

**COMMUNITIES IN SCHOOLS OF  
BRAZORIA 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 Brazoria County, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Communities in Schools of Brazoria 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 Brazoria 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 Brazoria 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 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 Brazoria 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 Brazoria County, Inc's internal control over financial reporting and compliance.

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Baytown, Texas  
March 8, 2018

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

Statement of Financial Position

August 31, 2017

## ASSETS

### Current Assets

Cash	\$	317,920
Accounts Receivable:		
Affiliate		70,296
Promise to Give		108,333
Contracts		153,131
Other		4,228
Investment		11,316
Prepaid Expenses		7,194
<b>Total Current Assets</b>		<u>672,418</u>

### Fixed Assets, Net

-

### TOTAL ASSETS

\$ 672,418

## LIABILITIES & NET ASSETS

### Current Liabilities

Accounts Payable		
Trade	\$	20,563
Affiliate		4,583
Payroll Liabilities		14,191
<b>Total Current Liabilities</b>		<u>39,337</u>

### Unrestricted Net Assets:

Undesignated		524,748
Fixed Assets		-
<b>Total Unrestricted Net Assets</b>		<u>524,748</u>

### Temporarily Restricted Net Assets

108,333

### Total Net Assets

633,081

### TOTAL LIABILITIES AND NET ASSETS

\$ 672,418

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

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

## Statement of Activities

For the Twelve Months Ended August 31, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b><u>Support</u></b>			
Service Contracts	\$ 3,204,090	\$ -	\$ 3,204,090
Contributions	59,908	130,000	189,908
Fundraising	37,770	-	37,770
Other	3,258	-	3,258
	3,305,026	130,000	3,435,026
<b>Net Assets Released From Donor Restrictions</b>	190,287	(190,287)	-
<b>Total Support</b>	3,495,313	(60,287)	3,435,026
<b><u>Expenses</u></b>			
Administrative	288,430	-	288,430
Program	3,105,963	-	3,105,963
Fundraising	4,236	-	4,236
	3,398,629	-	3,398,629
<b>Total Expenses</b>	3,398,629	-	3,398,629
<b>Increase in Net Assets</b>	96,684	(60,287)	36,397
<b>Net Assets, Beginning of Period</b>	428,064	168,620	596,684
<b>Net Assets, End of Period</b>	<b>\$ 524,748</b>	<b>\$ 108,333</b>	<b>\$ 633,081</b>

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

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

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

### ADMINISTRATIVE EXPENSES

Salaries	\$	164,540
Employee Benefits		27,322
Advertising		2,597
Travel		5,752
Materials and Supplies		13,646
Equipment and Software		678
Enrichment		2,022
Insurance		254
Communications		2,041
Occupancy		13,474
Training and Incentives		5,494
Professional Fees		43,104
Other		7,506
Total Administrative Expenses		<u>288,430</u>

### PROGRAM EXPENSES

Salaries		2,378,124
Employee Benefits		270,051
Advertising		253
Participant (Tutors and facilitators)		82,495
Travel and Transportation		23,642
Materials and Supplies		162,400
Equipment and Software		21,810
Enrichment		33,911
Communications		15,570
Occupancy		27,448
Training and Incentives		4,188
Student Needs		7,402
Student Transportation		41,238
Professional Fees		26,232
Other		11,199
Total Program Expenses		<u>3,105,963</u>

### FUNDRAISING EXPENSES

		<u>4,236</u>
Total Expenses	\$	<u>3,398,629</u>

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



**COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.**

Statement of Cash Flows

For the Twelve Months Ended August 31, 2017

**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:**

Increase in Net Assets	\$ 36,397
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Unrealized Gain on Investment	(2,434)
Decrease in Accounts Receivable and Prepaid Expense	112,144
Increase in Accounts Receivable from Affiliate	(26,400)
Decrease in Promise to Give	45,467
Increase in Accounts Payable and Accrued Expenses	347
Increase in Accounts Payable from Affiliate	4,583
<i>Net Cash Provided by Operating Activities</i>	<u>170,104</u>
 <i>Net Increase in Cash</i>	 170,104
 <b><i>Cash at Beginning of Period</i></b>	 <u>147,816</u>
 <b><i>Cash at End of Period</i></b>	 <u><u>\$ 317,920</u></u>

