

**Communities In Schools
of Central Texas**

**Consolidated Financial Statements
as of and for the Years Ended
August 31, 2023 and 2022 and
Independent Auditors' Report**

Communities In Schools of Central Texas

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Independent Auditors' Report

To the Board of Directors of
Communities In Schools of Central Texas:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Communities In Schools of Central Texas and its subsidiaries (nonprofit organizations) (collectively, the "Organization"), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2023 and 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating supplemental schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Grant Management Standards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated 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, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Maxwell Locke & Litter LLP

Austin, Texas
January 26, 2024

Communities In Schools of Central Texas

Consolidated Statements of Financial Position August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 11,164,166	\$ 18,337,179
Cash restricted to building construction	12,639,873	-
Investments	-	53,157
Contributions receivable, net	3,898,776	3,246,211
Government grants receivable	626,013	839,716
Contracts receivable	275,652	693,750
Loan receivable	11,947,000	-
Prepaid expenses and other assets	384,538	256,608
Beneficial interest in assets held by others	208,201	195,932
Property and equipment, net	4,411,739	2,211,569
Total assets	<u>\$ 45,555,958</u>	<u>\$ 25,834,122</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,091,849	\$ 356,243
Accrued expenses	87,336	301,753
Deferred revenue	639,737	965,294
NMTC notes payable, net of debt issuance costs	15,595,082	-
Total liabilities	17,414,004	1,623,290
Net assets:		
Without donor restrictions:		
Undesignated	12,518,756	11,431,024
Board-designated reserve	4,715,868	4,223,571
Board-designated endowment	208,201	195,932
Total net assets without donor restrictions	17,442,825	15,850,527
With donor restrictions	10,699,129	8,360,305
Total net assets	<u>28,141,954</u>	<u>24,210,832</u>
Total liabilities and net assets	<u>\$ 45,555,958</u>	<u>\$ 25,834,122</u>

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Consolidated Statement of Activities

Year Ended August 31, 2023

(with summarized comparative totals for the year ended August 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
Revenues and net assets released from restrictions:				
Contributions	\$ 4,921,309	5,269,556	10,190,865	19,164,763
Governmental grants	6,053,411	-	6,053,411	5,414,670
In-kind contributions	5,178,713	-	5,178,713	5,430,514
Earned income from school districts	4,779,995	-	4,779,995	4,671,939
Net investment income	572,836	-	572,836	17,892
Other income	189,225	-	189,225	6,204
Net assets released from restrictions	<u>2,930,732</u>	<u>(2,930,732)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	24,626,221	2,338,824	26,965,045	34,705,982
Expenses:				
Program services	19,637,747	-	19,637,747	18,553,605
Management and general	2,194,061	-	2,194,061	1,910,014
Fundraising	<u>1,202,115</u>	<u>-</u>	<u>1,202,115</u>	<u>992,253</u>
Total expenses	<u>23,033,923</u>	<u>-</u>	<u>23,033,923</u>	<u>21,455,872</u>
Change in net assets	1,592,298	2,338,824	3,931,122	13,250,110
Net assets, beginning of year	<u>15,850,527</u>	<u>8,360,305</u>	<u>24,210,832</u>	<u>10,960,722</u>
Net assets, end of year	<u>\$ 17,442,825</u>	<u>10,699,129</u>	<u>28,141,954</u>	<u>24,210,832</u>

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Consolidated Statement of Activities Year Ended August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and net assets released from restrictions:			
Contributions	\$ 11,825,713	7,339,050	19,164,763
Governmental grants	5,414,670	-	5,414,670
In-kind contributions	5,430,514	-	5,430,514
Earned income from school districts	4,671,939	-	4,671,939
Net investment income	17,892	-	17,892
Other income	6,204	-	6,204
Net assets released from restrictions	<u>1,385,633</u>	<u>(1,385,633)</u>	<u>-</u>
Total revenues and net assets released from restrictions	28,752,565	5,953,417	34,705,982
Expenses:			
Program services	18,553,605	-	18,553,605
Management and general	1,910,014	-	1,910,014
Fundraising	<u>992,253</u>	<u>-</u>	<u>992,253</u>
Total expenses	<u>21,455,872</u>	<u>-</u>	<u>21,455,872</u>
Change in net assets	7,296,693	5,953,417	13,250,110
Net assets, beginning of year	<u>8,553,834</u>	<u>2,406,888</u>	<u>10,960,722</u>
Net assets, end of year	<u>\$ 15,850,527</u>	<u>8,360,305</u>	<u>24,210,832</u>

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Consolidated Statement of Functional Expenses Year Ended August 31, 2023

