Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Independent Auditor’s Reports and Consolidated Financial Statements

August 31, 2021

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

August 31, 2021

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Independent Auditor's Report

Board of Directors
Communities In Schools of Greater
Tarrant County, Inc. and Affiliate
Fort Worth, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Communities In Schools of Greater Tarrant County, Inc. and Affiliate, which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the Mike Steele Foundation for Communities in Schools, which are included in the entity's consolidated financial statements, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Communities In Schools of Greater Tarrant County, Inc. and Affiliate as of August 31, 2021, 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.

Consolidating Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, change in net assets and cash flows of the individual entities 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information including the schedule of expenditures of state awards required by State of Texas *Uniform Grant Management Standards*, as listed in the table of contents, is presented for purposes 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 8, 2021, on our consideration of Communities In Schools of Greater Tarrant County, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Communities In Schools of Greater Tarrant County, Inc. and Affiliate's 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 Communities In Schools of Greater Tarrant County, Inc. and Affiliate's internal control over financial reporting and compliance.

BKD, LLP

Fort Worth, Texas
December 8, 2021

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Consolidated Statement of Financial Position

August 31, 2021

	Communities in Schools of Greater Tarrant County, Inc.	Mike Steele Foundation for Communities in Schools	Consolidated Total
Assets			
Cash and cash equivalents	$ 1,432,557	$ -	$ 1,432,557
Cash restricted	-	2,940	2,940
Contributions receivable	539,546	-	539,546
Prepaid expenses and deposits	74,873	-	74,873
Investments	1,361,251	-	1,361,251
Property and equipment, net	163,005	-	163,005
Investments restricted	-	3,123,825	3,123,825
Total assets	$ 3,571,232	$ 3,126,765	$ 6,697,997
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 298,328	$ -	$ 298,328
Deferred rent	150,422	-	150,422
Deferred revenue	70,300	-	70,300
Total liabilities	519,050	-	519,050
Net Assets			
Without donor restrictions	1,893,506	-	1,893,506
With donor restrictions	1,158,676	3,126,765	4,285,441
Total net assets	3,052,182	3,126,765	6,178,947
Total liabilities and net assets	$ 3,571,232	$ 3,126,765	$ 6,697,997

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Consolidated Statement of Activities

Year Ended August 31, 2021

	Communities in Schools of Greater Tarrant County, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	$ 1,196,877	$ 1,133,676	2,330,553
School contracts	2,105,500	-	2,105,500
Government grants	1,202,778	-	1,202,778
Dividends and interest, net of fees	15,876	-	15,876
Unrealized and realized gain on investments	228,444	-	228,444
Other income	37	-	37
Net assets released from restrictions:			
Satisfaction of time restrictions	1,015,659	(1,015,659)	-
Satisfaction of program restrictions	300,000	(300,000)	-
Total public support and revenue	6,065,171	(181,983)	5,883,188
Expenses			
Program services:			
Campus	5,261,985	-	5,261,985
Grants	-	-	-
Total program services	5,261,985	-	5,261,985
Supporting services:			
Management and general	568,701	-	568,701
Fundraising	259,278	-	259,278
Total supporting services	827,979	-	827,979
Total expenses	6,089,964	-	6,089,964
Change in Net Assets	(24,793)	(181,983)	(206,776)
Net Assets, Beginning of Year	1,918,299	1,340,659	3,258,958
Net Assets, End of Year	$ 1,893,506	$ 1,158,676	$ 3,052,182

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Consolidated Statement of Activities (Continued)

Year Ended August 31, 2021

Mike Steele Foundation for Communities in Schools				
Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Total
$ -	$ 1,350	$ 1,350	$ (74,973)	$ 2,256,930
-	-	-	-	2,105,500
-	-	-	-	1,202,778
-	37,432	37,432	-	53,308
-	610,730	610,730	-	839,174
-	-	-	-	37
-	-	-	-	-
81,365	(81,365)	-	-	-
81,365	568,147	649,512	(74,973)	6,457,727
-	-	-	-	5,261,985
74,973	-	74,973	(74,973)	-
74,973	-	74,973	(74,973)	5,261,985
6,392	-	6,392	-	575,093
-	-	-	-	259,278
6,392	-	6,392	-	834,371
81,365	-	81,365	(74,973)	6,096,356
-	568,147	568,147	-	361,371
-	2,558,618	2,558,618	-	5,817,576
$ -	$ 3,126,765	$ 3,126,765	$ -	$ 6,178,947

