

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS. INC.**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED  
AUGUST 31, 2023

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**HANKINS, EASTUP, DEATON,  
TONN, SEAY & SCARBOROUGH**

A Limited Liability Company

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Communities in Schools of North Texas, Inc.,  
Lewisville, Texas

**Opinion**

We have audited the accompanying financial statements of Communities in Schools of North Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities in Schools of North Texas, Inc. 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.

**Responsibilities of Management 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, and for 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.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Communities in Schools of North Texas, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities in Schools of North Texas, Inc.'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 findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of Communities in Schools of North Texas, Inc.'s internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Communities in Schools of North Texas, Inc.'s internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC  
Denton, Texas

February 20, 2024

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2023

---

ASSETS

**Current assets:**

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 2,412,766        |
| Investments               | 3,156,262           |
| Due from state            | 249,688             |
| Other receivables         | 3,400               |
| Prepaid expenses          | 14,038              |
| Operating ROU Asset - net | 59,979              |
| Total current assets      | <u>5,896,133</u>    |
| <br>                      |                     |
| TOTAL ASSETS              | <u>\$ 5,896,133</u> |

LIABILITIES AND NET ASSETS

**Current liabilities:**

|                           |               |
|---------------------------|---------------|
| Accounts payable          | \$ 14,959     |
| Operating lease liability | 76,309        |
| Total current liabilities | <u>91,268</u> |

**Net assets:**

|                                  |                     |
|----------------------------------|---------------------|
| Without donor restriction        |                     |
| Undesignated                     | 1,804,865           |
| Board designated reserve         | 4,000,000           |
| Total without donor restriction  | <u>5,804,865</u>    |
| <br>                             |                     |
| With donor restriction           | <u>-</u>            |
| <br>                             |                     |
| Total net assets                 | 5,804,865           |
| <br>                             |                     |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,896,133</u> |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

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**Changes in net assets without donor restriction**

Revenues:

|   |              |
|---|--------------|
| Federal grants                          | \$ 2,141,702 |
| State grants                            | 1,504,192    |
| School district program service revenue | 2,250,994    |
| Gifts and contributions                 | 850,455      |
| Investment return, net                  | 237,301      |
| In-kind contributions                   | 559,855      |
| Net assets released from restriction    | <u>5,000</u> |

Total 7,549,499

Expenses:

|                        |                |
|------------------------|----------------|
| Program services       | 5,954,672      |
| Management and general | 1,053,589      |
| Resource development   | <u>313,484</u> |

Total 7,321,745

**Increase in net assets without donor restriction** 227,754

**Changes in net assets with donor restriction**

|  |                |
|--|----------------|
| Contributions - temporarily restricted | -              |
| Net assets released from restrictions  | <u>(5,000)</u> |

**Decrease in net assets with donor restriction** (5,000)

**Increase in net assets** 222,754

**Net assets, beginning of period** 5,612,799

**Prior period adjustment** (30,688)

**Net assets, end of period** \$ 5,804,865

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

|                               | <u>Program Services</u>         |   |                                       | <u>Support Services</u>      |                                 |                     |
|-------------------------------|---------------------------------|---|---------------------------------------|------------------------------|---------------------------------|---------------------|
|                               | <u>Afterschool<br/>Services</u> | <u>Case<br/>Management<br/>Services</u> | <u>Total<br/>Program<br/>Services</u> | <u>Mgmt. and<br/>General</u> | <u>Resource<br/>Development</u> | <u>Total</u>        |
| Salaries and related expenses | \$ 1,350,161                    | \$ 3,533,414                            | \$ 4,883,575                          | \$ 880,681                   | \$ 238,715                      | \$ 6,002,971        |
| Professional services         | 78,275                          | 61,268                                  | 139,543                               | 69,841                       | 546                             | 209,930             |
| Student support services      | 24,856                          | 63,708                                  | 88,564                                | -                            | -                               | 88,564              |
| Student transportation        | 157,777                         | 100                                     | 157,877                               | -                            | -                               | 157,877             |
| Supplies                      | 10,990                          | 31,245                                  | 42,235                                | 11,678                       | 4,057                           | 57,970              |
| In-kind supplies              | 1,032                           | 528,941                                 | 529,973                               | -                            | 29,882                          | 559,855             |
| Insurance                     | 2,200                           | 12,350                                  | 14,550                                | 27,747                       | -                               | 42,297              |
| Occupancy                     | -                               | 52,475                                  | 52,475                                | 38,312                       | -                               | 90,787              |
| Miscellaneous expenses        | -                               | 83                                      | 83                                    | 5,041                        | 2,955                           | 8,079               |
| Travel                        | 25,825                          | 16,986                                  | 42,811                                | 15,810                       | 2,267                           | 60,888              |
| Office expense                | -                               | 2,986                                   | 2,986                                 | 4,479                        | -                               | 7,465               |
| Fundraising expense           | -                               | -                                       | -                                     | -                            | 35,062                          | 35,062              |
| Total expenses                | <u>\$ 1,651,116</u>             | <u>\$ 4,303,556</u>                     | <u>\$ 5,954,672</u>                   | <u>\$ 1,053,589</u>          | <u>\$ 313,484</u>               | <u>\$ 7,321,745</u> |

