

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

WITH COMPARATIVE TOTALS FOR 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

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COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020
WITH COMPARATIVE TOTALS FOR 2019**

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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, 2020, 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, 2020, 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 2019 financial statements, and our report dated December 16, 2019 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, 2019, 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 November 10, 2020, 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 LLP

Certified Public Accountants

Lubbock, Texas

November 10, 2020

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit A

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020
WITH COMPARATIVE TOTALS FOR 2019**

ASSETS

	August 31,	
	2020	2019
Cash and Temporary Investments	\$ 949,332	\$ 295,661
Grants Receivable	351,096	279,038
Due From United Way - With Donor Restrictions	37,214	37,214
Accounts Receivable - Other	62,307	75,580
Prepaid Expenses	1,984	5,259
Total Assets	<u>\$ 1,401,933</u>	<u>\$ 692,752</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 153,018	\$ 90,657
Paycheck Protection Program (PPP) Loan	507,300	
Deferred Revenue	9,527	12,000
Total Liabilities	<u>\$ 669,845</u>	<u>\$ 102,657</u>

NET ASSETS

Net Assets Without Donor Restrictions Available for General Activities	\$ 694,874	\$ 552,881
Net Assets With Donor Restrictions	37,214	37,214
Total Net Assets	<u>\$ 732,088</u>	<u>\$ 590,095</u>
Total Liabilities + Net Assets	<u>\$ 1,401,933</u>	<u>\$ 692,752</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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	August 31,	
			2020	2019
PUBLIC SUPPORT AND REVENUE				
Public Support				
Received Directly				
United Way Contributions	\$ 105,231	\$ 37,214	\$ 142,445	\$ 130,199
Other Contributions	35,260		35,260	17,539
Fundraising Revenue				
(Net of Related Expense)	85,890		85,890	123,593
In-Kind Contributed Services	61,000		61,000	112,000
In-Kind Contributed Facilities Use	194,000		194,000	170,000
Service Fees	1,306,037		1,306,037	1,042,728
Interest Income	4,524		4,524	7,568
Other Income	4,929		4,929	
Total Public Support	<u>\$ 1,796,871</u>	<u>\$ 37,214</u>	<u>\$ 1,834,085</u>	<u>\$ 1,603,627</u>
GRANTS FROM FOUNDATIONS, GOVERNMENTAL, AND OTHER AGENCIES				
Texas Education Agency	\$ 4,090,557	\$	\$ 4,090,557	\$ 3,678,276
CDBG	47,794		47,794	22,000
Community Youth Development	150,987		150,987	153,398
Other	210,512		210,512	76,950
Total Fees and Grants	<u>\$ 4,499,850</u>	<u>\$ 0</u>	<u>\$ 4,499,850</u>	<u>\$ 3,930,624</u>
Net Assets Released from Time Restrictions:	\$ 37,214	\$ (37,214)	\$	\$
Total Public Support and Revenue	<u>\$ 6,333,935</u>	<u>\$ 0</u>	<u>\$ 6,333,935</u>	<u>\$ 5,534,251</u>
EXPENSES				
Program Services	\$ 5,862,730	\$	\$ 5,862,730	\$ 5,160,022
Management and General	329,212		329,212	321,966
Total Expenses	<u>\$ 6,191,942</u>	<u>\$ 0</u>	<u>\$ 6,191,942</u>	<u>\$ 5,481,988</u>
CHANGE IN NET ASSETS	\$ 141,993	\$ 0	\$ 141,993	\$ 52,263
NET ASSETS - BEGINNING OF YEAR	<u>552,881</u>	<u>37,214</u>	<u>590,095</u>	<u>537,832</u>
NET ASSETS - END OF YEAR	<u>\$ 694,874</u>	<u>\$ 37,214</u>	<u>\$ 732,088</u>	<u>\$ 590,095</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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Program Services	Management and General	August 31,	
			2020	2019
Salaries and Wages	\$ 3,035,686	\$ 207,680	\$ 3,243,366	\$ 2,400,941
Payroll Taxes and Benefits	783,211	34,452	817,663	560,319
Volunteer Services - In-Kind	<u>61,000</u>		<u>61,000</u>	<u>112,000</u>
Total Salaries and Related Expenses	\$ 3,879,897	\$ 242,132	\$ 4,122,029	\$ 3,073,260
Contracted Services	979,502	69,857	1,049,359	1,382,386
Donated Facilities Use	194,000		194,000	170,000
General Supplies	674,692	5,093	679,785	652,381
Insurance	6,767	779	7,546	7,103
Miscellaneous	28,760	9,043	37,803	19,424
Program Costs	39,056		39,056	54,274
Travel	<u>60,056</u>	<u>2,308</u>	<u>62,364</u>	<u>121,336</u>
Total Expenses - Before Depreciation	\$ 5,862,730	\$ 329,212	\$ 6,191,942	\$ 5,480,164
Depreciation			<u>0</u>	<u>1,824</u>
Total Expenses	\$ <u>5,862,730</u>	\$ <u>329,212</u>	\$ <u>6,191,942</u>	\$ <u>5,481,988</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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	August 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 141,993	\$ 52,263
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation		1,824
Changes in Operating Assets and Liabilities		
Receivables	(58,785)	(98,752)
Prepaid Expenses	3,275	3,959
Payables	62,361	21,618
Deferred Revenue	(2,473)	12,000
Net Cash From Operating Activities	\$ 146,371	\$ (7,088)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance on PPP Loan	\$ 507,300	\$
Net Cash From Financing Activities	\$ 507,300	\$ 0
NET CHANGE IN CASH	\$ 653,671	\$ (7,088)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	295,661	302,749
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 949,332	\$ 295,661
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 0	\$ 0
Income Taxes	\$ 0	\$ 0

