

**COMMUNITIES IN SCHOOLS OF
SOUTHEAST HARRIS COUNTY, INC.**

*Report on Audit of Financial Statements
and
Supplementary Information
August 31, 2017*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities in Schools of Southeast Harris County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Communities in Schools of Southeast Harris County, Inc., which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses and cash flows for the twelve months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Southeast Harris County, Inc. as of August 31, 2017, and the changes in its net assets and its cash flows for the twelve months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary 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 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 March 8, 2018 on our consideration of Communities in Schools of Southeast Harris County, Inc.'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 Communities in Schools of Southeast Harris County, Inc.'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 Communities in Schools of Southeast Harris County, Inc.'s internal control over financial reporting and compliance.

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Baytown, Texas
March 8, 2018

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Statement of Financial Position

August 31, 2017

ASSETS

Current Assets

Cash	\$	621,020
Accounts Receivable:		
Contracts		163,613
Other		7,250
Investment		16,943
Prepaid Expenses		4,017
Total Current Assets		<u>812,843</u>

Fixed Assets, Net

TOTAL ASSETS

		-
		<u>-</u>
	\$	<u><u>812,843</u></u>

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable		
Trade	\$	6,120
Affiliate		70,296
Payroll Liabilities		14,336
Total Current Liabilities		<u>90,752</u>

Unrestricted Net Assets:

Undesignated		722,091
Total Unrestricted Net Assets		<u>722,091</u>

TOTAL LIABILITIES AND NET ASSETS

	\$	<u><u>812,843</u></u>
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The accompanying notes are an integral part of these financial statements.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Statement of Activities

For the Twelve Months Ended August 31, 2017

Support

Service Contracts	\$ 3,683,982
Contributions	43,510
Fundraising	43,361
Other	4,426
Total Unrestricted Support	<u>3,775,279</u>

Expenses

Administrative	328,476
Program	3,466,212
Fundraising	3,300

Total Expenses 3,797,988

Decrease in Net Assets (22,709)

Net Assets, Beginning of Period 744,800

Net Assets, End of Period \$ 722,091

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

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Statement of Functional Expenses For the Twelve Months Ended August 31, 2017

ADMINISTRATIVE EXPENSES

Salaries	\$	199,515
Employee Benefits		31,257
Advertising		2,100
Travel		4,459
Materials and Supplies		9,285
Equipment		822
Insurance		4,589
Communications		2,474
Occupancy		16,781
Training and Incentives		2,058
Subscriptions		1,887
Professional Fees		46,034
Other		7,215
Total Administrative Expenses		<u>328,476</u>

PROGRAM EXPENSES

Salaries		2,737,773
Employee Benefits		345,579
Professional Fees		69,099
Travel and Transportation		28,349
Materials and Supplies		111,424
Equipment		36,816
Enrichment		31,406
Communications		14,096
Occupancy		34,781
Training and Incentives		5,444
Subscriptions		9,965
Student Needs		10,587
Student Transportation		20,996
Other		9,897
Total Program Expenses		<u>3,466,212</u>

FUNDRAISING EXPENSES

		<u>3,300</u>
Total Expenses	\$	<u>3,797,988</u>

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

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Statement of Cash Flows

For the Twelve Months Ended August 31, 2017

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Decrease in Net Assets	\$	(22,709)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized gain on investment		(3,645)
Decrease in Accounts Receivable		137,800
Decrease in Prepaid Expense		1,051
Decrease in Accounts Payable and Accrued Expenses		(29,493)
Increase in Accounts Payable to Affiliate		26,400
<i>Net Cash Provided by Operating Activities</i>		<u>109,404</u>

Net Increase in Cash 109,404

Cash at Beginning of Period 511,616

Cash at End of Period \$ 621,020

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

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Notes to Financial Statements

NOTE 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Communities in Schools of Southeast Harris County, Inc. (“the Organization”) is organized to connect needed community resources with schools to help young people learn, stay in school, and successfully prepare for life. Services are provided through after school programs, training programs, and community based partnerships. The Organization began activities in Southeast Harris County, Texas, in December 1987.

The Organization is responsible to the Texas Education Agency (“TEA”). Funds for compensatory education and 21st Century learning centers (“21st Century”) are funneled through the TEA for program activities. Temporary Assistance to Needy Families (“TANF”) funds are available to support that portion of the student population that qualifies. The Organization also receives assistance from local school districts and state and local governments, and receives donations from other area Organizations, companies and individuals.

Approximately 65% of the Organization’s support for the twelve months ended August 31, 2017 came from the TEA. Future federal and state funding for education will be dependent on appropriations by the governing bodies and the number of participants in the program. Continued funding for the Organization is dependent upon gaining community support through collaborative partnerships and private funding.