	Program Services								Supporting Services			Total Expenses
	On-Campus Student Support	ASPIRE Family Literacy	SmartKids	Care Coordination	XY-Zone	Mental Health	My Brother's Keeper	Youth Enrichment & College & Career Success	Total Program Services	Management and General	Fundraising	
Personnel:												
Salaries	\$ 7,439,315	562,707	507,602	453,998	409,204	356,449	347,915	309,573	10,386,763	1,160,190	667,646	12,214,599
Employee benefits	784,384	75,566	59,810	52,465	57,766	33,550	33,811	29,566	1,126,918	81,745	45,515	1,254,178
Payroll taxes	558,366	42,166	38,268	33,659	30,615	26,242	26,351	23,294	778,961	80,773	49,422	909,156
Retirement	80,066	12,427	3,625	9,460	1,850	4,607	989	2,048	115,072	13,398	10,387	138,857
Workers' compensation	21,146	1,600	1,492	1,260	1,146	881	962	721	29,208	2,341	1,399	32,948
State unemployment insurance	10,427	849	931	594	763	522	689	424	15,199	1,136	567	16,902
Total salaries and related expenses	8,893,704	695,315	611,728	551,436	501,344	422,251	410,717	365,626	12,452,121	1,339,583	774,936	14,566,640
Contributed goods and facility space	5,178,713	-	-	-	-	-	-	-	5,178,713	-	-	5,178,713
Contractual services	90,851	1,060	5,473	871	50,784	809	4,279	18,244	172,371	474,501	99,480	746,352
Support services for participants	570,187	1,448	9,165	12,821	6,899	934	2,796	33,920	638,170	-	-	638,170
Supplies	161,656	9,246	11,867	2,519	7,418	3,582	6,560	15,461	218,309	34,801	157,806	410,916
Building rent	218,225	11,284	11,403	26,782	12,691	6,359	7,294	4,714	298,752	66,439	31,591	396,782
Training, development, and conferences	198,234	6,146	4,445	4,912	4,358	10,353	2,938	2,002	233,388	35,816	14,345	283,549
Software maintenance and support	155,486	1,450	1,460	1,184	1,548	821	3,650	584	166,183	53,336	16,804	236,323
Professional fees	10,976	138	127	114	102	89	87	77	11,710	117,661	18,479	147,850
Insurance	37,439	3,322	3,298	2,442	3,525	1,839	2,112	1,297	55,274	4,699	1,935	61,908
Travel	39,824	377	1,792	3,321	3,341	732	2,165	1,709	53,261	598	458	54,317
Other rent	12,920	668	675	1,586	751	376	432	279	17,687	3,934	1,870	23,491
Amortization	-	-	-	-	-	-	-	-	-	5,244	-	5,244
Other	67,480	20,670	1,913	4,939	1,999	1,325	3,476	879	102,681	57,023	84,218	243,922
Total expenses before depreciation	15,635,695	751,124	663,346	612,927	594,760	449,470	446,506	444,792	19,598,620	2,193,635	1,201,922	22,994,177
Depreciation	27,225	2,240	2,057	1,840	1,657	1,444	1,410	1,254	39,127	426	193	39,746
Total expenses	\$ 15,662,920	753,364	665,403	614,767	596,417	450,914	447,916	446,046	19,637,747	2,194,061	1,202,115	23,033,923

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Consolidated Statement of Functional Expenses Year Ended August 31, 2022

	Program Services								Supporting Services			Total Expenses
	On-Campus Student Support	ASPIRE Family Literacy	XY-Zone	Care Coordination	SmartKids	The Pebble Project	My Brother's Keeper	Mental Health	Total Program Services	Management and General	Fundraising	
Personnel:												
Salaries	\$ 7,159,929	505,972	409,256	400,077	359,265	136,323	29,216	13,620	9,013,658	1,128,580	477,810	10,620,048
Employee benefits	701,915	64,997	51,942	46,730	30,963	13,554	2,409	638	913,148	83,178	37,193	1,033,519
Payroll taxes	532,964	37,892	30,691	29,948	27,103	9,966	2,227	1,036	671,827	76,696	33,758	782,281
Retirement	104,953	12,465	4,284	9,027	3,369	1,719	46	18	135,881	14,469	7,441	157,791
Workers' compensation	19,846	1,463	1,186	1,156	1,720	391	84	39	25,885	3,610	1,631	31,126
State unemployment insurance	9,333	1,137	1,155	776	934	423	211	63	14,032	820	518	15,370
Other	772	73	57	50	33	13	4	-	1,002	88	40	1,130
Total salaries and related expenses	8,529,712	623,999	498,571	487,764	423,387	162,389	34,197	15,414	10,775,433	1,307,441	558,391	12,641,265
Contributed goods and facility space	5,434,904	-	-	-	-	-	-	-	5,434,904	-	-	5,434,904
Support services for participants	765,382	2,977	8,299	9,870	5,494	385	85	33	792,525	9,520	130	802,175
Contractual services	323,888	2,289	5,879	1,219	15,378	829	1,154	11	350,647	214,291	149,588	714,526
Building rent	227,711	10,941	12,360	27,856	11,346	11,885	20	-	302,119	56,152	24,497	382,768
Software maintenance and support	232,583	13,817	12,904	8,950	9,993	696	2,741	17	281,701	63,909	30,846	376,456
Supplies	158,821	12,004	6,199	2,302	7,539	173	1,023	17	188,078	40,849	132,821	361,748
Training, development, and conferences	123,107	5,849	9,559	2,410	4,388	1,442	45	19	146,819	47,519	4,211	198,549
Professional fees	6,351	-	1,462	-	-	-	-	-	7,813	82,985	15,000	105,798
Travel	52,395	1,070	3,805	4,127	1,779	916	29	-	64,121	1,647	252	66,020
Insurance	37,935	2,970	3,226	2,164	2,955	1,075	-	-	50,325	4,313	1,858	56,496
Other rent	13,219	779	1,028	966	1,015	139	-	-	17,146	24,314	11,215	52,675
Other	83,523	11,776	1,893	7,142	1,717	824	-	-	106,875	53,832	62,039	222,746
Total expenses before depreciation	15,989,531	688,471	565,185	554,770	484,991	180,753	39,294	15,511	18,518,506	1,906,772	990,848	21,416,126
Depreciation	-	35,099	-	-	-	-	-	-	35,099	3,242	1,405	39,746
Total expenses	\$ 15,989,531	723,570	565,185	554,770	484,991	180,753	39,294	15,511	18,553,605	1,910,014	992,253	21,455,872