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

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

## *Notes to Financial Statements*

### **NOTE 1 – Nature of Activities and Significant Accounting Policies**

#### *Nature of Activities*

Communities in Schools of Brazoria 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 Brazoria County, Texas, in February 1993.

The Organization is responsible to the Texas Education Agency (“TEA”). Funds for compensatory education and 21<sup>st</sup> Century learning centers (“21<sup>st</sup> 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 United Way, local school districts, and receives support from other area organizations, companies and individuals.

Approximately 70% 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 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 – Southeast Harris 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 – Southeast Harris 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 programs.

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

## *Notes to Financial Statements*

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

#### *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 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.

#### *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.

#### *Investments*

The investment is composed 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).

#### *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.

#### *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.

**COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.**

*Notes to Financial Statements*

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

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.

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 – Promise to Give**

The promise to give as of August 31, 2017 amounting to \$108,333 is from United Way and is due within one year.

**NOTE 3 – Investment**

The investment valued based upon the quoted market price as of August 31, 2017 is summarized as follows:

**Unrestricted:**

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Common Stock	\$ 5,308	\$ 11,316	\$ 11,316

There was unrealized gain on investment of \$2,434 in the year ended August 31, 2017.

**COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.**

*Notes to Financial Statements*

**NOTE 4 – Fixed Assets**

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

Equipment	\$	17,028
Furniture and Fixtures		3,328
		20,356
Less, Accumulated Depreciation		(20,356)
	\$	-

Principally, all of the equipment, 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.

There was no depreciation expense for the twelve months ended August 31, 2017.

**NOTE 5 – Financial Assistance**

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

	TANF	Compensatory Education	21 <sup>st</sup> Century
Accounts Receivable, September 1, 2016	\$ -	\$ 13,396	\$ 255,292
Contract Expenditures	109,854	428,017	1,889,718
Contract Receipts	(109,854)	(441,413)	(2,030,129)
Accounts Receivable, August 31, 2017	\$ -	\$ -	\$ 114,881

## **COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.**

### *Notes to Financial Statements*

#### **NOTE 6 – Related Party Transactions**

Communities in Schools – Southeast Harris County, Inc. and the Organization share certain costs including employee benefits in connection with the joint venture agreement described in Note 1. The Organization owes Communities in Schools–Southeast Harris County, Inc. \$4,583 which is included in Accounts Payable – Affiliate in the accompanying Statement of Financial Position.

The Organization receives services from employees of Communities in Schools–Southeast Harris County, Inc. Payments made by the Organization for these services, including employee benefits amounted to \$1,742 for the twelve months ended August 31, 2017.

Employees of the Organization provide services to Communities in Schools of Southeast Harris County, Inc. Payments received by the Organization for these services, including employee benefits, amounts to \$246,250.

See also Notes 9 and 11.

#### **NOTE 7 – Donated Materials and Supplies**

The Organization receives donated materials and supplies. The Organization recognized donated materials and supplies amounting to \$6,940 during the twelve months ended August 31, 2017.

The donated materials and supplies have been included as contributions and expenses in the statement of activities for the twelve months ended August 31, 2017.

#### **NOTE 8 – Concentration of Credit Risk**

The Organization maintains bank accounts at two 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 \$317,920 and the bank balance was \$357,158.

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

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

## Notes to Financial Statements

### **NOTE 9 – Retirement Plan**

The Organization has adopted a defined contribution 401(k) Plan for all eligible employees. 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 \$45,856 for the twelve months ended August 31, 2017. Pension expense for the twelve months ended August 31, 2017 amounted to \$42,276 which is net of the contribution shared with Communities in Schools- Southeast Harris County, Inc.

