013	282,631
Total expenses	8,653,986	-	8,653,986	-	-	-	-	8,653,986	5,300,063
Change in net assets	3,619,260	(216,667)	3,402,593	32,676	(281,560)	(248,884)	-	3,153,709	981,521
Transfers	(247,081)	-	(247,081)	247,081	-	247,081	-	-	-
Net assets at beginning of year	578,334	906,999	1,485,333	-	1,701,324	1,701,324	-	3,186,657	2,205,136
Net assets at end of year	\$ 3,950,513	\$ 690,332	\$ 4,640,845	\$ 279,757	\$ 1,419,764	\$ 1,699,521	\$ -	\$ 6,340,366	\$ 3,186,657

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, 2022
(with Comparative Totals for 2021)**

	2022								2021	
	CISDR				CISDR Endowment				Consolidated Total	Consolidated Total
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total		
Personnel	\$ 6,858,499	\$ 784,717	\$ 265,056	\$ 7,908,272	\$ -	\$ -	\$ -	\$ -	\$ 7,908,272	\$ 4,640,668
Occupancy and equipment	108,739	92,213	24,375	225,327	-	-	-	-	225,327	221,449
Office operations	95,473	19,532	7,538	122,543	-	-	-	-	122,543	104,300
Other fundraising expenses	-	-	42,207	42,207	-	-	-	-	42,207	31,229
Other operating expenses	71,226	63,141	97,873	232,240	-	-	-	-	232,240	174,220
Other program expenses	159,433	-	-	159,433	-	-	-	-	159,433	158,458
	7,293,370	959,603	437,049	8,690,022	-	-	-	-	8,690,022	5,330,324
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	(36,036)	(36,036)	-	-	-	-	(36,036)	(30,261)
Total expenses included in the expense section on the statement of activities	\$ 7,293,370	\$ 959,603	\$ 401,013	\$ 8,653,986	\$ -	\$ -	\$ -	\$ -	\$ 8,653,986	\$ 5,300,063

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, 2022
(with Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,153,709	\$ 981,521
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,473	11,488
Unrealized losses (gains) on investments	305,770	(240,087)
Amortization of discount	17,415	-
Changes in operating assets and liabilities:		
Unconditional promises to give, net	113,585	(500,000)
Government grants receivable	398,428	(552,956)
Accounts receivable	(289,167)	(79,164)
Prepaid expenses	(35,726)	(7,061)
Accounts payable	(2,302)	2,420
Accrued expenses	213,531	61,694
Deferred revenue	(127,602)	293,769
Deferred rent	(10,009)	(10,008)
Net cash provided (used) by operating activities	<u>3,767,105</u>	<u>(38,384)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(103,369)	(34,027)
Purchases of investments	(387,034)	(43,730)
Proceeds from sale of investments	-	78,800
Net cash provided (used) by investing activities	<u>(490,403)</u>	<u>1,043</u>
Net change in cash and cash equivalents	3,276,702	(37,341)
Cash and cash equivalents at beginning of year	<u>992,265</u>	<u>1,029,606</u>
Cash and cash equivalents at end of year	<u>\$ 4,268,967</u>	<u>\$ 992,265</u>
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	\$ 4,251,911	\$ 975,061
Restricted cash equivalents	<u>17,056</u>	<u>17,204</u>
Cash and cash equivalents reported on the consolidated statement of cash flows	<u>\$ 4,268,967</u>	<u>\$ 992,265</u>

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 accounting principles generally accepted in the United States of America (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, 2021, 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, government grants receivable, unconditional promises to give 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, 2022, the Organization's uninsured bank balances totaled \$3,753,489. 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. Unconditional promises to give are unsecured and are due from donors. The Organization periodically evaluates the collectability of government grants and unconditional promises to give and maintains allowances as necessary.

At August 31, 2022, approximately 90% of government grants receivable were due from three government agencies. At August 31, 2022, approximately 92% of unconditional promises to give were due from two donors. At August 31, 2022, 100% of accounts receivable were due from 4 donors.

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.

Unconditional Promises to Give, Government Grants and Accounts Receivable

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

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.

Unconditional promises to give, government grants receivable and accounts receivable are considered to be fully collectible by management at August 31, 2022; 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 is 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.

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

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 incurrance 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 consolidated statement of financial position.