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Consolidated Statements of Cash Flows Years Ended August 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 3,931,122	\$ 13,250,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	-	(37,848)
Contributions restricted for capital campaign	(3,479,788)	(3,515,204)
Change in value of beneficial interest held by others	(12,269)	23,753
Depreciation	39,746	39,746
Amortization of debt issuance costs	5,244	-
Changes in assets and liabilities:		
Contributions receivable	(652,565)	(3,246,211)
Government grants receivable	213,703	(285,713)
Contracts receivable	418,098	(558,937)
Prepaid expenses and other assets	(127,930)	21,827
Accounts payable	735,606	(82,933)
Accrued expenses	(214,417)	291,647
Deferred revenue	(325,557)	713,362
Net cash provided by operating activities	<u>530,993</u>	<u>6,613,599</u>
Cash Flows From Investing Activities:		
Net (purchases) sales of investments	53,157	(15,309)
Issuance of loan receivable	(11,947,000)	-
Purchases of property and equipment	(2,239,916)	(559,345)
Net cash used in investing activities	<u>(14,133,759)</u>	<u>(574,654)</u>
Cash Flows From Financing Activities:		
Payment of debt issuance costs	(540,162)	-
Proceeds from NMTC notes	16,130,000	-
Proceeds from contributions restricted for capital campaign	3,479,788	3,515,204
Net cash provided by financing activities	<u>19,069,626</u>	<u>3,515,204</u>
Net change in cash, cash equivalents, and restricted cash	5,466,860	9,554,149
Cash, cash equivalents, and restricted cash, beginning of year	<u>18,337,179</u>	<u>8,783,030</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 23,804,039</u>	<u>\$ 18,337,179</u>

See notes to consolidated financial statements.

Communities In Schools of Central Texas

Notes to Consolidated Financial Statements Years Ended August 31, 2023 and 2022

1. Nature of Operations

Communities In Schools of Central Texas (“CISCT”) is a Texas non-profit corporation established in July 1985 and is funded by contracts and contributions received from both the public and private sector. The purpose of CISCT is to surround students with a community of support, empowering them to stay in school, and achieve in life. CISCT serves 103 campuses in 8 Central Texas school districts. All In For Kids, LLC (“AIFK”), CISCT’s wholly-owned subsidiary, is a Texas nonprofit limited liability company established in February 2020 and is funded by contracts and contributions received from both the public and private sector. AIFK was dissolved during 2023 and all activity was transferred to CISCT. CISCT recognizes revenue from grants and other contributions. All In For Kids, Inc. (“AIFK Inc.”), CISCT’s wholly-owned subsidiary, is a Texas nonprofit corporation established in February 2023. The purpose of AIFK Inc. is to acquire and hold title to real property. These consolidated financial statements include the activities of CISCT, AIFK, and AIFK Inc. (collectively, the “Organization”). All intercompany accounts and transactions have been eliminated in consolidation.

The main services provided by the Organization include the following:

On-Campus Student Support (ISS) - The founding principle of the Organization is to establish one on one relationships with individual students in order to support them to overcome obstacles to success in school. The Organization’s campus-based staff connect personally with students who have been referred by teachers or administrators to improve student achievement. They create a service plan based on each child’s needs and then make that plan happen. They may provide individual counseling or support groups, basic life skills, tutoring, mentoring, or enrichment opportunities to help the child succeed. The goal of all these services is to engage students in learning and succeeding in school.

ASPIRE Family Literacy (Achieving Success through Parental Involvement, Reading, and Education) - This program breaks the cycle of illiteracy and poverty within families by providing comprehensive and integrated literacy services for the entire family.

