

COMMUNITIES IN SCHOOLS
OF NORTH TEXAS, INC

ANNUAL FINANCIAL REPORT
AUGUST 31, 2005

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2005

TABLE OF CONTENTS

Independent Auditors' Report	2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	8

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
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PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON
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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Communities In Schools of North Texas, Inc.

We have audited the accompanying statement of financial position of Communities In Schools of North Texas, Inc. (a nonprofit organization) as of August 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities In Schools of North Texas, Inc. as of August 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005, in our consideration of the Organization's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hankins, Eastup, Deaton, Tonn & Seay
Hankins, Eastup, Deaton, Tonn & Seay
A Profession Corporation
Certified Public Accounts

December 13, 2005

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2005

ASSETS

Current Assets:

Accounts Receivable	\$ 39,615
Due from State	71,109
Due from other Governments	<u>64,662</u>

Total Assets \$175,386

LIABILITIES AND NET ASSETS

Current Liabilities:

Cash Overdraft	\$ 66,479
Accounts Payable	<u>10,025</u>

Total Current Liabilities 76,504

Net Assets:

Unrestricted 98,882

Total Unrestricted 98,882

Total Liabilities and Net Assets \$175,386

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Federal Grants		\$ 64,662	\$ 64,662
State Grants		456,308	456,308
Local Support		542,898	542,898
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	<u>\$1,063,868</u>	<u>(1,063,868)</u>	<u> </u>
Total Support and Revenue	<u>1,063,868</u>	<u>-0-</u>	<u>1,063,868</u>
Expenses:			
Program Expenses	851,720		851,720
Administration	132,755		132,755
Fundraising	<u>21,357</u>		<u>21,357</u>
Total Expenses	1,005,832		1,005,832
Changes in Net Assets	58,036	-0-	58,036
Net Assets as of Beginning of Year	<u>40,846</u>	<u>-0-</u>	<u>40,846</u>
Net Assets as of End of Year	<u>\$ 98,882</u>	<u>\$ -0-</u>	<u>\$ 98,882</u>

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2005

Operating Activities	
Change in net assets	\$ 58,036
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(150,199)
Accounts Payable	<u>10,025</u>
Net cash used by operating activities	<u>(82,138)</u>
Net decrease in cash and cash equivalents	(82,138)
Cash and cash equivalents as of beginning of year	<u>15,659</u>
Cash and cash equivalents as of end of year	<u><u>\$ (66,479)</u></u>

See Accompanying Notes to Financial Statements.

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2005

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Communities In Schools of North Texas, Inc. is a nonprofit corporation chartered in 1993. Communities In Schools is a program of the Texas Education Agency which is an in-school multi-disciplinary approach to decreasing the drop out rate in Texas schools.

Method of Accounting

The financial statements of the Communities In Schools of North Texas, Inc. have been prepared utilizing the accrual basis of accounting.

Financial Statement Presentation

For the year ended August 31, 2005, the Communities In Schools of North Texas, Inc. followed Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117 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.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Income Tax Status

Communities In Schools of North Texas, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation.

Functional Expenses

Expenses are charged directly to program or management in general categories based on specific identification.

COMMUNITIES IN SCHOOLS OF NORTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005

The following is a summary of functional expenses:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$583,483	\$ 95,001		\$ 678,484
Payroll taxes	8,191	1,533		9,724
Group Health	31,582	3,368		34,950
Workers Compensation	2,866	469		3,335
Retirement	2,132	380		2,512
Teacher Retirement On-behalf Payments	37,415	6,550		43,965
Unemployment Tax	318			318
Utilities	3,803	1,118		4,921
Rent	35,283	12,520		47,803
Social Work	638			638
Supplies	119,784	2,360		122,144
Travel	10,552	4,367		14,919
Insurance	7,160	2,189		9,349
Miscellaneous	<u>8,513</u>	<u>2,900</u>	<u>\$ 21,357</u>	<u>32,770</u>
Total	<u>\$851,720</u>	<u>\$132,755</u>	<u>\$ 21,357</u>	<u>\$1,005,832</u>

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalents

The Communities In Schools of North Texas, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

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INDEPENDENT AUDITORS' REPORT
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Communities in Schools of North Texas, Inc.

We have audited the financial statements of the Communities in Schools of North Texas, Inc. as of and for the twelve months ended August 31, 2005, and have issued our report thereon dated December 13, 2005.

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.

Compliance

As part of obtaining reasonable assurance about whether the Communities in Schools of North Texas, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Communities in Schools of North Texas, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of management and appropriate state agencies and is not intended to be used and should not be used by anyone other than these specified parties.

Hankins, Eastup, Deaton, Tonn & Seay
Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

December 13, 2005