

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

**WITH COMPARATIVE TOTALS FOR 2015**

**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.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

**WITH COMPARATIVE TOTALS FOR 2015**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016  
WITH COMPARATIVE TOTALS FOR 2015**

**TABLE OF CONTENTS**

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
Statement of Financial Position	Exhibit A	3
Statement of Activities	Exhibit B	4
Statement of Functional Expenses	Exhibit C	5
Statement of Cash Flows	Exhibit D	6
Notes to Financial Statements		7

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of Communities in Schools on the South Plains, Inc. (the Organization) which comprise the Statement of Financial Position as of August 31, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Communities in Schools on the South Plains, Inc.'s 2015 financial statements, and our report dated January 27, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bolinger, Segars, Gilbert & Moss L.L.P.*

Certified Public Accountants

Lubbock, Texas

January 6, 2017

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**Exhibit A**

**STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2016  
WITH COMPARATIVE TOTALS FOR 2015**

**ASSETS**

	August 31,	
	2016	2015
Cash and Temporary Investments	\$ 207,933	\$ 397,963
Grants Receivable	147,728	133,983
Due From United Way - Restricted	36,808	39,236
Accounts Receivable - Other	195,786	134,048
Prepaid Expenses	28,650	160
Equipment at Cost (Less Accumulated Depreciation of \$32,645 in 2016 and \$89,345 in 2015)	10,488	8,961
Total Assets	<u>\$ 627,393</u>	<u>\$ 714,351</u>

**LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 25,338	\$ 13,670
Deferred Revenue	1,000	
Total Liabilities	<u>\$ 26,338</u>	<u>\$ 13,670</u>

**NET ASSETS**

Unrestricted		
Equity in Fixed Assets	\$ 10,488	\$ 8,961
Available for General Activities	553,759	652,484
Temporarily Restricted	36,808	39,236
Total Net Assets	<u>\$ 601,055</u>	<u>\$ 700,681</u>
Total Liabilities + Net Assets	<u>\$ 627,393</u>	<u>\$ 714,351</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, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals August 31,</u>	
			<u>2016</u>	<u>2015</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support				
Received Directly				
United Way Contributions	\$ 89,220	\$ 36,808	\$ 126,028	\$ 125,870
Other Contributions	30,560		30,560	14,525
Fundraising Revenue				
(Net of Related Expense)	51,869		51,869	39,617
In-Kind Contributed Services	158,950		158,950	110,000
In-Kind Contributed Facilities Use	225,000		225,000	180,000
Service Fees	1,504,064		1,504,064	1,405,356
Interest Income	1,185		1,185	761
Other Income	9,102		9,102	5,444
Total Public Support	<u>\$ 2,069,950</u>	<u>\$ 36,808</u>	<u>\$ 2,106,758</u>	<u>\$ 1,881,573</u>
<b>GRANTS FROM FOUNDATIONS, GOVERNMENTAL, AND OTHER AGENCIES</b>				
Texas Education Agency	\$ 460,859	\$	\$ 460,859	\$ 410,633
CDBG	34,683		34,683	14,497
Community Youth Development	122,634		122,634	127,841
Other	75,160		75,160	7,700
Total Fees and Grants	<u>\$ 693,336</u>	<u>\$ 0</u>	<u>\$ 693,336</u>	<u>\$ 560,671</u>
Net Assets Released from Time Restrictions:	\$ 39,236	\$ (39,236)	\$ 0	\$ 0
Total Public Support and Revenue	<u>\$ 2,802,522</u>	<u>\$ (2,428)</u>	<u>\$ 2,800,094</u>	<u>\$ 2,442,244</u>
<b>EXPENSES</b>				
Program Services	\$ 2,592,725	\$	\$ 2,592,725	\$ 2,019,171
Management and General	306,995		306,995	216,267
Total Expenses	<u>\$ 2,899,720</u>	<u>\$ 0</u>	<u>\$ 2,899,720</u>	<u>\$ 2,235,438</u>
CHANGE IN NET ASSETS	\$ (97,198)	\$ (2,428)	\$ (99,626)	\$ 206,806
NET ASSETS - BEGINNING OF YEAR	<u>661,445</u>	<u>39,236</u>	<u>700,681</u>	<u>493,875</u>
NET ASSETS - END OF YEAR	<u>\$ 564,247</u>	<u>\$ 36,808</u>	<u>\$ 601,055</u>	<u>\$ 700,681</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, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	Program Services	Management and General	Totals August 31,	
			2016	2015
Salaries and Wages	\$ 1,610,549	\$ 158,936	\$ 1,769,485	\$ 1,375,099
Payroll Taxes and Benefits	384,150	44,217	428,367	333,755
Volunteer Services - In-Kind	<u>158,950</u>		<u>158,950</u>	<u>110,000</u>
Total Salaries and Related Expenses	\$ 2,153,649	\$ 203,153	\$ 2,356,802	\$ 1,818,854
Contracted Services	37,154	60,293	97,447	62,933
Donated Facilities Use	225,000		225,000	180,000
General Supplies	35,340	9,547	44,887	25,751
Insurance	4,338	4,324	8,662	2,548
Miscellaneous	11,993	13,216	25,209	24,615
Program Costs	43,472		43,472	46,045
Travel	<u>77,277</u>	<u>16,029</u>	<u>93,306</u>	<u>69,287</u>
Total Expenses - Before Depreciation	\$ 2,588,223	\$ 306,562	\$ 2,894,785	\$ 2,230,033
Depreciation	<u>4,502</u>	<u>433</u>	<u>4,935</u>	<u>5,405</u>
Total Expenses	\$ <u>2,592,725</u>	\$ <u>306,995</u>	\$ <u>2,899,720</u>	\$ <u>2,235,438</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, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	August 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (99,626)	\$ 206,806
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	4,935	5,405
Changes in Operating Assets and Liabilities		
Receivables	(73,055)	39,327
Prepaid Expenses	(28,490)	2,190
Payables	11,668	(789)
Deferred Revenue	1,000	
Net Cash From Operating Activities	\$ (183,568)	\$ 252,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	\$ (6,462)	\$ (6,851)
Net Cash From Investing Activities	\$ (6,462)	\$ (6,851)
CASH FLOWS FROM FINANCING ACTIVITIES	\$ 0	\$ 0
NET CHANGE IN CASH	\$ (190,030)	\$ 246,088
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	397,963	151,875
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 207,933	\$ 397,963
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 0	\$ 0
Income Taxes	\$ 0	\$ 0

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.

