

**COMMUNITIES IN SCHOOLS -  
BAY AREA, INC.**

**FINANCIAL STATEMENTS**

**August 31, 2016  
with Comparative Totals for 2015**



**COMMUNITIES IN SCHOOLS - BAY AREA, INC.**

**TABLE OF CONTENTS**

**August 31, 2016**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to the Financial Statements	9



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Communities In Schools - Bay Area, Inc.

We have audited the accompanying statements of financial position of Communities In Schools - Bay Area, Inc. (a nonprofit organization), as of August 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools - Bay Area, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Communities In Schools - Bay Area, Inc.

**Report on Summarized Comparative Information**

We have previously audited the Communities In Schools - Bay Area, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on the audited financial statements in our report dated March 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Whitley Penn LLP*

March 10, 2017  
Houston, Texas

## **FINANCIAL STATEMENTS**

*(This page intentionally left blank.)*



# COMMUNITIES IN SCHOOLS - BAY AREA, INC.

## STATEMENTS OF FINANCIAL POSITION

As of August 31, 2016  
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 398,265	\$ 342,452
Grants Receivable:		
Texas Education Agency Grant	-	5,090
League City Community Development Block Grant	3,836	3,500
Property and equipment	33,267	33,267
Accumulated depreciation	(33,267)	(33,267)
Total Assets	<u>\$ 402,101</u>	<u>\$ 351,042</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 5,816</u>	<u>\$ 3,310</u>
Total Liabilities	5,816	3,310
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	<u>396,285</u>	<u>347,732</u>
Total Net Assets	<u>396,285</u>	<u>347,732</u>
Total Liabilities and Net Assets	<u>\$ 402,101</u>	<u>\$ 351,042</u>

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

**COMMUNITIES IN SCHOOLS - BAY AREA, INC.**

*STATEMENTS OF ACTIVITIES*

*For the Year Ended August 31, 2016  
(with comparative totals for 2015)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Support and Revenues</b>				
Fundraising	\$ 253,961	\$ -	\$ 253,961	\$ 217,628
Less: cost of direct benefits to attendees	(23,685)	-	(23,685)	(34,438)
Net revenue from fundraising	<u>230,276</u>	<u>-</u>	<u>230,276</u>	<u>183,190</u>
State and federal grants	-	377,986	377,986	353,653
Local I.S.D. grants	-	375,000	375,000	296,000
Other program grants	-	14,000	14,000	14,083
Cash contributions	124,075	-	124,075	81,497
Non-cash contributions	361,557	-	361,557	220,223
Interest income	4,323	-	4,323	2,498
Net assets released from restrictions:				
Satisfaction-of-purpose restrictions	766,986	(766,986)	-	-
Total support and revenues	<u>1,487,217</u>	<u>-</u>	<u>1,487,217</u>	<u>1,151,144</u>
<b>Expenses</b>				
Program services	1,239,384	-	1,239,384	1,011,347
Management and general	124,783	-	124,783	139,803
Fundraising	74,497	-	74,497	35,360
Total expenses	<u>1,438,664</u>	<u>-</u>	<u>1,438,664</u>	<u>1,186,510</u>
Change in Net Assets	48,553	-	48,553	(35,366)
Net assets, beginning of year	<u>347,732</u>	<u>-</u>	<u>347,732</u>	<u>383,098</u>
Net assets, end of year	<u>\$ 396,285</u>	<u>\$ -</u>	<u>\$ 396,285</u>	<u>\$ 347,732</u>

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

**COMMUNITIES IN SCHOOLS - BAY AREA, INC.**

*STATEMENTS OF CASH FLOWS*

*For the Year Ended August 31, 2016  
(with comparative totals for 2015)*

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 48,553	\$ (35,366)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt expense		16,329
Change in assets and liabilities:		
(Increase) decrease in grants receivable	4,754	44,254
Increase (decrease) in accounts payable and accrued liabilities	<u>2,506</u>	<u>574</u>
<b>Net Cash Provided by Operating Activities</b>	<u>55,813</u>	<u>25,791</u>
Net Change in Cash and Cash Equivalents	55,813	25,791
<b>Cash and Cash Equivalents - beginning of year</b>	<u>342,452</u>	<u>316,661</u>
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 398,265</u>	<u>\$ 342,452</u>