SmartKids - The Housing Authority of the City of Austin (“HACA”) Partnership supports public housing residents in their journey to economic self-sufficiency through school-based and property based educational, enrichment, and case management services.

Care Coordination - Care Coordination uses the “Wraparound” process to provide home-based intensive services to children and their families. Wraparound is a team-based process that utilizes the strengths of the family to create an individualized plan that helps them meet their needs and reach their desired goals and outcomes.

XY-Zone - The XY-Zone supports and guides adolescent males as they journey into manhood. It is a leadership development and peer support program that develops productive life skills in high school-age, at-risk males. This project ended in 2023.

Mental Health & Wellness Program - This program ensures students have access to the support they need to cope with mental health and wellness challenges. Licensed mental health clinicians provide treatment to students directly in schools.

My Brother's Keeper - This program supports postsecondary attainment and success rates for young Black and Latino males. This project ended in 2023.

Youth Enrichment & College & Career Success - Youth Enrichment supports Out of School Time initiatives, and Tier I Events across the agency that directly support students and their families by connecting them to partnerships, services, and opportunities during After School and Summer Programming. College and Career Success aims to increase the number and proportion of underserved students in Central Texas who enroll in, persist through, and complete postsecondary credential programs through holistic case management strategies that address barriers to students' academic, personal, and career success.

The Pebble Project - The Pebble Project keeps children "safe, strong, and free" through school-based workshops and community education. This project ended in 2022.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

Use of Estimates - The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Classifications - Net assets, revenues, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board of Directors (the "Board") for the Organization's use. The Organization has a Board-designated three-month operating reserve of cash as well as a Board-designated endowment.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. As of August 31, 2023, the Organization did not have any net assets with permanent donor restrictions, although there were temporarily restricted net assets.

Cash, Cash Equivalents, and Restricted Cash - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization's cash equivalents as of August 31, 2023 and 2022 consisted of short-term treasury bills. Cash restricted to building construction is related to the Organization's construction of a new building.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Investments - Investments are reported at their fair values in the consolidated statements of financial position. Investment transactions are recorded on the trade date and investment income is recorded when earned. Net investment income recorded in the consolidated statements of activities includes interest and dividends, and realized and unrealized gains and losses, and are netted against any investment fees. Any changes in fair value are reported as unrealized gains or losses on investments. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment.

Contributions Receivable - Contributions receivable consist of promises to give made by foundations, corporations, or individual donors. Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Organization had no allowance for uncollectible contributions receivable as of August 31, 2023 and 2022, as management deemed all outstanding balances to be collectible.

Government Grants Receivable - Government grants receivable are due from federal, state, and local government contracts and are recorded at the amount the Organization expects to receive from grantors. The Organization considers government grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Contracts Receivable - Contracts receivable accounts are recorded at the value of the revenue earned when the Organization has an unconditional right to payment under the terms of the customer's contract. Contracts receivable consist of amounts owed to the Organization in exchange for providing services in certain school districts. The Organization considers contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment - Property and equipment are recorded at cost if purchased and at fair value at the date of receipt if donated. Costs of acquiring an item are generally capitalized when they exceed \$5,000. Depreciation expense is computed using the straight-line method over the useful lives of the assets, which range from five to seven years. The Organization capitalizes construction in progress costs that relate to acquisition, development, and construction of property and equipment. Construction in progress and land are not depreciated. Maintenance and repair costs that do not improve or extend the useful life of the respective asset are expensed as incurred.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for leases under Topic 840, *Leases*. The standard requires the recognition of right-of-use ("ROU") assets and lease liabilities for all leases, including operating leases. The Organization adopted ASU No. 2016 02, as amended, on September 1, 2022, using a modified retrospective approach. The adoption did not have a significant impact on the Organization's consolidated statement of financial position or statement of activities.

Leases - The Organization leases office space under a short-term operating lease agreement. Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the consolidated statement of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Lease payments for short-term leases are recognized on a straight-line basis over the lease term and are recorded as rent expense, within building rent expense, on the consolidated statement of activities. Short-term lease expense totaled approximately \$397,000 for the year ended August 31, 2023. Future minimum rental payments due in 2024 under short-term lease agreements totaled \$249,117 as of August 31, 2023.

Management assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. A determination is made at inception as to whether the lease is an operating lease or a finance lease, and lease determinations are reassessed in the event of a change in lease terms. ROU assets and associated liabilities are recognized at the commencement date and initially measured based on the present value of future minimum lease payments over the expected lease term, with ROU assets increased for initial direct costs and prepaid lease payments and reduced by any lease incentives received from the lessor. There were no ROU assets or associated liabilities recorded on the Organization's consolidated statement of financial position as of August 31, 2023 as all of the Organization's lease agreements are classified as short-term.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Beneficial Interest in Assets Held by Others - The Organization has a beneficial interest in investments held at Austin Community Foundation (Note 8). Those investments include equity securities, money market accounts, debt securities, mutual funds, and time deposits. Investments in equity securities, debt securities, and mutual funds with readily determinable fair values are based on quoted market values while the money market accounts and time deposits are estimated at fair value by summing the principal investment plus accrued interest. Investment income and unrealized gains and losses are reported as increases in net assets without donor restrictions unless the donor placed restrictions on the income's use. The change in fair value between years is reflected in the consolidated statements of activities in the year of the change as net investment income. The beneficial interest in assets held by others is valued using the market approach and inputs are considered level 2 under the fair value hierarchy.

