

Communities In Schools of Houston, Inc.

(A Texas Nonprofit Organization)

Annual Financial and Compliance Report for the
Year Ended August 31, 2022

(With summarized comparative financial
information for 2021)

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

AUGUST 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Management of
Communities In School of Houston, Inc.

Opinion

We have audited the financial statements of Communities In School of Houston, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2022, 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 (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) 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 Auditor's 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, 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 the Organization's ability to continue as a going concern for 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 objectives 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 US GAAS 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 financial statements.

In performing an audit in accordance with US GAAS 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 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 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 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal 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 other supplementary information presented under table of contents are required by the Texas Education Agency and are presented for purposes of additional analysis and are 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,



McConnell Jones

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 US GAAS. In our opinion, the schedule of expenditures of federal awards and other supplementary information presented under table of contents, are 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 15, 2023 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.

McConnell & Jones LLP

Houston, Texas
February 15, 2023

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2022

(With summarized financial information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 19,400,419	\$ 1,804,793	\$ 21,205,212	\$ 7,738,192
Pledges receivable	20,259	611,564	631,823	60,961
Grants receivable	-	981,296	981,296	598,831
Prepayments	122,304	-	122,304	103,339
Other receivables	470	-	470	2,516
	19,543,452	3,397,653	22,941,105	8,503,839
NONCURRENT ASSETS				
Capital assets, net	23,272	418	23,690	29,713
	23,272	418	23,690	29,713
	19,566,724	3,398,071	22,964,795	8,533,552
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	655,035	1,494	656,529	372,145
Interfund (receivable)/payable	(1,201,944)	1,201,944	-	-
	(546,909)	1,203,438	656,529	372,145
	(546,909)	1,203,438	656,529	372,145
NET ASSETS	20,113,633	2,194,633	22,308,266	8,161,407
	\$ 19,566,724	\$ 3,398,071	\$ 22,964,795	\$ 8,533,552

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

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

(With summarized financial information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
SUPPORT AND REVENUE				
Contributions and grants:				
Individuals	\$ 13,218,677	\$ 522,293	\$ 13,740,970	\$ 782,430
Corporations	103,771	3,104,010	3,207,781	3,187,612
Foundations	1,231,360	1,245,385	2,476,745	2,144,257
Governmental agencies	-	12,448,987	12,448,987	12,479,051
Noncash contributions and donations	-	2,689,844	2,689,844	2,754,108
Other	67,932	-	67,932	42,399
Net assets released from restriction:				
Satisfaction of program restrictions	18,864,638	(18,864,638)	-	-
Expiration of time restrictions	916,842	(916,842)	-	-
TOTAL SUPPORT AND REVENUE	34,403,220	229,039	34,632,259	21,389,857
EXPENSES				
Program services:				
Supportive Guidance	8,932,288	-	8,932,288	7,945,852
Health and Human Services	3,572,915	-	3,572,915	3,888,396
Parental Involvement	1,250,520	-	1,250,520	1,690,607
Cultural Enrichment	1,786,458	-	1,786,458	1,352,486
Academic Enhancement	1,965,103	-	1,965,103	1,690,607
Employment/Pre-Employment	357,292	-	357,292	338,121
Total program services	17,864,576	-	17,864,576	16,906,069
Support services:				
General administration	1,523,352	-	1,523,352	1,417,018
Fundraising	1,097,472	-	1,097,472	678,692
Total support services	2,620,824	-	2,620,824	2,095,710
TOTAL EXPENSES	20,485,400	-	20,485,400	19,001,779
CHANGE IN NET ASSETS	13,917,820	229,039	14,146,859	2,388,078
NET ASSETS, BEGINNING OF YEAR	6,195,813	1,965,594	8,161,407	5,773,329
NET ASSETS, END OF YEAR	\$ 20,113,633	\$ 2,194,633	\$ 22,308,266	\$ 8,161,407

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

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
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STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2022