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

**COMMUNITIES IN SCHOOLS - BAY AREA, INC.**

*STATEMENTS OF FUNCTIONAL EXPENSES*

*For the Year Ended August 31, 2016  
(with comparative totals for 2015)*

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>Salaries and Benefits</b>					
Salaries and wages	\$ 654,551	\$ 86,771	\$ 24,000	\$ 765,322	\$ 686,758
Employee benefits	74,841	17,735	600	93,176	83,737
Payroll taxes	58,557	7,416	1,967	67,940	65,087
Total salaries and benefits	<u>787,949</u>	<u>111,922</u>	<u>26,567</u>	<u>926,438</u>	<u>835,582</u>
<b>Other Expenses</b>					
Bad debt expense	-	-	-	-	16,329
Equipment and support services	2,346	-	-	2,346	7,323
Insurance expense	6,353	1,989	237	8,579	8,500
Office supplies and expenses	7,252	329	-	7,581	5,539
Other expenses	3,161	265	70,859	74,285	50,400
Postage and printing	4,199	122	519	4,840	2,405
Professional fees	8,124	5,249	-	13,373	12,496
Promotional expenses	7,723	-	-	7,723	6,438
Rent expense	96,804	2,643	-	99,447	95,892
Repairs and maintenance	334	-	-	334	78
Staff development and educational expenses	4,279	-	-	4,279	4,888
Student activities	292,233	-	-	292,233	153,314
Telephone services	5,736	971	-	6,707	7,533
Travel and van expenses	12,891	1,293	-	14,184	14,231
Total other expenses	<u>451,435</u>	<u>12,861</u>	<u>71,615</u>	<u>535,911</u>	<u>385,366</u>
Less: Costs of Direct Benefits to Donors			<u>(23,685)</u>	<u>(23,685)</u>	<u>(34,438)</u>
Total functional expenses	<u>\$ 1,239,384</u>	<u>\$ 124,783</u>	<u>\$ 74,497</u>	<u>\$ 1,438,664</u>	<u>\$ 1,186,510</u>

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

# COMMUNITIES IN SCHOOLS - BAY AREA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

August 31, 2016

### Note 1 - Description of the Organization

Communities In Schools - Bay Area, Inc. (CIS - Bay Area, or the organization) is a non-profit organization incorporated in the state of Texas. The purpose of CIS - Bay Area is to reduce the number of school dropouts and negative behavior problems in the classroom. This purpose is accomplished by providing a variety of support services to "at risk" students and their family members which reduce negative influences and enhance positive influences. Service components include supportive guidance, health and human services, parental involvement, pre-employment/employment, enrichment, and educational enhancement. CIS - Bay Area began operations in 1989 and is funded by grants and donations received from both the public and private sectors.

### Note 2 - Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies follows:

#### Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, these financial statements are prepared on the accrual basis of accounting and present the financial position, results of operations, and cash flows of CIS - Bay Area.

#### Basis of Presentation

CIS - Bay Area presents its financial statements under the Accounting Standards Codification Topic 958-205 ("ASC Topic No. 958"), *Not for Profit Entities - Presentation of Financial Statements*. Under ASC Topic No. 958, CIS - Bay Area is required to report information regarding its financial position and activities in three classes of net assets as follows:

- ***Unrestricted Net Assets*** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the Board of Directors.
- ***Temporarily Restricted Net Assets*** - Net assets subject to donor-restricted stipulations that will be met by actions of CIS - Bay Area pursuant to those stipulations or that expire by the passage of time.
- ***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they must be permanently maintained by CIS - Bay Area. Generally, the donors of those assets permit CIS - Bay Area to use all or part of the investment returns on those assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues. Contributions and endowment income with donor-imposed restrictions that are not met in the same year as received or earned are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when the donor-imposed restriction is satisfied.

## **COMMUNITIES IN SCHOOLS - BAY AREA, INC.**

### ***NOTES TO THE FINANCIAL STATEMENTS - continued***

#### **Note 2 - Summary of Significant Accounting Policies - continued**

##### **Comparative Financial Information**

The financial statements include prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with CIS - Bay Area's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

##### **Cash and Cash Equivalents**

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

##### **Tax Status and Uncertain Tax Positions**

CIS - Bay Area, Inc. is exempted from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the financial statements. In addition, CIS-Bay Area qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

##### **Fair Value**

The carrying amounts reflected in the statements of financial position for cash, cash equivalents, accounts receivable and accounts payable approximate the respective fair values due to the short maturities of those instruments.

##### **Recognition of Revenue and Expenditures**

Pledged contributions are recognized as revenue upon receipt of written guarantees; all other contributions are recognized upon the receipt of cash. Grants from governmental agencies are recognized as receivables and the related revenues are recognized as the terms of the grant are met or the grant becomes unconditional. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# COMMUNITIES IN SCHOOLS - BAY AREA, INC.

## NOTES TO THE FINANCIAL STATEMENTS - *continued*

### Note 2 - Summary of Significant Accounting Policies - *continued*

#### **Contributed Services, Equipment and Facilities**

CIS – Bay Area received donated services from several sources. Services that create non-financial assets or that would typically need to be purchased by the Organization, or services that require specialized skills which are provided by individuals with those service skills, are recognized as contributions and are either capitalized or expensed depending on the on the nature of the services provided. The value of other contributed time is not reflected in the accompanying financial statements, as the nature of the services do not meet the guidelines for recognition established by U.S. GAAP. The value of donated materials and facilities is recorded based on the estimated fair value at the time of the gift.

CIS - Bay Area maintains sixteen individual office facilities, of which fourteen are provided by the respective school districts and one by another community agency at no cost. The contributed space is valued at \$81,699 for fiscal year 2016 and \$78,011for fiscal year 2015, and is reported in the Statement of Activities as non-cash contributions. A corresponding charge of the same amount is reported as rent expense in the Statement of Activities. The remaining amount of non-cash contributions reported in the Statement of Activities are contributions of services and equipment to individual campuses and for the annual golf tournament.