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services	Supporting Services			Total Program and Supporting Services
	Campus	Management and General	Fund-raising	Total Supporting Services	
Salaries	$ 3,507,189	$ 309,326	$ 196,972	$ 506,298	$ 4,013,487
Benefits and payroll taxes	878,797	65,355	43,210	108,565	987,362
Contract labor	90,713	74,260	-	74,260	164,973
Supplies	199,836	34,726	53	34,779	234,615
Telephone	34,638	1,757	902	2,659	37,297
Occupancy	308,278	38,751	4,843	43,594	351,872
Transportation	56,964	5,310	5,280	10,590	67,554
Employee services	165,869	9,056	6,227	15,283	181,152
Depreciation and amortization	19,701	14,328	1,791	16,119	35,820
Insurance	-	13,925	-	13,925	13,925
Miscellaneous	-	240	-	240	240
Bank fees	-	1,697	-	1,697	1,697
Accounting fees	-	1,185	-	1,185	1,185
Insurance	-	639	-	639	639
Professional Fees	-	4,538	-	4,538	4,538
	$ 5,261,985	$ 575,093	$ 259,278	$ 834,371	$ 6,096,356

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Consolidated Statement of Cash Flows

Year Ended August 31, 2021

	Communities in Schools of Greater Tarrant County, Inc.	Mike Steele Foundation for Communities in Schools	Consolidated Total
Operating Activities			
Change in net assets	$ (206,776)	$ 568,147	$ 361,371
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	35,820	-	35,820
Gain on investments	(228,444)	(610,730)	(839,174)
Contributions restricted for endowment	-	(1,350)	(1,350)
Changes in			
Contributions receivable	23,113	-	23,113
Prepaid expenses	21,679	-	21,679
Accounts payable and accrued expenses	67,906	-	67,906
Deferred rent	(27,815)	-	(27,815)
Deferred revenue	39,800	-	39,800
Net cash used in operating activities	(274,717)	(43,933)	(318,650)
Investing Activities			
Purchase of investments	(66,700)	(47,861)	(114,561)
Sale of investments	50,926	90,980	141,906
Net cash provided by (used in) investing activities	(15,774)	43,119	27,345
Financing Activities			
Proceeds from contributions restricted for endowment	-	1,350	1,350
Net cash provided by investing activities	-	1,350	1,350
Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Restricted Cash Equivalents	(290,491)	536	(289,955)
Cash and Cash Equivalents and Restricted Cash and Restricted Cash Equivalents, Beginning of Year	1,723,048	2,404	1,725,452
Cash and Cash Equivalents and Restricted Cash and Restricted Cash Equivalents, End of Year	$ 1,432,557	$ 2,940	$ 1,435,497

Note 1: Summary of Activities and Significant Accounting Policies

Nature of Operations

Communities In Schools of Greater Tarrant County, Inc. and Affiliate (Agency) is a non-profit organization which provides services to at-risk students and their parents to prevent school drop out in the Tarrant County, Texas area. Funding is provided through federal and state grants, contracts with independent school districts, United Way allocations, and private contributions.

The Mike Steele Foundation for Communities In Schools (Foundation) was established in 2008 as a permanent fund whose primary goal is for the benefit of the Agency both today and in the future. The Foundation's Directors are appointed by the Board of Directors of the Agency.

Basis of Presentation

The Agency's and the Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Agency and the accounts of the Foundation. Significant inter-organizational transactions and balances have been eliminated.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Agency considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents held in investment accounts, including endowment accounts, are not considered to be cash or cash equivalents. At August 31, 2021, cash equivalents consist primarily of money market accounts.

At August 31, 2021, the Agency's cash accounts exceeded federally insured limits by approximately $1,190,000.

Restricted Cash

Amounts included in restricted cash on the statement of financial position represent those amounts that have been restricted by donors for the Foundation's endowment. The restriction will lapse when those amounts have been appropriated for expenditure in accordance with the Foundation's spending policy.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. Management evaluates the need for an allowance based upon review of outstanding receivables, collection history, and existing economic conditions.