The accompanying notes are an integral part of these financial statements



**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

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**Cash flows from operating activities:**

|   |                  |
|---|------------------|
| Change in net assets  | \$ 222,754       |
| Adjustments to reconcile change in net assets to cash<br>from operating activities: |                  |
| Unrealized loss on investments  | (208,357)        |
| Right to use depreciation and interest  | 89,575           |
| Changes in operating assets and liabilities:  |                  |
| Decrease in due from state  | 41,166           |
| Decrease in other receivables   | 2,459            |
| Increase in prepaid expenses  | (5,406)          |
| Increase in accounts payable  | 358              |
| Decrease in accrued payroll   | <u>(47,363)</u>  |
| Net adjustments   | <u>(127,568)</u> |
| Net cash flows from operating activities  | <u>95,186</u>    |

**Cash flows from investing activities:**

|  |                 |
|--|-----------------|
| Purchase of investments                  | (69,464)        |
| Investment expense                       | 21,804          |
| Net cash flows from investing activities | <u>(47,660)</u> |

**Cash flows from financing activities:**

|  |                  |
|--|------------------|
| Payments on operating lease              | (103,933)        |
| Net cash flows from financing activities | <u>(103,933)</u> |

Net decrease in cash and cash equivalents (56,407)

Cash and cash equivalents, beginning of period 2,469,173

Cash and cash equivalents, end of period \$ 2,412,766

**Supplemental Disclosures of Cash Flow  
Information:**

|                                |                          |
|--------------------------------|--------------------------|
| In-kind contributions          | \$ <u><u>559,855</u></u> |
| Cash paid during the year for: |                          |
| Interest                       | \$ <u><u>-</u></u>       |

The accompanying notes are an integral part of these financial statements

# COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023

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### NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

#### Nature of Activities

Established in 1993, Communities In Schools of North Texas, Inc. ("CISNT") is a school-based dropout prevention program offered to students who are socioeconomically disadvantaged and/or living in situations that put them at risk for academic failure. The mission of CISNT is to surround students with a community of support, empowering them to stay in school and achieve in life. CISNT uses an evidence-based, multi-tiered model integrated student supports to decrease the dropout rate in Bridgeport ISD, Denton ISD, Lake Dallas ISD, Lewisville ISD, Northwest ISD, and Gainesville ISD across Cooke, Denton, and Wise counties. This is accomplished through CISNT staff addressing the needs of the whole child, determining what a student may require to stay and succeed in school, and delivering those services and/or resources consistently throughout the school year.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

#### Property and Equipment

CISNT capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

#### Income Taxes

CISNT is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. CISNT is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, CISNT is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that CISNT is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, CISNT considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

## COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023

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#### **NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

##### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to CISNT program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

##### Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Subsequent Events

Management has evaluated subsequent events through February 20, 2023, the date on which the financial statements were available to be issued.

##### Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor)- imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

##### Fair Value of Financial Instruments

CISNT values cash, cash equivalents, receivables and current liabilities at their carrying amounts reported in the financial statements due to the short maturities of those instruments.

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

Fiscal Agent

CISNT uses Lewisville Independent School District ("LISD") as its fiscal agent. As fiscal agent, LISD maintains CISNT's funds within LISD bank accounts and accounts for CISNT's income and expenses. CISNT's employees are considered employees of LISD and eligible for Teacher Retirement benefits (see Note 4).

Investments and Net Investment Return

Investments are carried at fair value.

Investment income includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value; less external investment expenses.

