

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

WITH COMPARATIVE TOTALS FOR 2016

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, 2017

WITH COMPARATIVE TOTALS FOR 2016

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

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

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2017, 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, 2017, 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 Communities in Schools on the South Plains, Inc.'s 2016 financial statements, and our report dated January 6, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

Certified Public Accountants

Lubbock, Texas

January 26, 2018

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit A

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

ASSETS

	August 31,	
	2017	2016
Cash and Temporary Investments	\$ 128,330	\$ 207,933
Grants Receivable	117,232	147,728
Due From United Way - Restricted	38,023	36,808
Accounts Receivable - Other	92,690	195,786
Prepaid Expenses	32,300	28,650
Equipment at Cost (Less Accumulated Depreciation of \$38,040 in 2017 and \$32,645 in 2016)	5,091	10,488
Total Assets	<u>\$ 413,666</u>	<u>\$ 627,393</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 36,602	\$ 25,338
Deferred Revenue		1,000
Total Liabilities	<u>\$ 36,602</u>	<u>\$ 26,338</u>

NET ASSETS

Unrestricted		
Equity in Fixed Assets	\$ 5,091	\$ 10,488
Available for General Activities	333,950	553,759
Temporarily Restricted	38,023	36,808
Total Net Assets	<u>\$ 377,064</u>	<u>\$ 601,055</u>
Total Liabilities + Net Assets	<u>\$ 413,666</u>	<u>\$ 627,393</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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals August 31,</u>	
			<u>2017</u>	<u>2016</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Received Directly				
United Way Contributions	\$ 87,341	\$ 38,023	\$ 125,364	\$ 126,028
Other Contributions	20,760		20,760	30,560
Fundraising Revenue				
(Net of Related Expense)	97,592		97,592	51,869
In-Kind Contributed Services	134,000		134,000	158,950
In-Kind Contributed Facilities Use	190,000		190,000	225,000
Service Fees	1,144,729		1,144,729	1,504,064
Interest Income	715		715	1,185
Other Income	5,150		5,150	9,102
Total Public Support	<u>\$ 1,680,287</u>	<u>\$ 38,023</u>	<u>\$ 1,718,310</u>	<u>\$ 2,106,758</u>
GRANTS FROM FOUNDATIONS, GOVERNMENTAL, AND OTHER AGENCIES				
Texas Education Agency	\$ 2,199,295	\$	\$ 2,199,295	\$ 460,859
CDBG	31,066		31,066	34,683
Community Youth Development	180,451		180,451	122,634
Other			0	75,160
Total Fees and Grants	<u>\$ 2,410,812</u>	<u>\$ 0</u>	<u>\$ 2,410,812</u>	<u>\$ 693,336</u>
Net Assets Released from Time Restrictions:	\$ 36,808	\$ (36,808)	\$ 0	\$ 0
Total Public Support and Revenue	<u>\$ 4,127,907</u>	<u>\$ 1,215</u>	<u>\$ 4,129,122</u>	<u>\$ 2,800,094</u>
EXPENSES				
Program Services	\$ 4,018,272	\$	\$ 4,018,272	\$ 2,592,725
Management and General	334,841		334,841	306,995
Total Expenses	<u>\$ 4,353,113</u>	<u>\$ 0</u>	<u>\$ 4,353,113</u>	<u>\$ 2,899,720</u>
CHANGE IN NET ASSETS	\$ (225,206)	\$ 1,215	\$ (223,991)	\$ (99,626)
NET ASSETS - BEGINNING OF YEAR	<u>564,247</u>	<u>36,808</u>	<u>601,055</u>	<u>700,681</u>
NET ASSETS - END OF YEAR	<u>\$ 339,041</u>	<u>\$ 38,023</u>	<u>\$ 377,064</u>	<u>\$ 601,055</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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Management and General	Totals August 31,	
			2017	2016
Salaries and Wages	\$ 1,863,471	\$ 162,544	\$ 2,026,015	\$ 1,769,485
Payroll Taxes and Benefits	458,904	35,289	494,193	428,367
Volunteer Services - In-Kind	<u>134,000</u>		<u>134,000</u>	<u>158,950</u>
Total Salaries and Related Expenses	\$ 2,456,375	\$ 197,833	\$ 2,654,208	\$ 2,356,802
Contracted Services	846,411	109,318	955,729	97,447
Donated Facilities Use	190,000		190,000	225,000
General Supplies	370,436	6,652	377,088	44,887
Insurance	4,306	4,406	8,712	8,662
Miscellaneous	2,006	8,962	10,968	25,209
Program Costs	44,149		44,149	43,472
Travel	<u>99,616</u>	<u>7,246</u>	<u>106,862</u>	<u>93,306</u>
Total Expenses - Before Depreciation	\$ 4,013,299	\$ 334,417	\$ 4,347,716	\$ 2,894,785
Depreciation	<u>4,973</u>	<u>424</u>	<u>5,397</u>	<u>4,935</u>
Total Expenses	\$ <u>4,018,272</u>	\$ <u>334,841</u>	\$ <u>4,353,113</u>	\$ <u>2,899,720</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, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	August 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (223,991)	\$ (99,626)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	5,397	4,935
Changes in Operating Assets and Liabilities		
Receivables	132,377	(73,055)
Prepaid Expenses	(3,650)	(28,490)
Payables	11,264	11,668
Deferred Revenue	(1,000)	1,000
Net Cash From Operating Activities	<u>\$ (79,603)</u>	<u>\$ (183,568)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	\$ _____	\$ (6,462)
Net Cash From Investing Activities	<u>\$ 0</u>	<u>\$ (6,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET CHANGE IN CASH	\$ (79,603)	\$ (190,030)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>207,933</u>	<u>397,963</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 128,330</u></u>	<u><u>\$ 207,933</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ _____	\$ _____
Income Taxes	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></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.