(With summarized financial information for 2021)

	2022										2021	
	Supporting Guidance	Health & Human Services	Parental Involvement	Cultural Enrichment	Academic Enhancement	Employment/ Pre-Employment	Total Program Services	Administration	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries/fringe benefits	\$ 7,064,831	\$ 2,825,933	\$ 989,077	\$ 1,412,967	\$ 1,554,264	\$ 282,593	\$ 14,129,665	\$ 965,240	\$ 487,941	\$ 1,453,181	\$ 15,582,846	\$ 14,042,335
Professional fees	\$ 203,364	\$ 81,346	\$ 28,471	\$ 40,673	\$ 44,740	\$ 8,135	\$ 406,729	\$ 334,862	\$ 243,520	\$ 578,382	\$ 985,111	\$ 797,401
Supplies	\$ 390,652	\$ 156,261	\$ 54,691	\$ 78,130	\$ 85,944	\$ 15,626	\$ 781,304	\$ 41,398	\$ 21,427	\$ 62,825	\$ 844,129	\$ 866,753
Communication	\$ 14,842	\$ 5,937	\$ 2,078	\$ 2,968	\$ 3,265	\$ 594	\$ 29,684	\$ 12,367	\$ 18,035	\$ 30,402	\$ 60,086	\$ 103,584
Occupancy	\$ 650,576	\$ 260,230	\$ 91,081	\$ 130,115	\$ 143,127	\$ 26,023	\$ 1,301,152	\$ 85,364	\$ 56,158	\$ 141,522	\$ 1,442,674	\$ 1,559,408
Equipment rental/maintenance	\$ 4,918	\$ 1,967	\$ 688	\$ 984	\$ 1,082	\$ 197	\$ 9,836	\$ 3,898	\$ 1,911	\$ 5,809	\$ 15,645	\$ 13,717
Printing	\$ 401	\$ 160	\$ 56	\$ 80	\$ 88	\$ 16	\$ 801	\$ 885	\$ 24,432	\$ 25,317	\$ 26,118	\$ 19,799
Travel	\$ 8,056	\$ 3,222	\$ 1,128	\$ 1,611	\$ 1,772	\$ 322	\$ 16,111	\$ 2,002	\$ 15,183	\$ 17,185	\$ 33,296	\$ 7,002
Conference/meeting	\$ 323,983	\$ 129,593	\$ 45,358	\$ 64,797	\$ 71,276	\$ 12,959	\$ 647,966	\$ 18,814	\$ 191,252	\$ 210,066	\$ 858,032	\$ 857,226
Program support	\$ 207,766	\$ 83,106	\$ 29,087	\$ 41,553	\$ 45,708	\$ 8,311	\$ 415,531	\$ 69	\$ 14,047	\$ 14,116	\$ 429,647	\$ 421,648
Depreciation	\$ 4,974	\$ 1,990	\$ 696	\$ 995	\$ 1,094	\$ 199	\$ 9,948	\$ 6,633	\$ 3,315	\$ 9,948	\$ 19,896	\$ 24,459
Miscellaneous	\$ 57,925	\$ 23,170	\$ 8,109	\$ 11,585	\$ 12,743	\$ 2,317	\$ 115,849	\$ 51,820	\$ 20,251	\$ 72,071	\$ 187,920	\$ 288,447
Total Expenses	\$ 8,932,288	\$ 3,572,915	\$ 1,250,520	\$ 1,786,458	\$ 1,965,103	\$ 357,292	\$ 17,864,576	\$ 1,523,352	\$ 1,097,472	\$ 2,620,824	\$ 20,485,400	\$ 19,001,779