**NOTE 2 – DUE FROM STATE**

Due from State represents amounts due under reimbursable Federal and State grants administered through the Texas Education Agency and consist of the following at August 31, 2023:

|   |                   |
|---|-------------------|
| 21 <sup>st</sup> Century Learning Centers           | \$ 82,727         |
| Case Management Dropout &<br>Delinquency Prevention | 78                |
| Americorps  | 110,771           |
| VOCA  | 68                |
| HHSC  | 6,927             |
| TANF  | <u>49,117</u>     |
| Total   | \$ <u>249,688</u> |

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 3 – LEASE**

CISNT recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. CISNT is a lessee in several operating leases for classroom space and office space. CISNT determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. CISNT recognizes a lease liability and a right to use (RTU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate if it is readily determinable or otherwise CISNT uses its incremental borrowing rate. The implicit rates of CISNTs leases are not readily determinable and accordingly, the incremental borrowing rate based on the information available at the commencement date for all leases has been used. CISNT's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. CISNT uses the rate applicable on its line of credit, in affect when the lease begins, for its incremental borrowing rate. RTU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

CISNT has elected, for all underlying classes of assets, to not recognize RTU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that CISNT is reasonably certain to exercise. CISNT recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

CISNT has obligations as a lessee for classroom space and office space with initial noncancelable terms in excess of one year. CISNT classified these leases as operating leases. These leases generally contain renewal options for periods ranging from two to ten years. CISNT evaluates whether it is reasonably certain to exercise these renewal options. If it is reasonably certain that CISNT will exercise the renewal options, the optional periods are included in the lease term, and associated payments under these renewal options are excluded from lease payments. CISNT's leases do not include termination options for either party to the lease or restrictive financial or other covenants.

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 3 – LEASE – CONTINUED**

The components of lease cost for the year ended August 31, 2023 are as follows:

|                       |    |                |
|-----------------------|----|----------------|
| Finance lease cost    | \$ | -              |
| Short-term lease cost |    | -              |
| Operating lease cost  |    | 103,933        |
| Total lease cost      | \$ | <u>103,933</u> |

Amounts reported in the statement of financial position for the year ended August 31, 2023 are as follows:

|                           |    |        |
|---------------------------|----|--------|
| Right-to-use asset – net  | \$ | 59,979 |
| Operating lease liability | \$ | 76,309 |

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

|  |    |          |
|--|----|----------|
| Operating cash flow from operating leases              | \$ | 103,933  |
| RTU assets obtained in exchange for lease obligations: |    |          |
| Operating leases                                       | \$ | 94,325   |
| Weighted average remaining lease term:                 |    |          |
| Operating leases                                       |    | 9 months |
| Weighted average discount rate:                        |    |          |
| Operating leases                                       |    | 7.5%     |

Future minimum payments under noncancellable operating leases as of August 31, 2023 are as follows:

|                           |    |                      |
|---------------------------|----|----------------------|
| 2023-24                   | \$ | 78,714               |
| 2024-25                   |    | -                    |
| 2025-26                   |    | -                    |
| 2026-27                   |    | -                    |
| 2027-28                   |    | -                    |
| Thereafter                |    | -                    |
| Total                     |    | <u>78,714</u>        |
| Less imputed interest     |    | <u>(2,405)</u>       |
| Operating lease liability | \$ | <u><u>76,309</u></u> |

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 4 – PENSION PLAN**

Plan Description – CISNT's fiscal agent, LISD, contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by LISD, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

Funding Policy - Under provisions in State law, plan members are required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 7.5% of CISNT's covered payroll. In certain instances, CISNT is required to make all or a portion of the State's 7.5% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the System during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize the System's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**NOTE 5 – FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, supplies, postage and printing, which are allocated based on estimates of time and effort.

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 6 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

|  |                     |
|--|---------------------|
| Cash and cash equivalents  | \$ 2,412,766        |
| Investments  | 3,156,262           |
| Due from state   | 249,688             |
| Other receivables  | <u>3,400</u>        |
| Total financial assets   | <u>5,822,116</u>    |
|  |                     |
| Less amounts not available for general expenditures within one year:                   |                     |
| Board designated reserve   | <u>4,000,000</u>    |
| Financial assets not available for general expenditures                                | <u>4,000,000</u>    |
|  |                     |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,822,116</u> |

**NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES**

CISNT values certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.



**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES -CONTINUED**

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

CISNT is invested in a private, non-publicly traded, managed fund. The value at August 31, 2023 is \$3,156,262 and is considered Level 3 as there is no readily quoted market pricing.

Fair Value Measurements at Report Date  
Using  
Significant Unobservable Inputs (Level 3)  
Investment in non-publicly traded  
managed fund

|                            |                     |
|----------------------------|---------------------|
| Balance at August 31, 2022 | \$ 2,900,245        |
| Purchase of investments    | 69,464              |
| Unrealized gains           | 208,357             |
| Investment expenses        | <u>(21,804)</u>     |
| Balance at August 31, 2023 | <u>\$ 3,156,262</u> |

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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**NOTE 8 – INVESTMENTS**

Investments at August 31, 2023 consist of the following:

|  | Cost                | Fair<br>Value       |
|--|---------------------|---------------------|
| Private, non-publicly traded, managed fund | \$ <u>3,325,640</u> | \$ <u>3,156,262</u> |
| Total                                      | \$ <u>3,325,640</u> | \$ <u>3,156,262</u> |

**NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTION**

Net assets without donor restriction include net assets designated by the board of directors for a reserve fund totaling \$4,000,000 at August 31, 2023. In an effort to increase financial stability, the board of directors established a reserve fund to provide for capital expenditures and future growth. CISNT expects increased need for its services due to the increasing population growth in their service area. The reserve will create stability to meet capital expenditures and anticipated future growth.