Comparative Totals

The financial information for the year ended August 31, 2016, 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, 2017 and is no longer subject to examinations by federal taxing authorities for years before 2013.

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, 2017 and 2016:

	August 31,	
	2017	2016
Community Youth Development	\$ 30,182	\$ 11,261
Texas Education Agency	87,050	129,353
CDBG		7,114
	<u>\$ 117,232</u>	<u>\$ 147,728</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, 2017 and 2016, \$38,023 and \$36,808, respectively, were due from the United Way.

4. Accounts Receivable – Other

Other Accounts Receivable at August 31, 2017 and August 31, 2016 consisted of the following:

	August 31,	
	2017	2016
Due from Area School Districts for Services Rendered	\$ 86,626	\$ 188,710
Deposits	6,064	6,064
Other		1,012
	<u>\$ 92,690</u>	<u>\$ 195,786</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, 2017, was \$5,397.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

The Fixed Asset activity for the year ended August 31, 2017, was as follows:

	<u>8/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2017</u>
Office Equipment	\$ 43,133	\$ _____	\$ _____	\$ 43,133
Accumulated Depreciation	\$ 32,645	\$ 5,397	\$ _____	\$ 38,042
Fixed Assets, Net	<u>\$ 10,488</u>	<u>\$ (5,397)</u>	<u>\$ 0</u>	<u>\$ 5,091</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, 2017 and 2016, volunteers provided 10,508 and 12,547 hours of service each year, exclusive of any training hours. The value of these services provided for the years ended August 31, 2017 and 2016 has been estimated to be \$134,000 and \$158,950, 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, 2017 and 2016, the Organization used spaces in 49 and 48 school district campuses, respectively. The value for these contributed facilities use is estimated to be \$190,000 and \$225,000 for the years ended August 31, 2017 and 2016, 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, 2017:

	<u>9/1/2016</u>	<u>Released from Restriction</u>	<u>Additions</u>	<u>8/31/2017</u>
United Way	\$ 36,808	\$ 36,808	\$ 38,023	\$ 38,023
	<u>\$ 36,808</u>	<u>\$ 36,808</u>	<u>\$ 38,023</u>	<u>\$ 38,023</u>

9. Fundraising

Fundraising expenses for the years ended August 31, 2017 were \$45,859 or 33% of the \$143,451 fundraising revenue raised. Fundraising expenses for the year ended August 31, 2016 were \$42,534 or 45% of the \$94,403 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. The Organization did not approve a matching contribution for the year ended August 31, 2017. For the year ended August 31, 2016, the Organization approved a matching contribution equal to 100% of the employee contributions up to 3% of the employee's compensation. The cost of the plan to the Organization for the administrative and plan services fees was \$1,368 for the year ended August 31, 2017. The cost of the plan to the Organization was \$11,233 for the year ended August 31, 2016, which included \$1,802 in administrative and plan services fees.

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, may be disallowed. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the financial statements for such contingencies.

12. Subsequent Events

The Organization's management has evaluated subsequent events through January 26, 2018, the date which the financial statements were available for issue.