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

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
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STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 14,146,859	\$ 2,388,078
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,897	24,459
Changes in:		
Pledges receivable	(570,862)	450,235
Grants receivable	(382,465)	(112,328)
Prepayments	(18,965)	(2,279)
Other receivables	2,046	2,672
Accounts payable and accrued expenses	284,384	(40,350)
Paycheck Protection Program (PPP) loan	-	(430,012)
Total adjustment	(665,965)	(107,603)
Net cash provided by operating activities	13,480,894	2,280,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(13,874)	-
Net cash used in investing activities	(13,874)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,467,020	2,280,475
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,738,192	5,457,717
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 21,205,212	\$ 7,738,192
RECONCILIATION OF CASH TO AMOUNTS REPORTED IN THE STATEMENTS OF FINANCIAL POSITION:		
Cash and Cash equivalents, without donor restrictions	\$ 19,400,419	\$ 5,804,182
Cash and Cash equivalents, with donor restrictions	1,804,793	1,934,010
	\$ 21,205,212	\$ 7,738,192

The accompanying notes are an integral part of these financial statements

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Communities In Schools of Houston, Inc. (the “Organization”) is a Texas nonprofit corporation which coordinates private and public sector participation in the Organization’s alternative education program. The goal of the Organization is to help disadvantaged, urban-area youth become more self-sufficient and productive citizens. The Organization provides youth with intensive educational and social attention in the public school environment through utilization of the mutually supportive services of municipal and county agencies and voluntary health and welfare organizations.

The Organization is supported primarily through contributions and grants from governmental entities, foundations, corporations and individuals.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements of the Organization include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended August 31, 2021, from which the summarized information was derived.

The Organization’s funding sources include donors who have placed specific restrictions on the use of donated assets and, in certain instances, the use of income derived from those assets. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*. Accordingly, net assets of the Organization and changes therein are classified and reported as:

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

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Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

In addition, the Organization is required by FASB ASC Topic 958-205 to present statements of activities, functional expenses, and cash flows.

Revenue Recognition

The Organization follows the provisions of FASB ASC Topic 958-605, *Not-for-Profit Entities-Revenue Recognition*. Accordingly, the Organization records contributions and unconditional promises to give as revenues when received or when a promise is made. Conditional promises to give are recognized as revenue when the conditions on which they depend have been substantially met. Contributions and promises to give receivable are recorded net of estimated uncollectible amounts which are determined based on management's analysis of specific contributions and promises made. Multi-year promises to give are not discounted if the amount of discount is not material.

The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. In accordance with FASB ASC Topic 958-605, revenues are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or non-existence of donor imposed restrictions. Contributions that are restricted by the donor are reported 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 same fiscal year in which the contributions are recognized. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

When both net assets with and without donor restrictions are available for use for the same purpose, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

Government grants conditioned on the incurrence of certain qualifying expenses are recognized as grant revenues to the extent the expenses are incurred. Revenues under performance-based contracts are recorded as the Organization performs the services required by the contracts.

Donations of land, buildings, equipment, and other capitalizable assets to the Organization are recorded as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Donations of capital assets with explicit

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restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire capital assets are recorded as restricted support. Absent explicit donor stipulations about how capital assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired capital assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization did not receive any donated capital assets in fiscal years 2022 and 2021.

In-Kind Contributions and Contributed Services

Many individuals volunteer from time to time to perform a variety of tasks that assist the Organization in its operations. The Organization records the value of contributed services when there is an objective basis available to measure the value. During the years ended August 31, 2022 and 2021, the Organization did not have any contributed volunteer services meeting the criteria for recognition in the financial statements and, accordingly, no value was recorded.

