

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE TOTALS FOR 2011

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

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WITH COMPARATIVE TOTALS FOR 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Communities in Schools on the South Plains, Inc.
Lubbock, Texas

We have audited the accompanying statement of financial position of Communities in Schools on the South Plains, Inc. (the Organization) as of August 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated January 27, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of Communities in Schools on the South Plains, Inc. as of August 31, 2012, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

December 5, 2012

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit A

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2012
WITH COMPARATIVE TOTALS FOR 2011**

ASSETS

	August 31,	
	2012	2011
Cash and Temporary Investments	\$ 425,798	\$ 247,369
Grants Receivable	115,453	128,713
Due From United Way - Restricted	24,180	23,484
Accounts Receivable - Other	67,936	22,901
Prepaid Expenses	8,519	
Equipment at Cost (Less Accumulated Depreciation of \$72,995 in 2012 and \$66,058 in 2011)	<u>11,212</u>	<u>8,286</u>
	<u>\$ 653,098</u>	<u>\$ 430,753</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$ <u>31,543</u>	\$ <u>6,086</u>
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NET ASSETS

Unrestricted		
Equity in Fixed Assets	\$ 11,212	\$ 8,286
Available for General Activities	502,163	392,897
Temporarily Restricted	<u>108,180</u>	<u>23,484</u>
	<u>\$ 621,555</u>	<u>\$ 424,667</u>
	<u>\$ 653,098</u>	<u>\$ 430,753</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals August 31,</u>	
			<u>2012</u>	<u>2011</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Received Directly				
United Way Contributions	\$ 58,101	\$ 24,180	\$ 82,281	\$ 85,548
Other Contributions	12,800		12,800	9,088
Fundraising Revenue				
(Net of Related Expense)	28,187		28,187	24,899
In-Kind Contributed Services	98,000		98,000	106,300
In-Kind Contributed Facilities Use	206,000		206,000	120,000
Service Fees	1,162,622	84,000	1,246,622	618,567
Interest Income	662		662	745
Total Public Support	<u>\$ 1,566,372</u>	<u>\$ 108,180</u>	<u>\$ 1,674,552</u>	<u>\$ 965,147</u>
GRANTS FROM FOUNDATIONS AND GOVERNMENTAL AGENCIES				
Texas Education Agency	\$ 240,030	\$	\$ 240,030	\$ 358,360
CDBG	9,239		9,239	10,860
Community Youth Development	111,584		111,584	100,123
RCI			0	26,667
Miscellaneous Other Grants	2,500		2,500	1,500
Total Fees and Grants	<u>\$ 363,353</u>	<u>\$ 0</u>	<u>\$ 363,353</u>	<u>\$ 497,510</u>
Net Assets Released from Time Restrictions:	<u>\$ 23,484</u>	<u>\$ (23,484)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Public Support and Revenue	<u>\$ 1,953,209</u>	<u>\$ 84,696</u>	<u>\$ 2,037,905</u>	<u>\$ 1,462,657</u>
EXPENSES				
Program Services	\$ 1,689,018	\$	\$ 1,689,018	\$ 1,254,946
Management and General	151,999		151,999	198,140
Total Expenses	<u>\$ 1,841,017</u>	<u>\$ 0</u>	<u>\$ 1,841,017</u>	<u>\$ 1,453,086</u>
CHANGE IN NET ASSETS	<u>\$ 112,192</u>	<u>\$ 84,696</u>	<u>\$ 196,888</u>	<u>\$ 9,571</u>
NET ASSETS - BEGINNING OF YEAR, PREVIOUSLY PRESENTED	\$ 435,226	\$ 23,484	\$ 458,710	\$ 415,096
PRIOR PERIOD ADJUSTMENT	<u>(34,043)</u>		<u>(34,043)</u>	
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>\$ 401,183</u>	<u>\$ 23,484</u>	<u>\$ 424,667</u>	<u>\$ 415,096</u>
NET ASSETS - END OF YEAR	<u>\$ 513,375</u>	<u>\$ 108,180</u>	<u>\$ 621,555</u>	<u>\$ 424,667</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Totals August 31,</u>	
			<u>2012</u>	<u>2011</u>
Salaries and Wages	\$ 1,052,957	\$ 72,574	\$ 1,125,531	\$ 866,988
Payroll Taxes and Benefits	225,539	19,752	245,291	184,930
Volunteer Services - In-Kind	98,000		98,000	106,300
Total Salaries and Related Expenses	\$ 1,376,496	\$ 92,326	\$ 1,468,822	\$ 1,158,218
Contracted Services	19,331	34,460	53,791	61,114
Donated Facilities Use	206,000		206,000	120,000
General Supplies	14,461	4,804	19,265	29,518
Insurance	2,228	1,912	4,140	3,541
Miscellaneous	3,250	12,827	16,077	21,108
Program Costs	15,704		15,704	9,926
Travel	45,064	5,218	50,282	35,932
Total Expenses - Before Depreciation	\$ 1,682,534	\$ 151,547	\$ 1,834,081	\$ 1,439,357
Depreciation	6,484	452	6,936	13,729
Total Expenses	\$ <u>1,689,018</u>	\$ <u>151,999</u>	\$ <u>1,841,017</u>	\$ <u>1,453,086</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit D

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	August 31,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 196,888	\$ 9,571
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	6,937	13,729
Changes in Operating Assets and Liabilities		
Receivables	(32,471)	(72,278)
Prepaid Expenses	(8,519)	
Payables	25,457	(8,107)
Net Cash From Operating Activities	<u>\$ 188,292</u>	<u>\$ (57,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	\$ (9,863)	\$
Net Cash From Investing Activities	<u>\$ (9,863)</u>	<u>\$ 0</u>
CASH FLOWS FROM FINANCING ACTIVITIES	\$ 0	\$ 0
NET CHANGE IN CASH	\$ 178,429	\$ (57,085)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>247,369</u>	<u>304,454</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 425,798</u></u>	<u><u>\$ 247,369</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 0	\$ 0
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Communities in Schools on the South Plains, Inc. (the Organization) is a community-based organization helping kids stay in school and prepare for life by bringing adults into the schools to address children's unmet needs and provide a link between educators and the community.