Contribution Revenue - The Organization recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the amounts are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind Contributions - In-kind support and services are reflected in the consolidated statements of activities at their fair value on the date of receipt. Contributions of services are recognized if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and facility space are recorded at fair value on the date of donation, and have been included in revenue and expenses when used.

Governmental Grants Revenue - The Organization generally recognizes revenue from government grants as allowable expenditures are incurred or services are rendered or when conditions are substantially met, as applicable. Certain contracts are classified as exchange transactions and are considered to be net assets without donor restrictions as the entity providing the grant funding receives a commensurate value for the service provided. Revenue under such contracts is recognized as services are rendered or the related expenses are incurred. Receipts of grant payments in advance are reported as deferred revenue.

Earned Income from School Districts - Revenue is recognized when promised services are transferred to school districts in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Organization satisfies a performance obligation.

The Organization enters into contracts with various school districts to provide services. These contracts are classified as exchange transactions and are considered to be net assets without donor restrictions as the entity providing the funding receives commensurate value for the service provided. Revenue under such contracts is recognized over time as services are rendered. Receipts of payment in advance of services rendered are reported as deferred revenue.

The timing of revenue recognition, billings, and cash collections resulted in contracts receivable totaling \$134,813 and deferred revenue totaling \$251,932 as of August 31, 2021.

Costs to Obtain or Fulfill Contracts - The Organization does not incur significant fulfillment costs requiring capitalization.

Advertising Costs - Advertising costs are expensed as incurred by the Organization.

Functional Allocation of Expenses - The accompanying consolidated financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the program and supporting services using a variety of cost allocations techniques, such as time and effort.

Federal Income Taxes - CISCT is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. AIFK is a disregarded entity in relation to CISCT for federal tax purposes. AIFK Inc. is a nonprofit organization exempt under Section 501(c)(2). The Organization did not incur any significant tax liabilities due to unrelated business income during the years ended August 31, 2023 and 2022. The Organization files Form 990 tax returns and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

3. Liquidity and Availability of Financial Assets

The Organization's financial assets available to management for general expenditure within one year were as follows as of August 31:

	2023	2022
Cash, cash equivalents, and restricted cash	\$ 23,804,039	\$ 18,337,179
Investments	-	53,157
Contributions receivable, due within one year	2,118,526	2,643,566
Government grants receivable	626,013	839,716
Contracts receivable	275,652	693,750
	<u>26,824,230</u>	<u>22,567,368</u>
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions	(10,699,129)	(8,360,305)
Board-designated reserve	<u>(4,715,868)</u>	<u>(4,223,571)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 11,409,233</u>	<u>\$ 9,983,492</u>

The Board ensures the Organization’s financial stability by approving an annual budget prior to the start of each fiscal year. The Organization maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Organization. Board-designated net assets without restrictions could be made available by the Board for current operations to manage unanticipated liquidity needs.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist of cash, cash equivalents and restricted cash, investments, including beneficial interests in assets held for others, and receivables. The Organization places its cash, cash equivalents, and restricted cash with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Investment securities, including beneficial interests in assets held for others, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. The Organization does not maintain collateral for its receivables.

Concentrations of receivables and revenue as of and during the year ended August 31, 2023 were as follows:

Account	Number of Donors/ Grantors	Concentration
Contributions receivable	1	28%
Government grants receivable	5	92%
Contracts receivable	2	100%
Contribution revenue	1	21%
Government grants revenue	3	55%
Earned income from school districts	4	77%

Concentrations of receivables and revenue as of and during the year ended August 31, 2022 were as follows:

Account	Number of Donors/ Grantors	Concentration
Contributions receivable	1	51%
Government grants receivable	5	97%
Contracts receivable	3	100%
Contribution revenue	1	37%
Government grants revenue	2	45%
Earned income from school districts	3	69%

5. Contributions Receivable

Contributions receivable include unconditional promises to give. Contributions receivable were comprised of the following as of August 31:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 2,118,526	\$ 2,643,566
One to five years	<u>1,820,203</u>	<u>652,573</u>
	3,938,729	3,296,139
Less discount to net present value	<u>(39,953)</u>	<u>(49,928)</u>
Contributions receivable, net	<u>\$ 3,898,776</u>	<u>\$ 3,246,211</u>

The present value of anticipated future cash flows on long-term unconditional promises to give was calculated using a discount rate of 3.40% as of August 31, 2023 and 2022.