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

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

Basis of Accounting

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

Financial Statement Presentation

The Organization is required to classify net assets and revenues, expenses gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets without donor restrictions: Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and various conference expenses, which are based on utilization, as well as salaries and related expenses, supplies, telephone, postage and shipping, occupancy, repairs, printing, insurance, marketing, website expenses, and other expenses which are allocated on estimates of time and effort. Further information is contained in Exhibit C to the financial statements.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions received are recorded as support with donor restrictions until any restrictions imposed by the donor are met and are then reclassified to without donor restriction 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, 2019, 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, 2020 and is no longer subject to examinations by federal taxing authorities for years before 2016.

Contributions and Grants

The Organization receives revenue from grants and other donations. Most grants are on a reimbursement basis. Any grants received in advance are deferred once received and recognized once obligations have been performed. The amount of grant obligations deferred at August 31, 2020 amounted to \$9,527.

Revenue from Contracts with Customers

In 2014, the FASB issued *Revenue from Contracts with Customers, Topic 606* (ASU No. 2014-09), which provides a new framework for the recognition of revenue. The Organization implemented the guidance on a modified retrospective basis on September 1, 2019. Results for the reporting periods beginning after August 31, 2019 are presented in accordance with Topic 606, while prior period results have not been adjusted and continue to be reported in accordance with prior guidance. The implementation did not have a material impact on the Organization's financial statements, other than increased disclosures regarding revenues related to contracts with customers.

Services to school districts and others are based on annual contracts. This revenue is billed and recorded every month. Service fees for the year ended August 31, 2020 totaled \$1,306,037. There were receivables related to this revenue at year-end of \$54,156. All service obligations have been satisfied as of August 31, 2020.

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, 2020:

Community Youth Development	\$	29,029
City of Lubbock Community Development		9,022
Texas Education Agency		313,045
	\$	<u>351,096</u>

3. Due from United Way – With Donor Restrictions

Due from United Way – With Donor Restrictions represents amounts committed from the United Way to be paid over the remainder of the calendar year. At August 31, 2020, \$37,214 was due from the United Way.

4. Accounts Receivable – Other

Other Accounts Receivable at August 31, 2020 consisted of the following:

Due from Area School Districts for Services	\$	54,156
Deposits		6,064
Other		2,087
	\$	<u>62,307</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. As of August 31, 2020 all fixed assets were fully depreciated. Therefore, depreciation expense for the year ended August 31, 2020, was \$0.

The Fixed Asset activity for the year ended August 31, 2020, was as follows:

	<u>8/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2020</u>
Office Equipment	\$ 31,324	\$	\$	\$ 31,324
Accumulated Depreciation	\$ 31,324	\$	\$	\$ 31,324
Fixed Assets, Net	\$ 0	\$ 0	\$ 0	\$ 0

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

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

6. Deferred Revenue

During 2019, the Organization received grants that have not yet been expended. As of August 31, 2020, deferred revenue was \$9,527.