COMPLIANCE AND INTERNAL CONTROL SECTION

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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 on the South Plains, Inc.
Lubbock, Texas

We have audited, in accordance with the 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 financial statements of Communities in Schools on the South Plains, Inc. (the Organization), a nonprofit organization, which comprise the statement of financial position as of August 31, 2017, and the related 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 January 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 26, 2018

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Communities in Schools on the South Plains, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Greenbelt Electric Cooperative, Inc.'s major federal programs for the year ended August 31, 2017. Communities in Schools on the South Plains, Inc.'s major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Communities in Schools on the South Plains, Inc.'s major federal programs 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Communities in Schools on the South Plains, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Communities in Schools on the South Plains, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Communities in Schools on the South Plains, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control over Compliance

Management of Communities in Schools on the South Plains, Inc. 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 Communities in Schools on the South Plains, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Communities in Schools on the South Plains, Inc.'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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-01, that we consider to be a significant deficiency.

Communities in Schools on the South Plains, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Communities in Schools on the South Plains, Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 26, 2018

FEDERAL FINANCIAL ASSISTANCE SECTION

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

(continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2017

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes x no

Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? x yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Texas 21st Century Community Learning Centers Cycle 9 Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

B. Section II - Findings Related to the Financial Statements

None Noted

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

(concluded)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

C. Section III - Findings and Questioned Costs Related to the Federal Awards

2017-01 Allowable Costs/ Cost Principles

CFDA 84.287C - Texas 21st Century Community Learning Centers Cycle 9 Grant

Significant Deficiency in Controls - Allowable Costs/ Cost Principles

Condition - There was not adequate documentation of the process used to determine the allocation of payroll for administrative staff.

Cause - Lack of controls to ensure that appropriate documentation is maintained to support compliance requirements.

Criteria - Controls should be in place to ensure that adequate documentation is maintained that supports any allocation of payroll.

Effect - Failure to properly provide the appropriate documentation to support salary allocations for employees not fully funded by the grant can potentially lead to incorrect expenditure reporting.

Recommendation - Implement procedures to ensure that payroll expenditures reported to the grant are accurate and properly documented in the future.



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Views of responsible officials and planned corrective actions

Communities in Schools of the South Plains (“CIS”) is regularly reviewing all expenditures related to these grants. The USDE is reviewing all expenditures related to these grants. The Director of Finance and Chief Executive Officer provide oversight by reviewing the Cycle 9 reimbursement requests before they are submitted to USDE to ensure completeness and accuracy. CIS personnel continues to strive to meet the expectations of the USDE and remain diligent about reporting correctly. CIS continues to provide internal training and controls that ensure grant expenditures are allocated correctly. Payroll allocations are approved by the CEO based on actual time and effort employed on each grant. CIS will implement three processes going forward to maintain accurate payroll allocation documentation: (1) All finance meetings discussing grant allocations between the Director of Finance and the CEO will be adequately documented, (2) a line has been added to the Payroll Status Change form indicating grant allocations per said employee and approval by the CEO, and (3) a Semi-Annual Certification supporting grant allocations will be administered to any employee not 100% funded by a particular grant for the employee’s verification of proper payroll allocations.

Contact person at the Center regarding corrective actions

Kenna West, CEO and Angela Jacobs, Director of Finance

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2017

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
2016-2017 Texas 21st Century Community Learning Centers, Cycle 9, Year 1	84.287C	176950247110004	\$ 1,724,627
2017-2018 Texas 21st Century Community Learning Centers, Cycle 9, Year 2	84.287C	186950247110004	84,535
Total CFDA 84.287C			<u>\$ 1,809,162</u>
Total Passed Through Texas Education Agency			<u>\$ 1,809,162</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,809,162</u>
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Health and Human Services Commission</i>			
Temporary Assistance for Needy Families	93.558	173630027120026	<u>\$ 80,253</u>
Total Passed Through Texas Health and Human Services Commission			<u>\$ 80,253</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 80,253</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through City of Lubbock</i>			
Community Development Block Grant	14.218		<u>\$ 31,067</u>
Total Passed Through Texas Health and Human Services Commission			<u>\$ 31,067</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 31,067</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,920,482</u></u>
<u>Reconciliation to Financial Statements:</u>			
Total Fees and Grants Revenue Per Exhibit B			\$ 2,410,812
Less TEA Formula State Grant			(309,879)
Less Star Care CYD Grant			<u>(180,451)</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,920,482</u></u>

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Communities in Schools on the South Plains, Inc. under programs of the federal government for the year ended August 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

Summary of Significant Accounting Policies

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (B) The Organization has not elected to use the ten percent de minimus indirect cost rate as allowed under the Uniform Guidance.