6. Property and Equipment

Property and equipment consisted of the following as of August 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 404,483	\$ 404,483
Building	<u>350,997</u>	<u>350,997</u>
	755,480	755,480
Less accumulated depreciation	<u>(733,777)</u>	<u>(694,031)</u>
Construction in progress	2,844,870	604,954
Land	<u>1,545,166</u>	<u>1,545,166</u>
Property and equipment, net	<u>\$ 4,411,739</u>	<u>\$ 2,211,569</u>

7. Borrowing Arrangements

The Organization participated in the New Markets Tax Credit (“NMTC”) program in April 2023. The program, administered by the U.S. Department of the Treasury, provides funds from outside investors to eligible organizations for investment in qualified low-income community investments. Outside investors receive new markets tax credits to be applied against their federal tax liability. Program compliance requirements include creation of promissory notes and investments in qualified community development entities (“CDE”). Tax credit recapture is required if compliance requirements are not met over a seven-year period. In connection with the NMTC program, the Organization secured the NMTC Notes as detailed below.

To initiate the NMTC, CISCT wired \$9,899,000 to a new bank account in the name of CISCT and incurred \$2,048,000 of accepted pre-incurred costs related to the project. The total of the transactions was \$11,947,000, included in the consolidated statement of financial position as a loan receivable which is recorded on CISCT books. The funds were loaned to a special purpose entity. The tax credit investor loaned \$4,183,000 to the same special purpose entity. The loan receivable of \$11,947,000, referred to as loan A, plus the \$4,183,000 tax credit investor loan, referred to as loan B, make up the NMTC Notes discussed below and is recorded on AIFK Inc books. The compliance period is from April 28, 2023 to August 31, 2030. Upon successful completion of the seven-year compliance period, loan A reverts to CISCT in which they can be cancelled, and loan B is essentially forgiven.

Should CISCT perform its obligations, and the loan is forgiven, the loan would be recognized as grant revenue. The projected benefit to CISCT, net of fees, would be approximately \$3.2 million.

As of August 31, 2023, the related NMTC Notes were outstanding as follows:

\$4,248,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$180,309 through maturity on August 31, 2057.	\$4,248,000
\$1,572,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$66,724 through maturity on August 31, 2057.	1,572,000
\$7,011,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$297,586 through maturity on August 31, 2057.	7,011,000
\$2,299,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$97,582 through maturity on August 31, 2057.	2,299,000
\$688,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$180,309 through maturity on August 31, 2057.	688,000
\$312,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 1.00% due until August 5, 2030, thereafter annual principal and interest payments of \$29,203 through maturity on August 31, 2057.	312,000
Total NMTC notes payable	\$ 16,130,000
Debt issuance costs	(534,918)
NMTC notes payable, net of debt issuance costs	<u>\$ 15,595,082</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions were temporarily restricted for the following purposes as of August 31:

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 8,464,068	\$ 7,561,628
On-campus student support	1,057,045	689,697
General program	959,144	66,393
ASPIRE family literacy	173,870	10,000
Student and family assistance	45,002	32,587
Total	<u>\$ 10,699,129</u>	<u>\$ 8,360,305</u>

9. Board-designated Endowment Fund and Beneficial Interest

During 2009, the Organization established the Communities In Schools of Central Texas Endowment Fund (the “Fund”) with the Austin Community Foundation (“ACF”) as a board-designated endowment to take advantage of ACF’s investment expertise and to allow these funds to gain synergies with other funds held by ACF. The Organization has specified itself as the beneficiary of the Fund.

The Fund is a permanent, legacy fund with assets irrevocably held by ACF. The Fund’s purpose specified in the agreement with ACF is to support the Organization’s excellence and innovation in programming and operations. The distribution policy established by the ACF Board of Governors allows 5% of the fund’s value as of December 31st each year be available once the fund has a total value of \$1,000,000 or more.

The Organization’s endowment fund is comprised of one Board-designated endowment, therefore, it has been classified as net assets without donor restrictions. Changes in the Organization’s endowment net assets were as follows during the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 195,932	\$ 219,685
Unrealized and realized gain (loss)	10,561	(25,920)
Interest and dividends	4,011	4,313
Investment expenses	(2,303)	(2,146)
Endowment net assets, end of year	<u>\$ 208,201</u>	<u>\$ 195,932</u>

10. In-kind Contributions

The Organization received the following in-kind contributions as of August 31:

	<u>2023</u>	<u>2022</u>
Program delivery site space in Organizations	\$ 5,115,250	\$ 5,348,814
Utilities	53,305	60,000
Goods	<u>10,158</u>	<u>21,700</u>
Total in-kind contributions	<u>\$ 5,178,713</u>	<u>\$ 5,430,514</u>

The Organization receives such contributions from donors and from school districts, in the form of classroom space, internet and phone utilities, and donated goods. The Organization estimates the value of the in-kind rent based on facility usage fees for similar space and the value of the utilities based on the market value for similar utilities in the same service areas. Contributed goods are valued at the estimated price that the goods could be sold for on the open market. All in-kind contributions were utilized by the Organization's program services and recorded at their estimated value on the date of contribution. There were no donor-imposed restrictions associated with the donated services and assets.