7. Paycheck Protection Program Loan

On April 20, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$507,300 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Organization has accounted for the PPP loan under the Debt Model as provided for in applicable accounting guidance. The process to apply for and receive a legal release from the obligation is anticipated to take several months. Should the release be granted, the Organization will offset the previously claimed expenditures in the period the legal release is finalized. The Organization intends to claim only non-capitalized labor against the loan proceeds and will offset the labor distribution accordingly.

8. In-Kind Contributed Services

The Organization relies heavily on the services of volunteers in order to accomplish its goals. For the year ended August 31, 2020, volunteers provided 4,670 hours of service, exclusive of any training hours. The value of these services provided for the year ended August 31, 2020 has been estimated to be \$61,000.

9. In-Kind Contributed Facilities Use

The Organization uses various spaces at area school district campuses free of charge. For the year ended August 31, 2020, the Organization used spaces in 51 school district campuses. The value for these contributed facilities use is estimated to be \$194,000 for the year ended August 31, 2020.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

10. Net Assets With Donor Restrictions

Net Assets With Donor Restriction 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, 2020:

	<u>8/31/2019</u>	Released from <u>Restriction</u>	<u>Additions</u>	<u>8/31/2020</u>
United Way	\$ <u>37,214</u>	\$ <u>37,214</u>	\$ <u>37,214</u>	\$ <u>37,214</u>
	\$ <u><u>37,214</u></u>	\$ <u><u>37,214</u></u>	\$ <u><u>37,214</u></u>	\$ <u><u>37,214</u></u>

11. Fundraising

Fundraising expenses for the year ended August 31, 2020 were \$28,441 or 25% of the \$114,331 fundraising revenue raised.

12. 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 approve a matching contribution of 3% for the years ended August 31, 2020. The cost of the plan for the year ended August 31, 2020 was \$21,519 for matching contribution and administrative and service fees.

13. 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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread around the world and affected the U.S. In March 2020, the World Health Organization characterized this outbreak as a pandemic. It is anticipated that these impacts will continue for some time. There has been no material financial impact to the Organization's operations to date; however, there are future potential impacts. The future effects of these issues are unknown.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

14. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of August 30, 2020, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	2020
Cash and Cash Equivalents	\$ 949,332
Accounts Receivable (Net)	450,617
Prepaid Expenses	1,984
	<u>\$ 1,401,933</u>
Less contractual or donor-imposed restrictions:	
Accounts Receivable (Net)	(37,214)
Prepaid Expenses	<u>(1,984)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,362,735</u>

The Organization is supported by contributions and grant revenue. Due to donor restriction requirements for assets to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, some financial assets may not be available for general expenditure within one year. In addition, the grant revenue is received on a reimbursement basis. Therefore, funds must be available for these expenditures before reimbursed.

15. Subsequent Events

The Organization's management has evaluated subsequent events through November 10, 2020, the date which the financial statements were available for issue.

COMPLIANCE AND INTERNAL CONTROL SECTION

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

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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, 2020, 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 November 10, 2020.

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

November 10, 2020

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 Community in Schools on the South Plains, Inc.'s major federal program for the year ended August 31, 2020. Communities in Schools on the South Plains, Inc.'s major federal program 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 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 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 program for the year ended August 31, 2020.

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 10, 2020

FEDERAL FINANCIAL ASSISTANCE SECTION

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

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? yes x 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)? yes x 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

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

Auditee qualified as low-risk auditee? x yes no

B. Section II - Findings Related to the Financial Statements

None Noted

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

None Noted

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020**

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, 2020

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>			
2019-2020 Texas 21st Century Community Learning Centers, Cycle 9, Year 4	84.287C	196950247110004	\$ 1,468,229
2019-2020 Texas 21st Century Community Learning Centers, Cycle 10, Year 2	84.287C	196950267110015	1,368,700
Total CFDA 84.287C			<u>\$ 2,836,929</u>
Total Passed Through Texas Education Agency			<u>\$ 2,836,929</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 2,836,929</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	193630027120024	\$ 114,414
Total Passed Through Texas Health and Human Services Commission			<u>\$ 114,414</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 114,414</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,951,343</u></u>
<u>Reconciliation to Financial Statements:</u>			
Total Fees and Grants Revenue Per Exhibit B			\$ 4,499,850
Less TEA Formula State Grant			(1,139,214)
Less Star Care CYD Grant			(150,987)
Less Other Grants			<u>(258,306)</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,951,343</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, 2020**

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, 2020. 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.