The Organization has been awarded cost-reimbursable federal and state grants of \$1,345,505 that have not been recognized in the consolidated financial statements at August 31, 2022 because qualifying expenditures have not yet been incurred. As of August 31, 2021, the Organization had \$1,475,170 of cost-reimbursable federal and state grants, which were recognized as revenue in the year ended August 31, 2022 as conditions were met.

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.

**Communities In Schools of the Dallas Region, Inc. and
Communities In Schools Dallas Region Endowment, Inc.**
Notes to 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, 2022. 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, 2022, 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.

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

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

Notes to Consolidated Financial Statements

Accounting Pronouncements Adopted

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 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 contributed nonfinancial assets (gifts in-kind) as a separate line item in the consolidated statement of activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended August 31, 2022.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes gifts in-kind, and therefore, no changes were required to net assets as of September 1, 2021. The presentation and disclosures of contributed nonfinancial assets have been enhanced in accordance with the standard.

Reclassification

Certain items in the 2021 consolidated financial statements have been reclassified to conform with the 2022 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:

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

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.

Investment income (loss) consists of the following for the year ended August, 31 2022:

Interest and dividends, net	\$	25,700
Realized gain on investments		31,186
Unrealized losses on investments		<u>(305,770)</u>
	\$	<u>(248,884)</u>

4. Property and Equipment

Property and equipment consist of the following at August 31, 2022:

Furniture and equipment	\$	103,405
Computer equipment		155,612
Software		144,141
Leasehold improvements		<u>12,775</u>
		415,933
Less: accumulated depreciation		<u>(290,868)</u>
	\$	<u>125,065</u>

Depreciation expense totaled \$29,473 for the year ended August 31, 2022.

5. Net Assets With Donor Restrictions

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

Restricted for program use	\$	648,586
Restricted for scholarships		41,746
Endowment restricted in perpetuity		1,025,070
Accumulated gains for endowment fund		<u>394,694</u>
	\$	<u>2,110,096</u>

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

6. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended August 31, 2022:

	Program Services	General and Administrative	Fundraising	Total
Clothes	\$ 4,412	\$ -	\$ -	\$ 4,412
Food	14,493	-	235	14,728
Miscellaneous	21,620	-	4,345	25,965
	<u>\$ 40,525</u>	<u>\$ -</u>	<u>\$ 4,580</u>	<u>\$ 45,105</u>

Clothes

Donated clothes are valued at the estimated fair value based on sales prices of similar clothing items.

Food

Donated food is valued at the cost of products purchased by the donor.

Miscellaneous

Donated miscellaneous items are valued at the estimated fair value based on sales prices of similar items.

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 \$2,600 for the year ended August 31, 2022.

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

2023	\$	113,338
2024		112,968
2025		108,898

Operating lease expense related to office space and equipment totaled \$149,689 for the year ended August 31, 2022.

8. Related Party Transactions

The Organization received contributions from employees and board members totaling \$121,281 during the year ended August 31, 2022.

9. Endowment

The Endowment consists of a fund established to provide financial support and long-term stability to CISDR. It includes both donor-restricted endowment funds and funds designated by the board of directors (Board) to function as endowments. 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

**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, 2022 are summarized as follows:

	Net assets without donor restrictions	Net assets with donor restrictions		Total
	Board-designated quasi-endowment	Accumulated gains (losses) and other	Restricted in perpetuity	
Endowment net assets at beginning of year	\$ -	\$ 676,254	\$ 1,025,070	\$ 1,701,324
Contributions	330,000	-	-	330,000
Interest and dividend income	5,019	20,831	-	25,850
Capital gains	6,148	25,038	-	31,186
Unrealized losses	(61,381)	(244,389)	-	(305,770)
Investment fees	(29)	(121)	-	(150)
Appropriation of assets for expenditure	-	(82,919)	-	(82,919)
Endowment net assets at end of year	\$ 279,757	\$ 394,694	\$ 1,025,070	\$ 1,699,521

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

10. Liquidity and Availability of Resources

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

Cash and cash equivalents	\$ 4,251,911
Restricted cash equivalents	17,056
Unconditional promises to give, net	369,000
Government grants receivable	156,941
Accounts receivable	452,167
Investments	<u>1,765,384</u>
Total financial assets	7,012,459
Less amounts not available for general expenditures within one year:	
Unconditional promises to give - due after one year, net	224,252
Restricted cash equivalents	17,056
Board-designated quasi-endowment	279,757
Future expendable donor restricted endowment	319,694
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>\$ 5,426,387</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.

