

***COMMUNITIES IN SCHOOLS
OF SOUTH CENTRAL TEXAS, INC.***

FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities In Schools of South Central Texas, Inc.
New Braunfels, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Communities In Schools of South Central Texas, Inc., which comprise the statements 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 from 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.

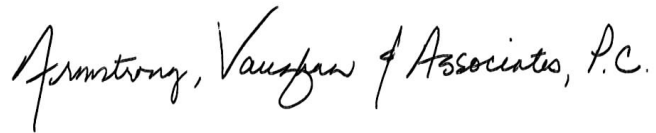
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of South Central Texas, Inc. as of August 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Report on Summarized Comparative Information

The financial statements of Communities In Schools of South Central Texas, Inc. for the year ended August 31, 2012 were audited by another auditor who expressed an unqualified report on November 15, 2012. We have extracted information for comparative totals only. We are not expressing an audit opinion on those financial statements.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

March 12, 2014

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013
(With Comparative Totals for 2012)

ASSETS	2013	2012
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 23,185	\$ 193,239
Government Grants and Other Receivables	45,017	45,266
Inventory	35,019	27,530
Prepaid Expenses	15,869	18,648
<i>Total Current Assets</i>	119,090	284,683
<i>Assets of Permanently Restricted Endowment Fund:</i>		
Money Market Investments	6,992	3,803
<i>Total Assets of Permanently Restricted Endowment Fund</i>	6,992	3,803
<i>Property and Equipment, Net</i>	37,866	51,903
TOTAL ASSETS	\$ 163,948	\$ 340,389
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 7,678	\$ 10,521
Salaries and Benefits Payable	-	1,340
Compensated Absences	90,417	70,423
<i>Total Current Liabilities</i>	98,095	82,284
<i>Net Assets:</i>		
Unrestricted	24,120	89,373
Temporarily Restricted	36,318	164,929
Permanently Restricted for Endowment	5,415	3,803
<i>Total Net Assets</i>	65,853	258,105
TOTAL LIABILITIES AND NET ASSETS	\$ 163,948	\$ 340,389

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted for Endowment	2013 Total	2012 Total
REVENUES, GAINS AND SUPPORT					
State and Federal Grants	\$ 450,161	\$ -	\$ -	\$ 450,161	\$ 450,160
Local Grants	1,014	-	-	1,014	8,106
United Way	65,042	-	-	65,042	76,646
Service Contracts	609,500	-	-	609,500	484,000
Contributions	212,185	108,461	2,750	323,396	654,430
Special Events, net	184,550	-	-	184,550	133,138
Thrift Store Revenue, net	15,600	-	-	15,600	5,188
Interest Revenue	725	-	-	725	1,793
In-Kind Revenues	135,707	-	-	135,707	-
Unrealized Gain/(Loss) on Investments	-	439	-	439	210
Other Income	5,348	-	-	5,348	3,795
<i>Total Revenues and Gains</i>	<u>1,679,832</u>	<u>108,900</u>	<u>2,750</u>	<u>1,791,482</u>	<u>1,817,466</u>
Net Assets Released from Donor Restrictions	<u>238,649</u>	<u>(238,649)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Support	<u>1,918,481</u>	<u>(129,749)</u>	<u>2,750</u>	<u>1,791,482</u>	<u>1,817,466</u>
EXPENSES					
Program Services	1,535,192	-	-	1,535,192	1,450,848
Supporting Services:					
Management and General	403,204	-	-	403,204	286,500
Fundraising	21,416	-	-	21,416	-
Depreciation	23,922	-	-	23,922	22,333
TOTAL EXPENSES	<u>1,983,734</u>	<u>-</u>	<u>-</u>	<u>1,983,734</u>	<u>1,759,681</u>
CHANGE IN NET ASSETS	(65,253)	(129,749)	2,750	(192,252)	57,785
Transfers	-	1,138	(1,138)	-	-
NET ASSETS - BEGINNING OF YEAR	<u>89,373</u>	<u>164,929</u>	<u>3,803</u>	<u>258,105</u>	<u>200,320</u>
NET ASSETS - END OF YEAR	<u>\$ 24,120</u>	<u>\$ 36,318</u>	<u>\$ 5,415</u>	<u>\$ 65,853</u>	<u>\$ 258,105</u>

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2013
 (With Comparative Totals for 2012)