*Members:*  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN, SEAY & SCARBOROUGH**

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A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977

TEL. (940) 387-8563  
FAX (940) 383-4746

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  
Communities in Schools of North Texas, Inc.  
Lewisville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities in Schools of North Texas, Inc., which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated February 20, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Communities in Schools of North Texas, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Communities in Schools of North Texas, Inc.'s, internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of North Texas, Inc.'s, internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Communities in Schools of North Texas, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of the 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.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC  
Denton, Texas

February 20, 2024

Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN, SEAY & SCARBOROUGH**

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

To the Board of Directors  
Communities in Schools of North Texas, Inc.  
Lewisville, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Communities in Schools of North Texas, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Communities in Schools of North Texas, Inc.'s major federal programs for the year ended August 31, 2023. Communities in Schools of North Texas, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Communities in Schools of North Texas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

***Basis for Opinion on Each Major Federal 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, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Communities in Schools of North Texas, Inc. 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 program. Our audit does not provide a legal determination of Communities in Schools of North Texas, Inc.'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 Communities in Schools of North Texas, Inc.'s federal programs.

***Auditor's 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 Communities in Schools of North Texas, Inc.'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*, and the Uniform Guidance 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 Communities in Schools of North Texas, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Communities in Schools of North Texas, Inc.'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 Communities in Schools of North Texas, Inc.'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, but not for the purpose of expressing an opinion on the effectiveness of Communities in Schools of North Texas, Inc.'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.

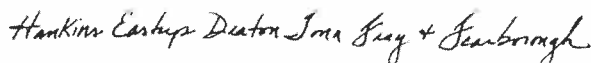
**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Accordingly, this report is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC  
Denton, Texas  
February 20, 2024

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2023**

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I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a): No
7. Major programs include:

FALN 84.287

Twenty-First Century Community  
Learning Centers

8. Dollar threshold used to distinguish between Type A and Type B programs:  
\$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2023

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**FINDING/NONCOMPLIANCE**

None



**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2023**

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**CORRECTIVE ACTION PLAN**

None required

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023

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| <u>FEDERAL GRANTOR/<br/>PASS-THROUGH GRANTOR/<br/>PROGRAM OR CLUSTER TITLE</u> | <u>Federal<br/>FALN<br/>Number</u> | <u>Pass-Through<br/>Entity Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                    |   |                                 |
| <u>Passed Through State Department of Education</u>                            |                                    |   |                                 |
| Twenty-First Century Community Learning Centers                                | 84.287                             | 236950267110014                                       | \$ <u>1,478,141</u>             |
| <b>Total U. S. Department of Education</b>                                     |                                    |   | <u>1,478,141</u>                |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                            |                                    |   |                                 |
| <u>Passed Through U.S. Department of Health and Human Services</u>             |                                    |   |                                 |
| Temporary Assistance for Needy Families  | 93.558                             | 233630027110020                                       | <u>131,198</u>                  |
| <b>Total U.S. Department of Health and Human Services</b>                      |                                    |   | <u>131,198</u>                  |
| <b>U.S. DEPARTMENT OF JUSTICE</b>  |                                    |   |                                 |
| <u>Passed Through Office of the Governor – Criminal Justice Division</u>       |                                    |   |                                 |
| VOCA   | 16.575                             | 2020-V2-GX-0004                                       | <u>170,098</u>                  |
| <b>Total U.S. Department of Justice</b>  |                                    |   | <u>170,098</u>                  |
| <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>                          |                                    |   |                                 |
| <u>Passed Through OneStar Foundation</u>                                       |                                    |   |                                 |
| AmeriCorps Program   | 94.006                             | 20ESHTX0010008  | <u>362,265</u>                  |
| <b>Total Corporation for National and Community Service</b>                    |                                    |   | <u>362,265</u>                  |
| <b>Total Expenditures of Federal Awards</b>                                    |                                    |   | \$ <u>2,141,702</u>             |

**COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.**

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Communities in Schools of North Texas, Inc. under programs of the federal government for the year ended August 31, 2023. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Communities in Schools of North Texas, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Communities in Schools of North Texas, Inc.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.