Contributed professional services are recorded in the accompanying financial statements as non-cash contributions and non-cash donations at their estimated fair values at the date of performance. The value of non-cash donations of materials, services, and free use of facilities that are included in the financial statements and the corresponding expenses for the years ended August 31, 2022 and 2021 was \$2,689,844 and \$2,754,108, respectively.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The value of cash equivalents included in cash and cash equivalents as of August 31, 2022 and 2021, was \$20,530,711 and \$7,127,100, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statements of the financial position date for general expenditures are as follow:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 21,205,212	\$ 7,738,192
Pledges receivable	631,823	60,961
Grants receivable	981,296	598,831
Other receivables	<u>470</u>	<u>2,516</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 22,818,801</u>	<u>\$ 8,400,500</u>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Capital Assets

Capital assets are generally recorded at cost or, if donated, at their estimated fair value at the date of donation. The Organization follows the policy of capitalizing all expenditures for property, improvements, furniture and fixtures, vehicles, office and other equipment in excess of \$1,500. Capital assets are depreciated using the straight-line method based on the estimated useful lives of the related assets ranging from three to five years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals are capitalized.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with the Organization's cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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NOTES TO THE FINANCIAL STATEMENTS

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Paycheck Protection Program Loan

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak of COVID-19 as a pandemic. As a result of the CARES Act, the Paycheck Protection Program (PPP) was established. On July 29, 2020, the Organization received a PPP loan in the amount of \$750,000.

The Organization adopted the guidance in FASB ASC 958-605 and recognized a gain on extinguishment to the extent of qualified expenses incurred as of year-end. On December 30, 2020, the Organization received forgiveness of the entire PPP loan of \$750,000 as the Organization has met all of the necessary criteria and have expended the funds appropriately. For the year ended August 31, 2021, the Organization recognized the remaining PPP loan balance of \$430,012 as grant revenue based on the qualified expenses incurred during the fiscal year.

Income Taxes

The Organization is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are the valuation of non-cash donations of goods, services, and free use of facilities, as well as functional allocation of expenses.

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New Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for the Organization's 2022 annual financial statements. Management evaluated the impact of this change and determined no changes were required for disclosures by the Organization.

Pending Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the Organization's 2023 annual financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

2. PROGRAM AND SUPPORT SERVICES

The following are the major programs and support services provided by the Organization:

- (1) Supportive Guidance: Students served by the Organization face an often overwhelming number of obstacles, including but not limited to poverty, which can make it difficult for the students to concentrate on schoolwork or perform well socially. The Organization provides both individual and group supportive guidance to help these students deal with difficult family situations and with the stresses experienced by all children growing up in poverty.
- (2) Academic Enhancement: Children often suffer academically because they have no one to help them in their studies. Teachers certainly try their best, but with a room full of students, it is difficult for teachers to provide the individual attention that some children must have to succeed in their schoolwork. Many at-risk children have parents who are high-school dropouts or have only basic reading and math skills. Since individual attention can enable a child struggling with a subject to master it, the Organization recruits adults to tutor and mentor these children, provide remedial help and serve as positive role models.

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- (3) Cultural Enrichment: This covers a variety of activities, from field trips to guest speakers to parties and sports. The students the Organization serves are often so underprivileged that they have never been to a restaurant or a movie, or have never found their clothing anywhere but a second-hand store or charity closet. In their families, it is a struggle simply to feed them, much less provide anything beyond the necessities of physical life. This poverty leads to a lack of understanding about the world around them. A number of the Organization's students have never been outside of their immediate neighborhoods. For students who have no other life experience, the idea of academic achievement or a professional career may seem foreign. The Organization tries to provide these students with experience and information that would expand their view of the world and motivate them to higher aspirations in life.
- (4) Employment/Pre-Employment: The Organization holds workshops for high school students on employment-related issues, and helps these students to obtain after-school and/or summer jobs. Although some middle school students are too young to enter the workforce, the concept of planning for the future is heavily emphasized, and where age-appropriate, summer employment is an integral part of the Organization's program. The Organization tries to instill in all students an understanding of how academic success is linked to future career success. Students are encouraged to identify their strengths and interests, and to begin thinking about what they would like to do when they grow up. With a good education, they will be able to overcome the circumstances of their lives and achieve more than they ever may have dreamed possible.
- (5) Parental Involvement: Concerned and involved parents are critical for children to succeed in life. Realizing this fact, the Organization evaluates and helps children and considers their individual family situations. Often the parents of at-risk children are single mothers who lack even a high school diploma and who may have great difficulty finding consistent employment. Some parents may have trouble managing the responsibilities of a family; others face significant language barriers. Parents of at-risk students face challenge themselves; the Organization works to help them so that they can help their children.
- (6) Health & Human Services: The Organization serves as the single point of entry on campus for service provision. Sometimes students have needs that cannot be addressed directly by the Organization's staff. On other occasions, another community agency can meet a student's needs as well or better. As such, the Organization partners with other community agencies to ensure that needs of students and their families are effectively met.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