In January 2016 the Organization adopted a 457 Plan for the executive director who is not eligible to be covered under the existing terms of the 401(K) Plan. The Organization provides a matching contribution equivalent to 3% of the employee's salary. The Organization's contribution to the plan amounted to \$3,217 for the twelve months ended August 31, 2017. Pension expense for the twelve months ended August 31, 2017 amounted to \$1,863 which is net of the contribution shared with Communities in Schools- Southeast Harris County, Inc.

### **NOTE 10 – Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes or periods as of August 31, 2017:

For subsequent periods	\$	108,333
	\$	<u>108,333</u>

### **NOTE 11 – Commitments and Contingencies**

The Organization leases its office facilities under an operating lease which was extended on August 1, 2013. The lease agreement requires rental payments amounting to \$3,196 per month. On May 1, 2015 the current lease was modified to include an additional office for \$250 per month. The new lease agreement requires total rental payments amounting to \$3,446 per month through July 31, 2018.

# COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.

## Notes to Financial Statements

### **NOTE 11– Commitments and Contingencies (Continued)**

Payments made in connection with the lease for these office facilities amounted to \$41,352 for the twelve months ended August 31, 2017. Future annual minimum payments under the lease are \$37,906 in the year ending August 31, 2018.

The Organization also leases storage and program facilities under operating leases. These leases are month to month and can be cancelled on a maximum of 60 days written notice.

The Organization shares office facilities with Communities in Schools-Southeast Harris County, Inc. (“SEHC”). Rent expense comprised the following for the twelve months ended August 31, 2017 including facilities shared with SEHC:

Lease payments	\$	41,352
Less, SEHC share		(17,863)
Share of SEHC facility		5,000
Storage and program facility		5,467
Utilities and Repairs		6,966
	\$	<u>40,922</u>

### **NOTE 12- 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 BRAZORIA 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 BRAZORIA 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 Brazoria 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 the Communities in Schools of Brazoria 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 Brazoria 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 Brazoria County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Communities in Schools of Brazoria 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 Brazoria 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.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Baytown, Texas  
March 8, 2018

**COMMUNITIES IN SCHOOLS OF BRAZORIA 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 BRAZORIA 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 Brazoria County, Inc.

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

We have audited Communities in Schools of Brazoria 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 Brazoria County, Inc.'s major federal programs for the twelve months ended August 31, 2017. Communities in Schools of Brazoria 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 the 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 Brazoria County, Inc.'s major federal 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 Brazoria 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 Brazoria County, Inc.'s compliance.

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

In our opinion, Communities in Schools of Brazoria 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 Brazoria 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 Brazoria 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 Brazoria 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 BRAZORIA 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>
<b><i>Federal Assistance:</i></b>			
<u>U.S. Department of Education</u>			
• Pass-through Program, Texas Education Agency			
21 <sup>st</sup> Century Community Learning	84.287C	186950197110006	\$ 1,774,837
	84.287C	176950197110006	114,881
			<hr/>
Total U.S. Department of Education			1,889,718
			<hr/>
<u>U.S. Department of Health and Human Services</u>			
• Pass-through Program, Texas Education Agency			
Temporary Assistance for Needy Families	93.558	173630027120004	109,854
			<hr/>
Total U.S. Department of Health and Human Services			109,854
			<hr/>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 1,999,572</b>
			<hr/>

The accompanying notes are an integral part of this schedule.

# **COMMUNITIES IN SCHOOLS OF BRAZORIA COUNTY, INC.**

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

## **NOTE 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes the federal grant activity of Communities in Schools of Brazoria 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 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 BRAZORIA COUNTY, INC.**

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

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

Type of Auditor’s report 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 federal 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:

<b><i>CFDA Number</i></b>	<b><i>Name of Federal Program</i></b>
84.287C	21 <sup>st</sup> 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**