11. Government Grants Revenue

During the year ended August 31, 2023, the Organization received \$688,712 through the Employee Retention Tax Credit ("ERTC") offered under the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration. The Organization accounted for the ERTC as a conditional grant with one performance criteria of incurring qualifying expenses. The conditions were met prior to fiscal year end and \$688,712 was recognized as government grant revenue in the consolidated statement of activities during the year ended August 31, 2023.

The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by certain grantors. These contracts have certain compliance requirements and, should audits by government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

12. Retirement Plan

In 1997, the Organization established the Communities In Schools of Central Texas 403(b) Plan (the "Plan"). The Plan provides for elective salary deferrals for eligible employees, with annual employer matching contributions up to \$1,500 per employee. Employer contributions to the Plan for the years ended August 31, 2023 and 2022 were made by the Organization totaling \$138,858 and \$157,791, respectively.

13. Related Party Transactions

Certain members of the Board contributed \$195,064 and \$158,144 to the Organization during the years ended August 31, 2023 and 2022, respectively. Contributions receivable in the amount of \$91,487 and \$197,090 were outstanding from certain Board members as of August 31, 2023 and 2022, respectively.

14. Subsequent Events

The Organization has evaluated subsequent events through January 26, 2024, the date the consolidated financial statements were available to be issued, and no events have occurred from the consolidated statement of financial position date through that date and that would impact the consolidated financial statements.

Supplemental Information

Communities In Schools of Central Texas

Consolidating Schedule of Financial Position August 31, 2023

	Communities In Schools of Central Texas	All in For Kids, LLC	All in For Kids, Inc.	Eliminations	Consolidated Total 2023
Assets					
Cash and cash equivalents	\$ 11,164,166	-	-	-	11,164,166
Cash restricted to building construction	-	-	12,639,873	-	12,639,873
Investment in All in For Kids, Inc.	462,013	-	-	(462,013)	-
Contributions receivable, net	3,898,776	-	-	-	3,898,776
Government grants receivable	626,013	-	-	-	626,013
Contracts receivable	275,652	-	-	-	275,652
Loan receivable	11,947,000	-	-	-	11,947,000
Prepaid expenses and other assets	384,538	-	-	-	384,538
Beneficial interest in assets held by others	208,201	-	-	-	208,201
Property and equipment, net	21,703	-	4,390,036	-	4,411,739
Total assets	<u>\$ 28,988,062</u>	<u>-</u>	<u>17,029,909</u>	<u>(462,013)</u>	<u>45,555,958</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 45,430	-	1,046,419	-	1,091,849
Accrued expenses	87,336	-	-	-	87,336
Deferred revenue	639,737	-	-	-	639,737
NMTC notes payable, net of debt issuance costs	-	-	15,595,082	-	15,595,082
Total liabilities	772,503	-	16,641,501	-	17,414,004
Net assets					
Without donor restrictions					
Undesignated	12,980,769	-	-	(462,013)	12,518,756
Board-designated reserve	4,715,868	-	-	-	4,715,868
Board-designated endowment	208,201	-	-	-	208,201
Total net assets without donor restrictions	17,904,838	-	-	(462,013)	17,442,825
With donor restrictions	10,310,721	-	388,408	-	10,699,129
Total net assets	<u>28,215,559</u>	<u>-</u>	<u>388,408</u>	<u>(462,013)</u>	<u>28,141,954</u>
Total liabilities and net assets	<u>\$ 28,988,062</u>	<u>-</u>	<u>17,029,909</u>	<u>(462,013)</u>	<u>45,555,958</u>

Communities In Schools of Central Texas

Consolidating Schedule of Activities Year Ended August 31, 2023

	Communities In Schools of Central Texas	All in For Kids, LLC	All in For Kids, Inc.	Eliminations	Consolidated Total 2023
Revenue and support:					
Contributions	\$ 9,031,872	1,158,993	-	-	10,190,865
Governmental grants	6,053,411	-	-	-	6,053,411
In-kind contributions	5,178,713	-	-	-	5,178,713
Earned income from school districts	4,779,995	-	-	-	4,779,995
Net investment income	572,836	-	-	-	572,836
Other income	189,225	-	-	-	189,225
Total revenues and support	25,806,052	1,158,993	-	-	26,965,045
Expenses:					
Program services	19,637,747	-	-	-	19,637,747
Management and general	1,980,290	140,166	73,605	-	2,194,061
Fundraising	1,159,337	42,778	-	-	1,202,115
Total expenses	22,777,374	182,944	73,605	-	23,033,923
Change in net assets	3,028,678	976,049	(73,605)	-	3,931,122
Transfer of All in For Kids, LLC net assets	8,537,677	(8,537,677)	-	-	-
Net asset contribution	-	-	462,013	(462,013)	-
Net assets, beginning of year	16,649,204	7,561,628	-	-	24,210,832
Net assets, end of year	\$ 28,215,559	-	388,408	(462,013)	28,141,954



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Independent Auditors' 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*

To the Board of Directors of
Communities In Schools of Central 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 consolidated financial statements of Communities Schools of Central Texas and its subsidiaries, (collectively, the "Organization"), which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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.