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses no longer restricted by the grantor in which the Board of Directors has discretionary control to carry out operations of the Organization.

Temporarily restricted net assets represent resources receivable from the donor, but expendable based on a future budget.

Contributions

Contributions received are recorded as temporarily restricted support upon official notification by the donor until any restrictions imposed by the donor are met and are then reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Period Adjustment

Certain errors resulting in an overstatement of previously reported accounts receivable were discovered during the current year. Accordingly, an adjustment of \$34,043 was made during 2012 to decrease receivables as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets. The effect of the restatement on net assets for 2011 was a reduction in service fee revenue of the same amount.

Comparative Totals

The financial information for the year ended August 31, 2011, is presented for comparative purposes only and is not intended to be a complete financial statement presentation.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain reclassifications have been made to the 2012 financial statement balances to conform to the 2011 presentation.

Uncertain Tax Positions

The Organization has adopted the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Organization is its filing status as a tax exempt entity. The Organization determined that it is more likely than not that their tax positions would be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority. The Organization paid no penalties or interest related to taxes during the year ended August 31, 2012 and is no longer subject to examinations by federal taxing authorities for years before 2007.

2. Grants Receivable

Grants receivable represents the amount expenses exceeded reimbursements at year end. The following is a schedule of the receivables outstanding at August 31, 2012 and 2011:

	August 31,	
	2012	2011
Community Youth Development	\$ 13,023	\$ 9,697
Texas Education Agency	101,672	116,301
CDBG	758	2,715
	<u>\$ 115,453</u>	<u>\$ 128,713</u>

3. Due from United Way – Restricted

Due from United Way—Restricted represents amounts due from the United Way that are restricted for timing purposes. At August 31, 2012 and 2011, \$24,180 and \$23,484, respectively, were due from the United Way.

4. Accounts Receivable – Other

Accounts receivable – Other at August 31, 2012 and 2011, respectively, consisted of \$67,936 and \$22,901 due from the area school districts for services rendered.

5. Fixed Assets and Depreciation

The Organization capitalizes fixed assets with a value of \$500 and a useful life of two years or more. Fixed assets are recorded at cost. Donated assets are valued at their fair market value as of the date of the gift. Depreciation is provided over the estimated useful life of the asset on a straight-line basis. Depreciation expense for the year ended August 31, 2012, was \$6,936.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

The Fixed Asset activity for the year ended August 31, 2012, was as follows:

	<u>8/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2012</u>
Office Equipment	\$ 74,344	\$ 9,863	\$	\$ 84,207
Accumulated Depreciation - Office Equipment	\$ 66,058	\$ 6,937	\$	\$ 72,995
Fixed Assets, Net	<u>\$ 8,286</u>	<u>\$ 2,926</u>	<u>\$ 0</u>	<u>\$ 11,212</u>

Fixed Assets are being depreciated at rates between 20%-33%.

6. In-Kind Contributed Services

The Organization relies heavily on the services of volunteers in order to accomplish its goals. For the years ended August 31, 2012 and 2011, volunteers provided 9,170 and 10,809 hours of service, respectively, exclusive of any training hours. The value of these services provided has been estimated to be \$98,000 and \$106,300, respectively.

7. In-Kind Contributed Facilities Use

The Organization uses various spaces at area school district campuses free of charge. For the years ended August 31, 2012 and 2011, the Organization used spaces in 31 and 21 school district campuses, respectively. The value for these contributed facilities use is estimated to be \$206,000 and \$120,000 for the years ended August 31, 2012 and 2011, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that have donor restrictions. These funds can be temporarily restricted by the donor for program, asset acquisition, and timing purposes. The following is a detail of the components of temporarily restricted net assets as of, and for the year ended August 31, 2012:

	<u>9/1/2011</u>	<u>Released from Restriction</u>	<u>Additions</u>	<u>8/31/2012</u>
United Way	\$ 23,484	\$ 23,484	\$ 24,180	\$ 24,180
12-13 Service Fees	0		84,000	84,000
	<u>\$ 23,484</u>	<u>\$ 23,484</u>	<u>\$ 108,180</u>	<u>\$ 108,180</u>

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

9. Fundraising

Fundraising expenses for the year ended August 31, 2012 were \$17,229 or 37.9% of the \$45,416 fundraising revenue raised.

10. Contingencies

The Organization participates in various state and federally assisted grant programs. These programs are subject to periodic compliance audits by the grantors. Audits of these programs could be conducted at various times and the amount of expense, if any, which may be disallowed, is expected to be immaterial.

11. Subsequent Events

The Organization's management has evaluated subsequent events through December 5, 2012, the date which the financial statements were available for issue.

12. Related Parties

Beginning in August 2011, the Organization retained a CPA firm for bookkeeping services. The partner in this firm who performs these services is the spouse of a current board member. The amount expensed to this firm for the year totaled \$11,901, including \$6,826 recorded in accounts payable at August 31, 2012.