3. CONCENTRATION OF CREDIT AND BUSINESS RISKS

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. The total cash and cash equivalents in the bank as of August 31, 2022 and 2021 was \$21,205,212 and \$7,738,192, respectively. At August 31, 2022 and 2021, the Organization had an uninsured balance of \$6,617,794 and \$6,960,000, respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

Credit risk associated with grants receivable is minimal due to the credit worthiness of federal, state, and local funding agencies.

For the years ended August 31, 2022 and 2021, revenues from governmental grants constituted approximately 36% and 58%, respectively, of current year total revenues, with a substantial proportion of federal grant revenues received from the U.S. Department of Education, and a substantial proportion of the state grant revenue received from the Texas Education Agency.

4. FAIR VALUE MEASUREMENTS

The Organization's financial instruments consist of cash, receivables, and accounts payable. Management believes the carrying amount of cash, receivables, and accounts payable approximate the fair value. The valuation techniques utilized in determining the fair values of the Organization's financial instruments are consistently applied.

5. PLEDGES RECEIVABLE

The Organization's pledges receivable, due in less than one year as of August 31, 2022 and 2021 amounted to \$631,823 and \$60,961, respectively.

6. CAPITAL ASSETS

The following is a summary of capital assets, less accumulated depreciation at August 31, 2022 and 2021:

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
Furniture and equipment	\$ 214,757	\$ 200,884
Vehicles	23,744	23,744
	238,501	224,628
Less: Accumulated depreciation	(214,811)	(194,915)
Capital assets, net	\$ 23,690	\$ 29,713

Depreciation expense for the years ended August 31, 2022 and 2021 was \$19,896 and \$24,460, respectively.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at August 31, 2022 and 2021:

	2022	2021
Accounts payable	\$ 378,199	\$ 100,681
Accrued payroll and related expenses	278,330	271,464
Accounts payable, accrued and other liabilities	\$ 656,529	\$ 372,145

8. NET ASSETS

Net assets without donor restrictions as of August 31, 2022 and 2021 amounted to \$20,113,633 and \$6,195,813, respectively, and are available to support the programs and activities of the Organization.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

Net assets with donor restrictions are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Contributions and grants for specific projects	\$ 1,614,383	\$ 1,785,594
Time restrictions—contribution for operations	580,250	180,000
Net assets with donor restrictions	<u>\$ 2,194,633</u>	<u>\$ 1,965,594</u>

9. RETIREMENT PLAN

The Organization sponsors a 403(b) Thrift Plan (the “Thrift Plan”) covering substantially all employees. The Thrift Plan permits participant contributions to be made on a before-tax basis and provides for the Organization to contribute 1% of each participant’s salary and match each participant’s contributions up to 2%. The Organization’s total contribution to the Thrift Plan for the fiscal years ended August 31, 2022 and 2021 was \$52,426 and \$30,970, respectively.

The Organization also sponsors a 403(b) TDA Plan (the “Plan”) covering substantially all employees. The Plan permits employees to contribute up to 98% of pretax annual compensation, as defined under the Plan; however, the Organization does not contribute to the Plan.