Investments and Net Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

The Agency capitalizes all expenditures in excess of $5,000 for property and equipment. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and fixtures	5 years
Machinery and equipment	5 years
Leasehold improvements	7.5 years

Long-lived Asset Impairment

The Agency evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

No asset impairment was recognized during the year ended August 31, 2021.

Deferred Rent

The Agency entered into a lease agreement with a term from May 1, 2019 to September 30, 2026. The lease agreement incorporated rent holidays, escalating rent payments, and tenant improvements allowances. The Agency accounts for rent expense on a straight-line basis over the term of the lease. The difference between rent expense and the amount paid in cash is accounted for as deferred rent.

Deferred Revenue

Deferred revenue represents amounts received for a fundraising event to be held in fiscal year 2021-2022.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

School Contract Revenue

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

Government Grants

Support funded by grants is recognized as the Agency meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Contributions are provided to the Agency and Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Agency or Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Donated Facilities and Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. No amounts have been reflected in the statements for volunteer services because the preceding criteria has not been met; however, a substantial number of volunteers have donated significant amounts of their time in the Agency's program delivery efforts.

The Agency receives donated office space (month-to-month) at each school campus where it has programs. During 2021, the estimated market rental of approximately $255,000 has been included in the accompanying financial statements as contributions and related occupancy expense.

Income Taxes

The Agency and the Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Agency and Foundation are subject to federal income tax on any unrelated business taxable income.

The Agency and Foundation file tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on specific identification of costs and approximate percentage of time expended.

Note 2: Contributions Receivable

At August 31, 2021, contributions receivable are expected to be received within the following year.

No allowance for uncollectible contributions is considered necessary at August 31, 2021.

Note 3: Investments

Investments consist of the following at August 31, 2021:

	Agency		Foundation	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Money markets	$ 55,903	$ 55,903	$ 36,180	$ 36,180
Mutual Funds				
Domestic equities	917,228	606,356	2,251,616	1,200,619
International equities	-	-	145,197	111,365
Fixed income	388,120	375,070	690,832	664,387
	$ 1,361,251	$ 1,037,329	$ 3,123,825	$ 2,012,551

Note 4: Property and Equipment

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

		2021
Leasehold improvements	$	202,949
Furniture and fixtures		19,803
Machinery and equipment		47,347
Less: Accumulated depreciation and amortization		(107,094)
	$	163,005

Note 5: Revenue from Contracts with Customers

Contract Revenue

Revenue from contracts with schools for counseling services is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing educational and mental health counselors. Revenue is recognized over time as performance obligations are satisfied, which is ratably over the academic term. Generally, the Agency bills schools at the beginning of the semester with payments due in September and January. As payments are received, deferred revenue is initially recorded, and then recognized as revenue when performance obligations are met.

Contract Balances

All of the contracts with the schools are for the period of September 1 to August 31, which aligns with the Agency's fiscal year. Therefore, the Agency has no contracts that are unsatisfied or partially unsatisfied as of August 31, 2021. Accordingly, the Agency has no receivables, contract assets or contract liabilities from contracts with customers as of August 31, 2021.

Transaction Price and Recognition

The Agency determines the transaction price based upon standard charges for services provided. No discounts or price concessions are offered. All of the Agency's revenues are with school districts in the Tarrant County area to provide services to at-risk students and their parents to prevent school dropout. The Agency's revenues from these school districts are recognized over time using the output method as performance obligations are satisfied which it ratably over the school year. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Revenue for future years could be affected by the schools' participation in the program

Note 6: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of investments recognized in the statement of financial position measured at fair value on a recurring basis and the level within the standard's fair value hierarchy in which the fair value measurements fall at August 31, 2021.

	Agency			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money markets	$ 55,903	$ 55,903	$ -	$ -
Mutual Funds				
Equities	917,228	917,228	-	-
Fixed income	388,120	388,120	-	-
	$ 1,361,251	$ 1,361,251	$ -	$ -

	Foundation			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money markets	$ 36,180	$ 36,180	$ -	$ -
Mutual funds				
International equities	145,197	145,197	-	-
Domestic equities	2,251,616	2,251,616	-	-
Fixed income	690,832	690,832	-	-
	$ 3,123,825	$ 3,123,825	$ -	$ -

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Agency or the Foundation did not have any Level 2 or Level 3 investments.