#### **Property and Equipment**

Property and equipment, recorded at cost or fair value at the time of acquisition or contribution are depreciated on a straight-line method over their estimated useful lives, generally between five and seven years. Expenditures for property and equipment in excess of \$5,000 are capitalized, in accordance with the provisions of the Texas Education Agency grant. Depreciation expense is apportioned between program services and management and general expenses on an 85% and 15% basis, respectively. As of August 31, 2010, all assets were fully depreciated.

#### **Functional Classification of Expenditures**

CIS - Bay Area classifies its expenditures to reflect its primary and supporting activities: program services and management and general expenses. The grant with the Texas Education Agency contains certain provisions addressing the allocation of grant proceeds for the reimbursement of management and general expenditures as well as program expenditures. These contract provisions basically require no more than 15% of the total reimbursements to be allocated to management and general expenditures. The local I.S.D. grants contain provisions which allocate proceeds to program and general expenditures on an 85% and 15% basis, respectively.

#### **Estimates**

The preparation of financial statements in conformity with generally 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.

#### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services they benefit.

## COMMUNITIES IN SCHOOLS - BAY AREA, INC.

### NOTES TO THE FINANCIAL STATEMENTS - continued

#### Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets released from restrictions consisted of the following:

	<u>2016</u>	<u>2015</u>
Texas Education Agency Grant	\$ 377,986	\$ 353,653
League City Community Development Block Grant	14,000	14,083
Clear Creek ISD Grant	225,000	170,000
Dickinson ISD Grant	150,000	126,000
Total	<u>\$ 766,986</u>	<u>\$ 663,736</u>

#### Note 4 - Property and Equipment, Net

Property and equipment consist of the following:

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Furniture & Equipment	\$ 2,337	\$ 2,337
Vehicle	30,930	30,930
Less: accumulated depreciation	<u>(33,267)</u>	<u>(33,267)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

All property and equipment is fully depreciated, as such there is no depreciation expense recorded for the current year.

#### Note 5 - Fundraising

During the year ended August 31, 2016, CIS - Bay Area sponsored a golf tournament fundraising event. The event generated revenues of approximately \$209,000 with event expenses totaling approximately \$69,000, for a net addition to support of approximately \$140,000. In-kind donations related to the golf tournament of approximately \$33,646 were recorded as revenues and fundraising expenses during the year ended August 31, 2016. The revenues and expenses generated by the golf tournament for the year ended August 31, 2015 were \$196,000 and \$69,000, respectively.

Additionally, beginning in fiscal year 2016, CIS - Bay Area hosted a wine fundraising event. The event generated revenues of approximately \$13,077 and expenses totaled \$1,762, for net additional support of approximately \$11,315.

#### Note 6 - Retirement Plan

Communities In Schools - Bay Area, Inc. maintains a qualified retirement plan as defined by Internal Revenue Code Section 403 (b). Under this plan, employees can make contributions from their salary. CIS - Bay Area matches up to 3% of the employee's salary deferral. Matching contributions made during 2016 and 2015, were \$13,715 and \$13,738, respectively.



# COMMUNITIES IN SCHOOLS - BAY AREA, INC.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### Note 7 - Concentration of Credit Risk

CIS - Bay Area maintains its cash balances in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per financial institution. From time to time during the year, the balances in the accounts may exceed the FDIC insured amount. CIS – Bay Area’s bank balances at August 31, 2016 totaled \$418,226 all of which was properly insured.

### Note 8 - Operating Lease Commitments

Included in the amount of rent expense reported on the Statements of Functional Expenses is \$81,699 and \$78,011 for the years ended August 31, 2016 and 2015, respectively, for donated space as described in Note 2.

CIS - Bay Area entered into a five-year (60-month) lease for office space on January 12, 2012. The lease term was retroactive to January 1, 2012 and will terminate at December 31, 2017. Rent expense incurred for office space for the years ended August 31, 2016 and 2015, was \$28,829, and \$28,829, respectively. Included in these amounts for fiscal years 2016 and 2015 is \$14,969 in donated office space associated with this lease.

The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year as of August 31, 2016:

<b>Year ending</b>	
<b>August 31</b>	
2017	\$ 4,620
Total minimum lease payments	<u>\$ 4,620</u>

### Note 9 - Concentrations

Approximately 56 percent of the Organization’s revenue is derived from grants received from the State of Texas and two local school districts. The current level of the Organization’s operations and program services will be impacted if the grants are not renewed.

### Note 10 - Bad Debt

In fiscal year 2016, the Organization did not recognize any bad debt expense. In fiscal year 2015, the Organization recognized \$16,329 as bad debt expense for a receivable that was determined by management to be uncollectible.

### Note 11 - Subsequent Events

CIS - Bay Area has evaluated subsequent events through March 10, 2017, the date on which the financial statements were available to be issued. There were no additional subsequent events evaluated by management that required disclosure.