10. RELATED PARTY TRANSACTIONS

The Board of Directors of the Organization has mutually agreed to support the Organization by making cash contributions. Pursuant to this commitment, the Organization has received \$131,384 and \$305,356, respectively, in cash contributions from certain members of the Board of Directors for the years ended August 31, 2022 and 2021. In addition, a member of the board is a partner in a law firm that provided some in-kind general counsel to the Organization valued at \$92,285 and \$68,485 for the years ended August 31, 2022 and 2021.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

11. COMMITMENTS

The Organization has entered into various non-cancelable operating lease agreements covering office space and office equipment that expire at various times by fiscal year 2022. The following is a schedule of future minimum lease payments under non-cancelable operating leases:

Year ending August 31,	<u>Amount</u>
2023	\$ 193,399
2024	197,977
2025	202,554
2026	207,132
2027	211,709
Thereafter	381,077
	<u>\$ 1,393,849</u>

Rent expense for the years ended August 31, 2022 and 2021 was \$1,442,067 and \$1,559,408, respectively, of which \$1,115,625 and \$1,176,265 were donated and included in noncash contributions and donations described in Note 1 to the financial statements.

In accordance with the employment agreement of the Organization's Chief Executive Officer, in the event that the Organization terminates the employment of the Chief Executive Officer without cause, the Chief Executive Officer will be compensated with severance pay equal to one year of base salary at the time of the termination.

12. CONTINGENCIES

The Organization receives grant funds, principally from federal and state governmental agencies for various programs, which are governed by various laws and regulations. Expenditures charged to these programs are reimbursed to the Organization after review and adjustment by the grantors. The Organization may become liable to refund money to the funding agencies where it fails to comply with contract provisions. Also, the ability of the Organization to collect any related receivables at August 31, 2022 is subject to the compliance approval process on the activities related to those reimbursable expenditures. Any liability for potential recoupment or reimbursement that could arise from such compliance approval processes is not considered material.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 15, 2023, the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

SINGLE AUDIT SECTION

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022

Federal Grants/Pass Through Grantor program Title	Assistance Listing Number	Federal Award Number	Award/Pass through Identifying Number	Passed Through to Subrecipients	Federal Award Expenditures
U.S. Department of Education:					
<i>Passed through Houston Independent School District:</i>					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	-	-	\$ -	\$ 677,183
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	-	-	-	78,958
				-	756,141
<i>Passed through Spring Branch Independent School District:</i>					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	-	-	-	50,000
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	-	-	-	2,518,104
				-	2,568,104
				-	3,324,245
<i>Passed through Houston Independent School District:</i>					
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	244,083
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	323,594
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	18,209
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	496,672
				-	1,082,558
<i>Passed through Spring Independent School District:</i>					
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	760,760
<i>Passed Spring Branch Independent School District:</i>					
COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)	84.425U	-	-	-	181,924
				-	2,025,242
<i>Passed through Spring Branch Independent School District:</i>					
Higher Education Institutional Aid	84.031A	-	-	-	78,032
<i>Passed through Fort Bend Independent School District</i>					
Student Support and Academic Achievement Program	84.424B	-	-	-	223,994
Total U.S. Department of Education				\$ -	\$ 5,651,513
U.S. Department of Justice:					
<i>Passed through Texas Office of the Governor - Criminal Justice Division:</i>					
Crime Victim Assistance	16.575	-	-	\$ -	\$ 442,901
Total U.S. Department of Justice				\$ -	\$ 442,901
U.S. Department of Health & Human Services:					
<i>Passed through Texas Education Agency:</i>					
Temporary Assistance to Needy Families (TANF)	93.558	-	-	\$ -	\$ 251,098
Total U.S. Department of Health and Human Services				\$ -	\$ 251,098
Total Expenditures of Federal Awards				\$ -	\$ 6,345,512

See accompanying notes to schedules of expenditures of federal and state awards.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED AUGUST 31, 2022