The Organization and Communities in Schools of Brazoria County, Inc. have entered into a joint venture agreement for the purpose of the development and implementation of a centralized management team to oversee the operations and services provided by the Organization and Communities in Schools of Brazoria County, Inc. Each Organization has its own governing board and expects to develop and receive the benefits of reduced operating cost and greater efficiency through the use of a centralized management team, as well as, increasing the number of participants in its program.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.
Notes to Financial Statements

NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment

Certain grant funds received from funding sources are designated for the purchase of fixed assets. Expenditures of such funds are charged to expense in accordance with practices prescribed by the funding agency. Purchased property and equipment defined as non-expendable tangible personal property costing \$5,000 or more and having a useful life of more than one year is capitalized at cost. Repairs and maintenance of property and equipment are expensed as incurred. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Investments

The investment consists of a common stock in a publicly held company and is carried at fair value as determined by the quoted market price (Level 1 input).

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Service Contracts

The Organization records service contract revenue at the time qualified participant expense is incurred. Amounts received under service contracts that will be expended in the next fiscal year in accordance with the contract period are recorded as deferred revenue.

Income Taxes

The Organization is a not-for-profit Organization with non-private foundation status that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents. The Organization did not pay interest or income taxes during the twelve months ended August 31, 2017.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Notes to Financial Statements

NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – Investment

The investment valued at the quoted market prices as of August 31, 2017 is summarized as follows:

<u>Unrestricted</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Common Stock	\$ 9,406	\$ 16,943	\$ 16,943

Unrealized depreciation for the twelve months ended August 31, 2017 amounting to \$3,645 is included in other support in the accompanying statement of activities.

NOTE 3 – Fixed Assets

Fixed assets consisted of the following at August 31, 2017:

Equipment	\$ 4,178
Less, Accumulated Depreciation	(4,178)
	<u>\$ -</u>

Principally, all of the equipment and furniture and fixtures are used in TEA programs. The proceeds from the sale of assets acquired with TEA funds are to be applied to TEA programs. In the event the TEA programs are terminated, these assets are to be used in projects supported by federal or state funding.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Notes to Financial Statements

NOTE 4 – Financial Assistance

The Organization has contracts with the TEA for 21st Century, compensatory education and TANF funds. The receipt of funds under these contracts are conditional upon incurring qualified participant expense. Receipts and expenditures under these contracts for the year ended August 31, 2017 were as follows:

	<u>TANF</u>	<u>Compensatory Education</u>	<u>21st Century</u>
Accounts Receivable, September 1, 2016	\$ -	\$ 20,416	\$ 216,092
Contract Expenditures	145,959	570,935	1,744,119
Contract Receipts	<u>(145,959)</u>	<u>(591,351)</u>	<u>(1,865,991)</u>
Accounts Receivable, August 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,220</u>

NOTE 5 – Related Party Transactions

Communities in Schools of Brazoria County, Inc. and the Organization share certain costs including salaries, employee benefits and rent in connection with the joint venture agreement described in Note 1. The Organization's liability for its share of these costs amounted to \$70,296 as of August 31, 2017.

The Organization receives services from employees of Communities in Schools of Brazoria County, Inc. Payments made by the Organization for these services including employee benefits, amounted to \$246,250 for the twelve months ended August 31, 2017.

Employees of the Organization provide services to Communities in Schools of Brazoria County, Inc. Payments received by the Organization for these services, including employee benefits, amounted to \$1,742 for the twelve months ended August 31, 2017.

NOTE 6 – Donated Services, Materials and Facilities

The Organization receives donated supplies. The Organization recognized donated participant supplies amounting to \$1,903 during the twelve months ended August 31, 2017.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Notes to Financial Statements

NOTE 7 – Concentration of Credit Risk

The Organization maintains bank accounts at three institutions insured by the Federal Deposit Insurance Corporation (“FDIC”). Cash in these accounts is insured up to \$250,000 per institution. As of August 31, 2017, the carrying amount of the Organization’s deposits was \$621,020 and the bank balance was \$653,344.

Bank balances in these accounts exceeded the FDIC insurance as of August 31, 2017. The condition was corrected subsequent to August 31, 2017 and no loss was incurred.

NOTE 8 – Retirement Plan

The employees of the Organization participate in a defined contribution 401(K) plan administered by Communities in Schools-Brazoria County, Inc. The Organization provides a matching contribution equal to the employees’ salary reduction contributions up to a maximum of 3% of the employees’ compensation for the year. The Organization’s contribution to the plan amounted to \$49,216 for the twelve months ended August 31, 2017.

The executive director of the Organization participates in a 457 Plan adopted by Communities in Schools-Brazoria County, Inc. in January 2016. The Organization provides a matching contribution equivalent to 3% of the employee’s salary. The Organization contribution to the plan amounted to \$2,259 for the twelve months ended August 31, 2017.

NOTE 9 – Commitments

On June 15, 2013 the Organization leased its office facilities under an operating lease, which expires June 14, 2018. The current lease agreement requires monthly rental payments amounting to \$2,500. Payments made in connection with this lease agreement amounted to \$30,000 for the twelve months ended August 31, 2017. Future annual minimum payments under the lease are \$22,500 for the year ended August 31, 2018.