11. 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 Federal and State Awards
Year Ended August 31, 2022

Federal or State Grantor/Pass-through Grantor Program Title	Assistance Listing Number	Grant Number	Total Expenditures
Federal Awards:			
U.S. Department of Health and Human Services:			
Texas Education Agency			
COVID-19 Temporary Assistance for Needy Families	93.558	223630027110008	\$ 258,419
U.S. Department of Housing and Urban Development:			
City of McKinney			
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-48-0043	23,014
U.S. Department of Education:			
Texas Education Agency			
21st Century Community Learning Centers	84.287C	226950307110013	1,183,921
Education Stabilization Fund	84.425U	215280587110034	<u>100,403</u>
			<u>1,284,324</u>
Total Expenditures of Federal Awards			1,565,757
State Awards:			
Texas Education Agency			
State Compensatory Education Funds - Communities In Schools	n/a	210958027110008	<u>2,019,905</u>
Total Expenditures of State Awards			<u>2,019,905</u>
Total Expenditures of Federal and State awards			<u><u>\$ 3,585,662</u></u>

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

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Communities In Schools of the Dallas Region, Inc. (CISDR). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *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. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State of Texas UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

CISDR has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and the UGMS.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Communities In Schools of the Dallas Region, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2022, 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 May 2, 2023. The consolidated 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.

Report on 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) as a basis for designing 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 CISDR's consolidated 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CISDR's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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
May 2, 2023



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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Communities In Schools of the Dallas Region, Inc.’s (CISDR) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of CISDR’s major federal and state programs for the year ended August 31, 2022. CISDR’s major federal and state programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, CISDR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements of the UGMS. Our responsibilities under those standards, the Uniform Guidance and the UGMS are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CISDR and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of CISDR’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CISDR's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CISDR's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the UGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CISDR's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the UGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the CISDR's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CISDR's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas UGMS, but not for the purpose of expressing an opinion on the effectiveness of CISDR's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the UGMS and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal and state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on CISDR's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. CISDR's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on CISDR's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. CISDR's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance and the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
May 2, 2023

Communities In Schools of the Dallas Region, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

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 consolidated financial statements noted?	No

Federal and State Awards:

Internal control over major federal and state programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major federal and state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or the State of Texas UGMS?	Yes

Identification of Major Federal Program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
84.287C	21 st Century Community Learning Centers

Identification of Major State Program:

<u>Grant Number</u>	<u>Name of State Program</u>
210958027110008	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?	No

Communities In Schools of the Dallas Region, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section II – Consolidated Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

Finding 2022-001: Allowable costs – Significant deficiency in internal control over compliance

21st Century Community Learning Centers

Criteria: CISDR’s internal control procedures over compliance stipulate that all invoices be approved by management.

Condition: During allowable cost testing for federal grants, 10 out of the 26 invoices tested did not have documented approval from management.

Cause: CISDR did not have a standard procedure in place to document management’s approval.

Effect: CISDR’s reporting of allowable cost is not fully documented in accordance with internal control procedures over compliance.

Questioned Costs: None

Recommendation: Management should ensure documentation of approval of all invoices are kept on file.

Management’s Response: See corrective action plan.

Section IV – Summary Schedule of Prior Award Findings

None

Section III – Federal and State Award Findings and Questioned Costs

Finding No. 2022-001: Allowable costs – Significant deficiency in internal control over compliance.

The 21st Century grant director was provided a PEX card (prepaid credit card) to make purchases for the program. The purchases were approved per the budgeted line items by the grantor. The CFO met with the program director on a bi-weekly basis and the program director outlined all anticipated expenses for the program. They were discussed and approved during the meeting but were not physically documented. The purchases were made and receipts were uploaded into the PEX system, however there was no signature on the receipts to document the approval. These expenses were later reviewed and summarized by the CFO in an Excel spreadsheet prior to billing the grantor.

We have incorporated and communicated changes to our policy and standard procedure to ensure the documentation of manager's approval of invoices are kept on file. Employees under the 21st Century program have been trained and approval of purchases are now physically documented electronically as of January of 2023.

Given CISDR's expanded workload and doubling the number of schools from two years prior, the Finance team was functioning with one full time CFO and one part time accountant. In March 2023 we hired a full-time senior accountant to manage the internal controls compliance over expenditures.

The plan has already been implemented.

Anthonia Ibe

Anthonia Ibe
CFO