<u>State Grantor/Pass Through Grantor/ Program Title</u>	<u>State Award Number</u>	<u>Award/Pass through Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>State Award Expenditures</u>
Texas Education Agency:				
Compensatory Education Program	220958027110016	-	\$ -	\$ 1,962,678
<i>Passed-through Alief Independent School District:</i>				
Compensatory Education Program	-	-	-	2,242,586
<i>Passed-through Houston Independent School District:</i>				
Compensatory Education Program	-	-	-	59,974
<i>Passed-through Spring Branch Independent School District:</i>				
Compensatory Education Program	-	-	-	366,714
Total - Texas Education Agency			<u>\$ -</u>	<u>\$ 4,631,952</u>
Texas Office of the Governor - Criminal Justice Division				
Delinquency and Dropout Prevention Program	-	-	-	75,000
Total - Texas Office of the Governor - Criminal Justice Division			<u>\$ -</u>	<u>\$ 75,000</u>
Total Expenditures of State Awards			<u>\$ -</u>	<u>\$ 4,706,952</u>

See accompanying notes to schedules of expenditures of federal and state awards.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.

(A Texas Nonprofit Organization)

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED AUGUST 31, 2022**

1. Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (“schedules”) include the federal and state grant activities of Communities In Schools of Houston, Inc. (the “Organization”) under programs of the federal and state governments for the year ended August 31, 2022. The information in these schedules 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 Uniform Grant Management Standards (“UGMS”), respectively. Therefore, amounts presented in these schedules may differ from amounts presented in, or used in, the preparation of the Organization’s financial statements. Additionally, since the schedules present only a selected portion of the Organization’s operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies:

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

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Contingencies

Federal and state grants received by the Organization are subject to review and audit by grantor agencies. The Organization’s management believes that the results of such audits will not have a material effect on the schedules.



**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***

Independent Auditor's Report

To the Board of Directors of
Communities In Schools of Houston, Inc.

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 Houston, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statement 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 thereon dated February 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the 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 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 Organization'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 may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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.

McConnell & Jones LLP

Houston, Texas
February 15, 2023



**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 UNIFORM GRANT MANAGEMENT STANDARDS**

Independent Auditor's Report

To the Board of Directors of
Communities In Schools of Houston, Inc.

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 Houston, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas Uniform Grant Management Standards ("UGMS") that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2022. The Organization's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2022.

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 (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the audit requirements of the State of Texas UGMS. Our responsibilities under those standards, the Uniform Guidance and the State of Texas UGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



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.

Auditor's Responsibility 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 U.S. GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State of Texas UGMS 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 U.S. GAAS, *Government Auditing Standards*, Uniform Guidance, and the State of Texas UGMS 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 the State of Texas UGMS, 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 type of compliance requirement of a federal or a 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 a 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 a 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 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 and the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

McConnell & Jones LLP

Houston, Texas
February 15, 2023

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

SECTION 1: SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|---------------------------------------------------------------------------------------------|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| c) Noncompliance material to financial statements noted? | No |

Federal and State Awards:

- | | |
|-----------------------------------------------------------------------------------------------------------------|------------|
| 1. Internal control over major programs: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 4. Identification of major federal and state programs: | |

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425U	COVID-19, Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)

<u>State - Identification Number</u>	<u>Name of State Program or Cluster</u>
220958027110016	Compensatory Education Program (TEA Direct Award)
-	Compensatory Education Program (Alief ISD)
-	Compensatory Education Program (Houston ISD)
-	Compensatory Education Program (Spring Branch ISD)

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

5. Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
State	\$300,000

6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520 and the State of Texas UGMS, as applicable?

Federal	Yes
State	Yes

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

SECTION 2: FINDINGS – FINANCIAL STATEMENT AUDIT

No findings were noted.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

**SECTION 3: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AND STATE
AWARD PROGRAMS**

No findings were noted.

COMMUNITIES IN SCHOOLS OF HOUSTON, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

No audit findings were reported in fiscal year ended August 31, 2021.