**Comparative Totals**

The financial information for the year ended August 31, 2015, is presented for comparative purposes only and is not intended to be a complete financial statement 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 its 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, 2016 and is no longer subject to examinations by federal taxing authorities for years before 2012.

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**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, 2016 and 2015:

	August 31,	
	2016	2015
Community Youth Development	\$ 11,261	\$ 11,174
Texas Education Agency	129,353	121,559
CDBG	7,114	1,250
	<u>\$ 147,728</u>	<u>\$ 133,983</u>

**3. Due from United Way – Restricted**

Due from United Way – Restricted represents amounts committed from the United Way to be paid over the remainder of the calendar year. At August 31, 2016 and 2015, \$36,808 and \$39,236, respectively, were due from the United Way.

**4. Accounts Receivable – Other**

Other Accounts Receivable at August 31, 2016 and August 31, 2015 consisted of the following:

	August 31,	
	2016	2015
Due from Area School Districts for Services Rendered	\$ 188,710	\$ 133,213
Deposits	6,064	
Other	1,012	835
	<u>\$ 195,786</u>	<u>\$ 134,048</u>

**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, 2016, was \$4,935.

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

The Fixed Asset activity for the year ended August 31, 2016, was as follows:

	<u>8/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2016</u>
Office Equipment	\$ 98,306	\$ 6,462	\$ 61,635	\$ 43,133
Accumulated Depreciation	\$ 89,345	\$ 4,935	\$ 61,635	\$ 32,645
Fixed Assets, Net	<u>\$ 8,961</u>	<u>\$ 1,527</u>	<u>\$ 0</u>	<u>\$ 10,488</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, 2016 and 2015, volunteers provided 12,547 and 9,711 hours of service each year, exclusive of any training hours. The value of these services provided for the years ended August 31, 2016 and 2015 has been estimated to be \$158,950 and \$110,000, 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, 2016 and 2015, the Organization used spaces in 48 and 45 school district campuses, respectively. The value for these contributed facilities use is estimated to be \$225,000 and \$180,000 for the years ended August 31, 2016 and 2015, 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, 2016:

	<u>9/1/2015</u>	<u>Released from Restriction</u>	<u>Additions</u>	<u>8/31/2016</u>
United Way	\$ 39,236	\$ 39,236	\$ 36,808	\$ 36,808
	<u>\$ 39,236</u>	<u>\$ 39,236</u>	<u>\$ 36,808</u>	<u>\$ 36,808</u>

**9. Fundraising**

Fundraising expenses for the years ended August 31, 2016 were \$42,534 or 45% of the \$94,403 fundraising revenue raised. Fundraising expenses for the year ended August 31, 2015 were \$46,645 or 54% of the \$86,262 fundraising revenue raised.

**COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**10. Retirement Savings Plan**

In May 2015, the Organization began participation in a 401(k) plan, a defined contribution plan provided through Principal Financial Group (contract number 6-21906). The Organization makes an annual discretionary matching contribution to the plan. For the years ended August 31, 2016 and August 31, 2015, the Organization approved a matching contribution equal to 100% of the employee contributions up to 3% of the employee's compensation. The cost for the Organization was \$11,233 for the year ended August 31, 2016, which included \$1,802 in administrative and plan services fees for the plan. The cost for the Organization was \$3,547 for the year ended August 31, 2015, which included \$1,288 in administrative and plan services fees. There was \$2,541 reported in Accounts Payable and Accrued Liabilities on the Statement of Financial Position of the total retirement plan costs for the year ended August 31, 2015. There were no expenses payable or accrued at August 31, 2016 related to the retirement saving plan.

**11. 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.

**12. Subsequent Events**

The Organization's management has evaluated subsequent events through January 6, 2017, the date which the financial statements were available for issue.

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

January 6, 2017

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

We have audited the financial statements of Communities in Schools on the South Plains, Inc. for the year ended August 31, 2016, and have issued our report thereon dated January 6, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 12, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Communities in Schools on the South Plains, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Communities in Schools on the South Plains, Inc. are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during August 31, 2016.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We detected no material misstatements and did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

There were no uncorrected financial statement misstatements.

Management requested that in the normal course of our audit we detect material misstatements and propose adjustments in the recording of depreciation expense and temporarily restricted net assets. These are areas that management is aware of that require adjustments that were not completed by the internal accounting staff at the start of the audit fieldwork. These areas and the related adjustments are as follows: Fixed assets were capitalized from expense in the amount of \$6,461.67 and depreciation expense was recorded in the amount of \$4,934.95.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 6, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine whether the consultant has all the relevant facts. To our knowledge, management has not consulted with other accountants about auditing and accounting matters.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of those with the oversight responsibility over the financial reporting process, including the audit committee, Board of Directors, and management, and is not intended to be and should not be used by anyone other than these specified parties. If you should have any questions or wish to discuss any of the items referred to above in further detail, please do not hesitate to contact our office.

Very truly yours,

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants