

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

WITH COMPARATIVE TOTALS FOR 2012

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1054

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Communities in Schools on the South Plains, Inc. which comprise the statement of financial position as of August 31, 2013, 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, 2013, 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.

Other Matters

The prior year summarized comparative information has been derived from the Communities in Schools on the South Plains', Inc. August 31, 2012 financial statements and, in our report dated December 5, 2012, we expressed an unqualified opinion on those financial statements.

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

Certified Public Accountants

Lubbock, Texas

January 8, 2014

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

Exhibit A

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

ASSETS

	August 31,	
	<u>2013</u>	<u>2012</u>
Cash and Temporary Investments	\$ 437,281	\$ 425,798
Grants Receivable	40,102	115,453
Due From United Way - Restricted	27,820	24,180
Accounts Receivable - Other	44,152	67,936
Prepaid Expenses	2,968	8,519
Equipment at Cost (Less Accumulated Depreciation of \$79,092 in 2013 and \$72,995 in 2012)	<u>8,515</u>	<u>11,212</u>
	<u>\$ 560,838</u>	<u>\$ 653,098</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$ <u>8,136</u>	\$ <u>31,543</u>
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NET ASSETS

Unrestricted		
Equity in Fixed Assets	\$ 8,515	\$ 11,212
Available for General Activities	516,367	502,163
Temporarily Restricted	<u>27,820</u>	<u>108,180</u>
	<u>\$ 552,702</u>	<u>\$ 621,555</u>
	<u>\$ 560,838</u>	<u>\$ 653,098</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, 2013
WITH COMPARATIVE TOTALS FOR 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals August 31,</u>	
			<u>2013</u>	<u>2012</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Received Directly				
United Way Contributions	\$ 63,272	\$ 27,820	\$ 91,092	\$ 82,281
Other Contributions	6,725		6,725	12,800
Fundraising Revenue (Net of Related Expense)	15,439		15,439	28,187
In-Kind Contributed Services	105,500		105,500	98,000
In-Kind Contributed Facilities Use	219,000		219,000	206,000
Service Fees	1,118,228		1,118,228	1,246,622
Interest Income	835		835	662
Total Public Support	<u>\$ 1,528,999</u>	<u>\$ 27,820</u>	<u>\$ 1,556,819</u>	<u>\$ 1,674,552</u>
GRANTS FROM FOUNDATIONS AND GOVERNMENTAL AGENCIES				
Texas Education Agency	\$ 240,030	\$	\$ 240,030	\$ 240,030
CDBG	8,681		8,681	9,239
Community Youth Development	117,683		117,683	111,584
Miscellaneous Other Grants			0	2,500
Total Fees and Grants	<u>\$ 366,394</u>	<u>\$ 0</u>	<u>\$ 366,394</u>	<u>\$ 363,353</u>
Net Assets Released from Time Restrictions:	<u>\$ 108,180</u>	<u>\$ (108,180)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Public Support and Revenue	<u>\$ 2,003,573</u>	<u>\$ (80,360)</u>	<u>\$ 1,923,213</u>	<u>\$ 2,037,905</u>
EXPENSES				
Program Services	\$ 1,807,767	\$	\$ 1,807,767	\$ 1,689,018
Management and General	184,299		184,299	151,999
Total Expenses	<u>\$ 1,992,066</u>	<u>\$ 0</u>	<u>\$ 1,992,066</u>	<u>\$ 1,841,017</u>
CHANGE IN NET ASSETS	<u>\$ 11,507</u>	<u>\$ (80,360)</u>	<u>\$ (68,853)</u>	<u>\$ 196,888</u>
NET ASSETS - BEGINNING OF YEAR, PREVIOUSLY PRESENTED	\$ 513,375	\$ 108,180	\$ 621,555	\$ 458,710
PRIOR PERIOD ADJUSTMENT			0	(34,043)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>\$ 513,375</u>	<u>\$ 108,180</u>	<u>\$ 621,555</u>	<u>\$ 424,667</u>
NET ASSETS - END OF YEAR	<u>\$ 524,882</u>	<u>\$ 27,820</u>	<u>\$ 552,702</u>	<u>\$ 621,555</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, 2013
WITH COMPARATIVE TOTALS FOR 2012

	Program Services	Management and General	Totals August 31,	
			2013	2012
Salaries and Wages	\$ 1,114,094	\$ 96,906	\$ 1,211,000	\$ 1,125,531
Payroll Taxes and Benefits	278,838	18,412	297,250	245,291
Volunteer Services - In-Kind	105,500		105,500	98,000
Total Salaries and Related Expenses	\$ 1,498,432	\$ 115,318	\$ 1,613,750	\$ 1,468,822
Contracted Services	18,923	38,097	57,020	53,791
Donated Facilities Use	219,000		219,000	206,000
General Supplies	9,637	8,847	18,484	19,265
Insurance	1,862	3,683	5,545	4,140
Miscellaneous	3,195	8,884	12,079	16,077
Program Costs	13,282		13,282	15,704
Travel	37,805	9,004	46,809	50,282
Total Expenses - Before Depreciation	\$ 1,802,136	\$ 183,833	\$ 1,985,969	\$ 1,834,081
Depreciation	5,631	466	6,097	6,936
Total Expenses	\$ 1,807,767	\$ 184,299	\$ 1,992,066	\$ 1,841,017

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, 2013
WITH COMPARATIVE TOTALS FOR 2012

	August 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (68,853)	\$ 196,888
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	6,097	6,937
Changes in Operating Assets and Liabilities		
Receivables	95,495	(32,471)
Prepaid Expenses	5,551	(8,519)
Payables	(23,407)	25,457
Net Cash From Operating Activities	\$ <u>14,883</u>	\$ <u>188,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	\$ (3,400)	\$ (9,863)
Net Cash From Investing Activities	\$ <u>(3,400)</u>	\$ <u>(9,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	\$ <u>0</u>	\$ <u>0</u>
NET CHANGE IN CASH	\$ 11,483	\$ 178,429
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>425,798</u>	<u>247,369</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>437,281</u></u>	\$ <u><u>425,798</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ <u>0</u>	\$ <u>0</u>
Income Taxes	\$ <u>0</u>	\$ <u>0</u>

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

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

Basis of Accounting

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

Financial Statement Presentation

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

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

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

Contributions

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

Estimates

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

Prior Period Adjustment

Certain errors resulting in an overstatement of previously reported accounts receivable were discovered during the prior year. Accordingly, an adjustment of \$34,043 was made during 2012 to decrease receivables as of the beginning of the year.

Comparative Totals

The financial information for the year ended August 31, 2012, is presented for comparative purposes only and is not intended to be a complete financial statement presentation.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain reclassifications have been made to the 2013 financial statement balances to conform to the 2012 presentation.

Uncertain Tax Positions

The Organization has adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Organization is its filing status as a tax exempt entity. The Organization determined that it is more likely than not that their tax positions would be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority. The Organization paid no penalties or interest related to taxes during the year ended August 31, 2013 and is no longer subject to examinations by federal taxing authorities for years before 2008.

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, 2013 and 2012:

	August 31,	
	2013	2012
Community Youth Development	\$ 10,568	\$ 13,023
Texas Education Agency	28,813	101,672
CDBG	721	758
	<u>\$ 40,102</u>	<u>\$ 115,453</u>

3. Due from United Way – Restricted

Due from United Way—Restricted represents amounts due from the United Way that are restricted for timing purposes. At August 31, 2013 and 2012, \$27,820 and \$24,180, respectively, were due from the United Way.

4. Accounts Receivable – Other

Accounts receivable – Other at August 31, 2013 and 2012, respectively, consisted of \$44,152 and \$67,936 due from the area school districts for services rendered.

5. Fixed Assets and Depreciation

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

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

9. Fundraising

Fundraising expenses for the year ended August 31, 2013 were \$44,130 or 74.1% of the \$59,569 fundraising revenue raised.

10. Contingencies

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

11. Subsequent Events

The Organization's management has evaluated subsequent events through January 8, 2014, the date which the financial statements were available for issue.

12. Related Parties

Beginning in August 2011, the Organization retained a CPA firm for bookkeeping services. The partner in this firm who performs these services is the spouse of a current board member. The amount expended to this firm for the year totaled \$15,262, including \$1,937 recorded in accounts payable at August 31, 2013.

COMMUNITIES IN SCHOOLS ON THE SOUTH PLAINS, INC.

NOTES TO FINANCIAL STATEMENTS

Depreciation expense for the year ended August 31, 2013, was \$6,097.

The Fixed Asset activity for the year ended August 31, 2013, was as follows:

	<u>8/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2013</u>
Office Equipment	\$ 84,207	\$ 3,400	\$	\$ 87,607
Accumulated Depreciation - Office Equipment	\$ 72,995	\$ 6,097	\$	\$ 79,092
Fixed Assets, Net	\$ 11,212	\$ (2,697)	\$ 0	\$ 8,515

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, 2013 and 2012, volunteers provided 9,721 and 9,170 hours of service, respectively, exclusive of any training hours. The value of these services provided has been estimated to be \$105,500 and \$98,000, respectively.

7. In-Kind Contributed Facilities Use

The Organization uses various spaces at area school district campuses free of charge. For the years ended August 31, 2013 and 2012, the Organization used spaces in 32 and 31 school district campuses, respectively. The value for these contributed facilities use is estimated to be \$219,000 and \$206,000 for the years ended August 31, 2013 and 2012, 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, 2013:

	<u>9/1/2012</u>	<u>Released from Restriction</u>	<u>Additions</u>	<u>8/31/2013</u>
United Way	\$ 24,180	\$ 24,180	\$ 27,820	\$ 27,820
12-13 Service Fees	84,000	84,000		0
	\$ 108,180	\$ 108,180	\$ 27,820	\$ 27,820