The Organization shares space for storage and operating activities with Communities in Schools of Brazoria County, Inc. These leases are month to month and can be cancelled upon a maximum of 30 days written notice.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.
Notes to Financial Statements

NOTE 9 – Commitments (Continued)

Rent expense comprised the following for the twelve months ended August 31, 2018 including facilities shared with Communities in Schools of Brazoria County, Inc. (“BC”):

Lease payments	\$	30,000
Less, BC share		(5,000)
Share of BC facility		17,863
Storage and program facility		3,947
Utilities		4,752
	\$	<u>51,562</u>

NOTE 10- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 8, 2018 the date which the financial statements were available to be issued.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

*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*

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

*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
Communities in Schools of Southeast Harris County, 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 Southeast Harris County, Inc., which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses and cash flows for the twelve months then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Communities in Schools of Southeast Harris County, Inc.'s internal control over financial reporting (internal control) to determine 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 Communities in Schools of Southeast Harris County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of Southeast Harris County, 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Communities in Schools of Southeast Harris County, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Baytown, Texas
March 8, 2018

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.
*Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance*

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

*Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance*

Independent Auditor's Report

To the Board of Directors
Communities in Schools of Southeast Harris County, Inc.

Report on Compliance for Each Major Federal Program

We have audited Communities in Schools of Southeast Harris County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Communities in Schools of Southeast Harris County, Inc.'s major federal programs for the twelve months ended August 31, 2017. Communities in Schools of Southeast Harris County Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Communities in Schools of Southeast Harris County, Inc.'s major programs based on our audit of the types of compliance requirements referred to above. 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)

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Communities in Schools of Southeast Harris County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Communities in Schools of Southeast Harris County, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Communities in Schools of Southeast Harris County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the twelve months ended August 31, 2017.

Report on Internal Control Over Compliance

Management of Communities in Schools of Southeast Harris County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Communities in Schools of Southeast Harris County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of Southeast Harris County, Inc.'s 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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Baytown, Texas
March 8, 2018

SUPPLEMENTARY INFORMATION

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Schedule of Expenditures of Federal Awards
For the Twelve Months Ended August 31, 2017

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor/Pass-through Grantors Number</u>	<u>Federal Expenditures</u>
<i>Federal Assistance:</i>			
<u>U.S. Department of Education</u>			
· Pass-through Program, Texas Education Agency 21 st Century Community Learning Centers	84.287C	176950247110005	\$ 1,649,899
		186950247110005	<u>94,220</u>
Total U.S. Department of Education			<u>1,744,119</u>
<u>U.S. Department of Housing and Urban Development</u>			
· Pass-through Program, Harris County, Texas			
Community Development Block Grant	14.218		<u>42,282</u>
Total U.S. Department of Housing and Urban Development			<u>42,282</u>
<u>U.S. Department of Health and Human Services</u>			
· Pass-through Program, Texas Education Agency			
Temporary Assistance for Needy Families	93.558	173630027120027	<u>145,959</u>
Total U.S. Department of Health and Human Services			<u>145,959</u>
<i>Total Federal Assistance</i>			<u>\$ 1,932,360</u>

The accompanying notes are an integral part of this schedule.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Notes to Schedule of Expenditures of Federal Awards
For the Twelve Months Ended August 31, 2017

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes the federal grant activity of Communities in Schools of Southeast Harris County, Inc. (“the Organization”) under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2- Summary of Significant Accounting Policies

Expenditures reported on the schedule are presented 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.

NOTE 3 – Pass-through Awards

The Organization receives certain federal financial assistance from pass-through awards of certain political subdivisions of the State of Texas. Pass through entity identifying numbers are presented where available.

NOTE 4- Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate since the federal awards do not allow for allocation of indirect costs.

COMMUNITIES IN SCHOOLS OF SOUTHEAST HARRIS COUNTY, INC.

Schedule of Findings and Questioned Costs
For the Twelve Months Ended August 31, 2017

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal Control over financial reporting:

- | | | | |
|---|------------------|----------------|----------------------|
| • Material weakness (es) identified? | _____ Yes | _____ X | No |
| • Significant deficiencies identified? | _____ Yes | _____ X | None Reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ X | No |

Federal Awards

Internal control over major programs:

- | | | | |
|--|------------------|----------------|----------------------|
| • Material weakness (es) identified? | _____ Yes | _____ X | No |
| • Significant deficiencies identified? | _____ Yes | _____ X | None Reported |

Type of Auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes	_____ X	No
------------------	----------------	-----------

Identification of major programs:

CFDA Number	Name of Federal Program
84.287C	21 st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

- | | | | |
|--|----------------|------------------|-----------------|
| • Auditee qualifies as low-risk auditee? | _____ X | _____ Yes | _____ No |
|--|----------------|------------------|-----------------|