FUNCTIONAL EXPENSES	Program Services	Supporting Services		2013 Total	2012 Total
		Management & General	Fundraising Expenses		
<i>Personnel Costs:</i>					
Personnel Costs	\$ 1,110,436	\$ 275,521	\$ -	\$ 1,385,957	\$ 1,332,808
Fringe Benefits	96,854	22,154	-	119,008	97,355
<i>Total Personnel Costs</i>	<u>1,207,290</u>	<u>297,675</u>	<u>-</u>	<u>1,504,965</u>	<u>1,430,163</u>
Travel/Training	21,487	5,190	-	26,677	15,599
Insurance Expense	-	15,802	-	15,802	11,072
Focus on the Future Program	116,849	-	-	116,849	127,628
Audit and Bookkeeping	-	12,080	-	12,080	26,551
In-Kind Expenses	65,000	52,000	18,707	135,707	-
Supplies	2,639	8,463	-	11,102	9,465
Direct Client Services	67,921	-	-	67,921	43,322
Project Success	27,223	-	-	27,223	16,994
Mentor Expenses	5,219	-	-	5,219	201
Occupancy Expenses	6,773	4,064	2,709	13,546	11,959
Other Expenses	14,791	7,930	-	22,721	44,392
TOTAL FUNCTIONAL EXPENSES	<u>1,535,192</u>	<u>\$ 403,204</u>	<u>\$ 21,416</u>	<u>\$ 1,959,812</u>	<u>\$ 1,737,346</u>

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2013
(With Comparative Totals for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (192,252)	\$ 57,785
Adjustments		
Depreciation	23,922	22,332
(Increase) Decrease in Current Assets:		
(Increase) Decrease in Account Receivable	249	26,090
(Increase) Decrease in Prepaid Expenses	2,779	(1,244)
(Increase) Decrease in Inventory	(7,489)	(1,260)
Increase (Decrease) in Liabilities:		
Increase (Decrease) in Accounts Payable	(2,842)	(741)
Increase (Decrease) in Salaries and Benefits Payable	(1,340)	-
Increase (Decrease) in Compensated Absences	19,994	-
Increase (Decrease) in Other Liabilities	-	(2,833)
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	(156,979)	100,129
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(9,886)	(12,597)
Purchase of Investments	(2,750)	(12,597)
Gain on Investments	(439)	(358)
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	(13,075)	(25,552)
 NET INCREASE (DECREASE) IN CASH	(170,054)	74,577
 CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	193,239	106,065
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 23,185	\$ 180,642
 SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ -	\$ -

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

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE A -- ORDER AND PURPOSE

Communities In Schools of South Central Texas, Inc. (CISSCTX) (the organization) was organized as a nonprofit corporation on December 15, 1992 for the purpose of coordinating and delivering human services to at-risk youth and their families in South Central Texas. This is accomplished through the supportive environment of the public schools. CISSCTX endeavors to enable the participants to have access to a broad range of needed social and educational services.

CISSCTX is supported primarily by the Texas Education Agency, Federal Department of Education, service delivery agreements with the schools they serve, donations from foundations, corporations and individuals, United Way, and to a lesser extent, special events.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Accounting Method*

Communities In Schools of South Central Texas, Inc. uses the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when they are incurred.

2. *Financial Statement Presentation*

The financial statements of Communities In Schools of South Central Texas, Inc. are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 958-605-15 and 958-205-05 (Formerly Statements No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-profit Organizations*) and the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations (the "Guide").

Under the provisions of ACS 958-205-05 and the Guide, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CISSCTX and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of CISSCTX and/or passage of time.

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that may be maintained permanently by CISSCTX.

Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. *Income Taxes*

CISSCTX is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. CISSCTX generally is no longer subject to income tax examination by Federal authorities for years prior to August 31, 2010.

The most significant tax positions of the CISSCTX is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The CISSCTX's tax years for 2009 through 2011 are open to examination by the Internal Revenue Service as of August 31, 2013.

4. *Cash and Cash Equivalents*

Cash and cash equivalents include interest-bearing checking, savings accounts, and money market funds. All other highly liquid debt instruments with an original maturity of three months or less are also included as cash equivalents on the statement of financial position and statement of cash flows. The cash and cash equivalents do not include the endowment funds.

5. *Investments*

Investments are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets.

6. *Government Grants and Other Receivables*

CISSCTX provides services that are paid for by federal, state, and local grants. Other receivables consist of service delivery agreements with the schools that CISSCTX provides services. CISSCTX has deemed these receivables to be fully collectible.

7. *Property and Equipment*

Property and equipment is recorded at cost if purchased, or at fair market value if donated. CISSCTX capitalizes items with useful lives greater than five years and costing more than \$500.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

8. *Depreciation*

Depreciation on the property, furniture, and equipment owned by CISSCTX is calculated using the straight-line method. Estimated useful lives for purposes of depreciation are as follows:

	<u>Years</u>
Building and Improvements	5
Furniture and Equipment	3

9. *Functional Expense Allocations*

Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various methods.

10. *Compensated Absences*

Employees of CISSCTX are entitled to 11 paid vacation days per year. Unused vacation may be accumulated at a maximum of 232 hours. As of August 31, 2013, accrued compensated absences were recorded on the Statement of Financial Position in the amount of \$90,417.