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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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Maxwell Locke & Litter LLP

Austin, Texas
January 26, 2024



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Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Grant Management Standards

To the Board of Directors of
Communities In Schools of Central Texas:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Communities In Schools of Central Texas and its subsidiaries (collectively, the "Organization"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and State of Texas Grant Management Standards ("TxGMS"), that could have a direct and material effect on each of Organization's major federal and state programs for the year ended August 31, 2023. The Organization's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 and state programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal and State Program

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; 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"), and TxGMS. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maxwell Locke & Ritten LLP

Austin, Texas
January 26, 2024

Communities In Schools of Central Texas

Schedule of Expenditures of Federal and State Awards Year Ended August 31, 2023

Federal or State Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant / Contract Award Number	Total Expenditures
Federal Awards			
<u>U.S. Department of Health and Human Services</u>			
Passed-through Texas Education Agency- 477 Cluster-			
Temporary Assistance for Needy Families	93.558	223630027110006	205,474
Total U.S. Department of Health and Human Services and 477 Cluster			205,474
<u>Corporation for National and Community Service</u>			
Passed-through OneStar Foundation:			
AmeriCorps State and National	94.006	21ACGTK0010004	744,684
COVID-19 AmeriCorps State and National	94.006	21ACGTK0010004	242,776
Total Corporation for National and Community Service and 94.006			987,460
Total expenditures of federal awards			1,192,934
State Awards			
<u>Texas Education Agency</u>			
Direct programs-			
General Revenue	n/a	230958027110006	1,632,695
Total Texas Education Agency and General Revenue			1,632,695
<u>Texas Workforce Commission</u>			
Passed-through Austin Community College			
Texas Adult Education and Literacy Program	n/a	1418ALA000	45,600
Total Texas Workforce Commission			45,600
Total expenditures of state awards			1,678,295
Total expenditures of federal and state awards			\$ 2,871,229

See notes to the schedule of expenditures of federal and state awards.

Communities In Schools of Central Texas

Notes to the Schedule of Expenditures of Federal and State Awards Year Ended August 31, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Communities In Schools of Central Texas and its subsidiaries (collectively, the “Organization”), under programs of the federal and state governments for the year ended August 31, 2023. The information in this 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”), and the State of Texas Grant Management Standards (“TxGMS”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

The Schedule includes the federal and state activity of the Organization and is presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or TxGMS, where certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Communities In Schools of Central Texas

Schedule of Findings and Questioned Costs Year Ended August 31, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the consolidated
Financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major federal and state programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for the
major federal and state programs:

AmeriCorps State and National	Unmodified
COVID-19 AmeriCorps State and National	Unmodified
Texas Education Agency General Revenue	Unmodified

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

Identification of major federal and state programs:

Federal or State Major Program	Assistance Listing Number	Name of Federal or State Program
Federal	94.006	AmeriCorps State and National
Federal	94.006	COVID-19 AmeriCorps State and National
State	N/A - State	Texas Education Agency General Revenue

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

Auditee qualified as low-risk auditee? yes no

Communities In Schools of Central Texas

Schedule of Findings and Questioned Costs

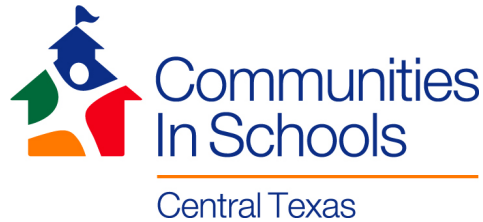
Year Ended August 31, 2023

Section II - Financial Statement Findings

There were no findings reported in accordance with *Government Auditing Standards* for the year ended August 31, 2023. Refer to the Summary Schedule of the Prior Audit Finding for the current status of the finding reported for the year ended August 31, 2022.

Section III - Federal or State Award Findings and Questioned Costs

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) or TxGMS for the years ended August 31, 2023 and 2022.



Communities In Schools of Central Texas

Summary Schedule of the Prior Audit Finding (Auditee Prepared) Year Ended August 31, 2023

Finding: 2022-001

Condition: Certain contributions and grants were not properly reviewed. This resulted in a misstatement of revenue related to multi-year promises to give and conditional revenue recognition.

Status of Planned Corrective Action: Management has implemented enhanced review procedures. Relevant documentation is thoroughly examined before revenue recognition. The review is documented and signed-off by the Sr Accountant and the CFO before recording revenue. During financial statement close, accounts receivable is inspected closely by the CFO for completeness and accuracy. Staff received training on the review and recognition of contributions and grants. This training emphasized the proper assessment and documentation of multi-year promises to give and conditions affecting revenue recognition.