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2021, are restricted for the following purposes or periods:

Subject to expenditure for specific purpose	
Monnig Middle School	$ 20,000
Mental health	62,500
High schools	15,000
Emergency needs for Crowley ISD	13,000
Other	2,500
	113,000
Subject to the passage of time	
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	10,833
Future operations	1,034,843
	1,045,676
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
Available for general use	1,097,227
Subject to NFP endowment spending policy and appropriation	
General use	2,029,538
Total endowments	3,126,765
	$ 4,285,441

Net Assets Released from Restrictions

For the year ending August 31, 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Expiration of time restrictions	
2020/2021 operations	$ 1,015,659
Satisfaction or purpose restrictions	
Development Relationships Pilots Grants for High Schools	30,000
HEB schools 20-21	200,000
Mental Health	50,000
Monnig Middle School	20,000
	1,315,659
Restricted purpose spending-rate distributions and appropriations	
General use	81,365
	$ 1,397,024

Note 8: Assets Restricted

Restricted assets of the Foundation consist of money markets and mutual funds. The Foundation assets are managed by a board of directors which is appointed by the Agency's board. The Foundation's purpose is as a permanent fund whose primary goal is for the benefit of the Agency.

The Foundation's governing body is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation

5. The expected total return from income and the appreciation or depreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions. The Foundation includes only donor restricted endowment funds.

Composition and Activity of Foundation Funds

The composition of net assets by type of endowment fund at August 31, 2021 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 2,029,538	$ 2,029,538
Accumulated investment gains	-	1,097,227	1,097,227
Total endowment funds	$ -	$ 3,126,765	$ 3,126,765

Changes in the Foundation's net assets for the year ended August 31, 2021 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 2,558,618	$ 2,558,618
Dividends and interest, net of fees	-	37,432	37,432
Contributions	-	1,350	1,350
Realized / unrealized gain	-	610,730	610,730
Appropriation of endowment assets for expenditures	-	(74,973)	(74,973)
Other expenses	-	(6,392)	(6,392)
Endowment net assets, end of year	$ -	$ 3,126,765	$ 3,126,765

Return Objectives and Risk Parameters

The investment of the assets will attempt to achieve a total return (income plus capital appreciation) necessary to at least preserve, and it is hoped, enhance (in real dollar terms) the capital, and at the same time, provide a dependable source of income. Of these three goals, primary importance is the longer-term preservation of capital. Preservation of capital is defined as the maintenance of purchasing power (after inflation) of the assets. This implies a prudent approach to all investments.

The Foundation is secondarily concerned with achieving real growth in its assets and in the income generated by them. This again is a long-term goal which should not be pursued with undue risk.

Finally, the Foundation desires a minimum level of income that is both dependable as well as acceptable in light of market rates. The current income return requirements will vary from year to year. However, withdrawals from the fund will be planned in advance so income return requirements can be planned and executed based on maturities.

Strategies Employed for Achieving Objectives

In order to meet the stated objectives, the following guidelines are established:

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
Cash equivalents	1%	2%	10%
Equity	30%	43%	60%
International	10%	20%	30%
Alternatives	0%	5%	15%
Fixed income	20%	30%	50%

Investment and Spending Policy

The annual spending rate shall be up to five (5) percent of the rolling 20-quarter average of the portfolio's market value. This will align spending levels with the value of the portfolio, but will not result in the spending needs controlling the portfolio's asset allocation. Additionally, this level of spending should allow for long-term asset growth through the reinvestment of any appreciation that exceeds the spending rate.

Decisions regarding the size of the annual expenditure by the Foundation shall be made at the annual meeting of the Foundation board. Annual funding of the distribution should occur in one installment, typically made in October.

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

a) the original value of initial and subsequent gift amounts donated to the fund and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At August 31, 2021, there were no funds considered to be underwater.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2021 are comprised of the following:

Cash	$ 1,432,557
Cash restricted	2,940
Contributions receivable	539,546
Investments	1,361,251
Investments restricted	3,123,825
Total Financial Assets	6,460,119
Less donor-imposed restrictions:	
Restricted funds	
Endowment	3,126,765
Financial assets available to meet general expenditures within one year	$ 3,333,354

The Agency 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. For the year-ended August 31, 2021, restricted contributions of $1,158,676 were included in financial assets available to meet cash needs for general expenditures within one year.