11. *Use of Estimates*

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

12. *Inventory*

Inventory consists of donated items at the thrift store that have not been sold. Inventory is valued by CISSCTX at year end.

13. *Subsequent Events*

Subsequent events were considered through March 12, 2014, which is the date the financial statements were available to be issued.

NOTE C -- FAIR VALUE MEASUREMENT

CISSCTX financial instruments consist primarily of cash and cash equivalents and money market investments. The carrying amount of the cash and cash equivalents approximate their fair market value due to the short-term nature of such instruments (Level 1).

The carrying value of the money market investment fund is the fair market value based upon quoted prices (Level 1).

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2013

NOTE C -- FAIR VALUE MEASUREMENT (CONT.)

CISSCTX uses the following hierarchical disclosure framework:

Level 1 - Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 - Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Measurement based on assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

CISSCTX uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, CISSCTX measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of CISSCTX's investments are according to the fair value hierarchy at Level 1.

As of August 31, 2013, CISSCTX had the following investment:

	Year End 2013 Cost	Year End 2013 Fair Value	Accumulated Gain (loss)
Endowment	\$ 5,415	\$ 6,992	\$ 1,577

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of as of August 31, 2013:

Buildings and Improvements	\$ 68,797
Equipment, Furniture & Fixtures	24,592
Total Property and Equipment	93,389
Less: Accumulated Depreciation	(55,523)
Property and Equipment - Net	\$ 37,866

NOTE E -- RETIREMENT PLAN

All full-time eligible employees may participate in a 403(B) tax deferred annuity program. For the fiscal year ended August 31, 2013, CISSCTX made an elective contribution of \$10,600 to the plan.

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2013

NOTE F -- FEDERAL AND GRANT CONTINGENCY

Communities In Schools of South Central Texas, Inc. is funded by various federal and state grant programs which are governed by various rules and regulations of the grantor agencies. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agency. To the extent that CISSCTX has not complied with the rules and regulations governing the grant, refunds of any money received may be required. It is the opinion of management, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

NOTE G -- IN-KIND CONTRIBUTIONS

Annually CISSCTX coordinates an event, Stuff the Bus, to solicit donations of school supplies. The supplies are collected and divided amongst CISSCTX and several other nonprofit agencies serving school-age children. As of August 31, 2013 the fair market value of supplies was determined to be \$5,707. Various other In-Kind donations occurred during the year and each was recorded at fair market value.

NOTE H -- TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets are year-end consist of the following:

School Lunches - CISD	\$ 1,252
School Supplies	18,223
Shoes Program	7,568
Client Needs - Specific Campuses	6,141
Oakwood Fund	1,557
Endowment Investment Income	1,577
	<u>\$ 36,318</u>

COMMUNITIES IN SCHOOLS OF SOUTH CENTRAL TEXAS, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2013

NOTE I -- ENDOWMENT FUND

The Communities in Schools of South Central Texas, Inc. Endowment Fund (Endowment Fund) was created as a permanent endowment fund in 2003, to support Communities in Schools of South Central Texas, Inc. The investment objective for the capital fund is the preservation of capital, with the secondary purpose being to provide an income stream. The risk tolerance objective is investments should be made that insure the preservation of capital in the overall capital and offsets during a twelve-month period Communities in Schools of South Central Texas, Inc., Inc. has permanent ownership of the principal portion of the Endowment Fund and in the event of dissolution of Communities in Schools of South Central Texas, Inc., Inc. it will control the distribution of the funds. The net appreciation from the Endowment Fund is to be used to support the Communities in Schools of South Central Texas, Inc., Inc.'s operating activities or for specific purpose designated by the donor. As of August 31, 2013, the fair value of the Endowment Fund is \$6,992. \$5,415 of the endowment fund contribution is donor restricted.

Beginning Endowment Fund Balance	\$	3,803
Investment Return:		
Income		439
Contribution		2,750
Ending Endowment Fund Balance	\$	<u>6,992</u>
Breakdown of Endowment Fund:		
Temporarily Restricted Fund	\$	1,577
Permanently Restricted Fund	\$	5,415

NOTE J -- SPECIAL EVENTS

During the fiscal year, a Rock N' Roll fundraiser was held in which \$160,368 was raised and \$57,067 was spent resulting in net revenue of \$103,301. Additionally, the total revenue for the 2013 direct mailing program was \$28,208 less expense of \$565 resulting in net revenue of \$27,643. Furthermore, the special event revenue for the Pack the Bus was \$23,752 in 2013. Other special events had a net income of \$29,854.

NOTE K -- THRIFT STORE

CISSCTX owns a thrift store. For the year ended August 31, 2013, the thrift store generated \$100,595 in revenue and had \$84,995 in expenses for a net income of \$15,600. The revenue received from the thrift store is unrestricted.

NOTE L -- LITIGATION

Management is not aware of any threatened or pending litigation.