The Agency's endowment fund consists of donor-restricted endowment funds. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure until appropriated for expenditure by the board of directors.

The Agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In addition to financial assets available to meet general expenditures over the next twelve months, the Agency operates with a balanced budget and anticipates collecting sufficient revenues to cover general expenditures not covered by donor-restricted resources.

Note 10: Lease Commitment

The Agency leases office facilities under a non-cancelable operating lease having an original term in excess of one year.

Future minimum lease payments at August 31, 2021, are approximately:

2022	$	128,000
2023		128,000
2024		120,000
2025		131,000
2026		124,000
Thereafter		11,000
	$	642,000

During 2021, rental expense (exclusive of donated space) was approximately $97,000.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Government Grants

Approximately 20 percent of all public support was received from a government organization in 2021. These grants require fulfillment of certain conditions as set forth in the governing instruments. Failure to fulfill the conditions could result in the return of funds. In the opinion of management, the Agency is in compliance with the terms of the grants.

Investments

The Agency and Foundation invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Note 12: Retirement Plan

The Agency has a defined contribution retirement plan available to all full-time employees, which allows a deferral up to the maximum amount allowed by law. The Agency initiated employer matches contributions of 50% on up to 6% of employee salaries, dependent upon employee contributions to the plan. Employer matching contributions vest over a five-year period. The Agency's matching contribution expense related to the defined contribution retirement plan totaled $63,013 for the year ended August 31, 2021.

Note 13: Economic Uncertainty

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

Note 14: Subsequent Events

Management evaluated subsequent events through December 8, 2021, which is the date the financial statements were available to be issued.

Note 15: Future Change in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board (FASB) amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating, or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Agency is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Presentation and Disclosures of Contributed Nonfinancial Assets

On September 17, 2020, the FASB issued ASU 2020-07, Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

Supplementary Information

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Schedule of Expenditures of State Awards

August 31, 2021

State Granting Agency/Grant Program	Grant or Identifying Number	Total State Expenditures
Texas Education Agency		
Direct Program		
2020-2021 Communities in Schools - General	9582102	$ 1,020,831
2020-2021 Communities in Schools - Expansion	9582103	30,000
Total Texas Education Agency		1,050,831
Total State Awards Expended		$ 1,050,831

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Notes to Schedule of Expenditures of State Awards

August 31, 2021

1. The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of the Agency under programs of the state government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements of State of Texas *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Agency.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in State of Texas *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Agency utilizes a 15% direct administrative cap as provided by the grant agreement.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Communities In Schools of Greater
Tarrant County, Inc. and Affiliate
Fort Worth, Texas

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 Greater Tarrant County, Inc. and Affiliate (the Agency), which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2021. The financial statements of the Mike Steele Foundation for Communities in Schools, which are included in the Agency's consolidated financial statements, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Worth, Texas
December 8, 2021

Report on Compliance for the Major State Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Communities In Schools of Greater
Tarrant County, Inc. and Affiliate
Fort Worth, Texas

Report on Compliance for the Major State Program

We have audited Communities In Schools of Greater Tarrant County, Inc. and Affiliate's (the Agency) compliance with the types of compliance requirements described in State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on the Agency's major state program for the year ended August 31, 2021. The Agency's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of UGMS, issued by the Texas Comptroller of Public Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on its major state program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major state program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on the Major State Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major state program and to test and report on internal control over compliance in accordance with the UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

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 UGMS. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Worth, Texas
December 8, 2021

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Schedule of Findings and Questioned Costs

Year Ended August 31, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

   ☐ Yes ☒ No

State Awards

4. The independent auditor's report on internal control over compliance for the major state award program disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major state award program was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*:

   ☐ Yes ☒ No

Communities In Schools of Greater Tarrant County, Inc. and Affiliate
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2021

7. The Agency's major state program was:

   Communities in Schools - General

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was $300,000.

9. The Agency qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?

   ☐ Yes ☒ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by UGMS

Reference Number	Finding
	No matters are reportable.

Communities In Schools of Greater Tarrant County, Inc. and Affiliate

Summary Schedule of Prior Audit Findings

Year Ended August 31, 2021

Reference Number	Summary of Finding	Status
	No matters are reportable.	