

**Communities In Schools – Corpus Christi, Inc.
Audited Financial Statements
August 31, 2010**

Communities In Schools – Corpus Christi, Inc.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Communities In Schools – Corpus Christi, Inc.

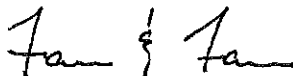
We have audited the accompanying statement of financial position of Communities In Schools – Corpus Christi, Inc. (A non-profit organization) as of August 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the 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 and circulars 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 the 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 – Corpus Christi, Inc. as of August 31, 2010, and the changes in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, we have also issued a report dated January 10, 2011, on our consideration of Communities In Schools – Corpus Christi, Inc. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Communities In Schools – Corpus Christi, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, Audits of States Local Government and Non-Profit Organizations, and the State of Texas Single Audit Circular, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Farris & Farris, CPA's
January 10, 2011

**Communities In Schools – Corpus Christi, Inc.
Statement of Financial Position
August 31, 2010**

ASSETS

Current Assets

Cash	\$ 118,493
Grants and Contracts Receivable	110,274
Other Receivables	5,975
Prepaid Expenses	<u>7,187</u>
Total Current Assets	241,929

Property and Equipment

Property and Equipment (Net of Accumulated Depreciation of \$198,664)	<u>224,244</u>
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TOTAL ASSETS

\$ 466,173

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ <u>189,320</u>
Total Current Liabilities	189,320

Net Assets

Unrestricted Net Assets	52,609
Temporarily Restricted Net Assets	-
Permanently Restricted Net Assets	-
Investment in Property and Equipment	<u>224,244</u>

Total Net Assets	<u>276,853</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 466,173

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

Communities In Schools – Corpus Christi, Inc.
Statement of Activities
For Fiscal Year Ended August 31, 2010

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
Public Support			
Fees from Governmental Agencies	\$ -	\$ 2,236,435	\$ 2,236,435
Contributions	164,582	-	164,582
Fund Raiser Revenue	120,058	-	120,058
In-Kind Rental/Utilities/Services	<u>1,692,600</u>	<u>-</u>	<u>1,692,600</u>
Total Public Support	1,977,240	2,236,435	4,213,675
Revenue			
Contracted Services and Other Grants	1,001,121	-	1,001,121
Interest/Dividend Income	3,842	-	3,842
Other Revenue	<u>14,017</u>	<u>-</u>	<u>14,017</u>
Total Revenue	1,018,980	-	1,018,980
TOTAL PUBLIC SUPPORT OR REVENUE	2,996,220	2,236,435	5,232,655
<u>RECLASSIFICATIONS</u>			
Net Assets released from restrictions:	<u>2,236,435</u>	<u>(2,236,435)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE NET OF RECLASSIFICATIONS	5,232,655	-	5,232,655
<u>EXPENSES</u>			
Management and General	304,819	-	304,819
Program Services	<u>4,929,951</u>	<u>-</u>	<u>4,929,951</u>
Total Expenses	5,234,770	-	5,234,770
CHANGE IN NET ASSETS	\$ (2,115)	\$ -	\$ (2,115)
<u>NET ASSETS</u>			
NET ASSETS, September 1, 2009	\$ <u>278,968</u>	\$ <u>-</u>	\$ <u>278,968</u>
NET ASSETS, August 31, 2010	\$ <u>276,853</u>	\$ <u>-</u>	\$ <u>276,853</u>

The accompanying notes are an integral part of the financial statements

Communities In Schools – Corpus Christi, Inc.
Statement of Functional Expenses
For Fiscal Year Ended August 31, 2010

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
Salaries	\$ 1,996,103	\$ 128,861	\$ 2,124,964
Benefits and Payroll Taxes	338,119	20,080	358,199
Professional Fees	423,233	16,873	440,106
Dues and Subscriptions	25	3,100	3,125
Supplies and Incentives	199,108	11,044	210,152
Repairs and Maintenance	43,271	2,837	46,108
Equipment Lease	20,626	8,977	29,603
Postage and Shipping	-	897	897
Background Checks	1,733	-	1,733
Telephone	28,303	4,037	32,340
Travel and Transportation	85,781	1,158	86,939
Meals and Snacks	74,719	4,185	78,904
Registrations	2,840	149	2,989
Insurance	2,884	26,545	29,429
Bank Charges	-	7,009	7,009
In-Kind Rental/Utilities/Supplies	1,682,400	10,200	1,692,600
Fundraisers	-	30,387	30,387
Public Education	6,457	10,698	17,155
Miscellaneous	89	17,782	17,871
TOTAL EXPENSES BEFORE DEPRECIATION	<u>4,905,691</u>	<u>304,819</u>	<u>5,210,510</u>
Depreciation	24,260	-	24,260
TOTAL EXPENSES	<u>\$ 4,929,951</u>	<u>\$ 304,819</u>	<u>\$ 5,234,770</u>

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

Communities In Schools – Corpus Christi, Inc.
Statement of Cash Flows
For Fiscal Year Ended August 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from agencies, fundraising and contributions	\$ 3,685,734
Cash paid to suppliers and employees	(3,357,456)
Interest income	3,842
Other cash receipts	<u>14,017</u>
Net Cash Used by Operations	346,137

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for purchase of property and equipment	<u>(9,536)</u>
Net Cash Used by Investing Activities	<u>(9,536)</u>

NET INCREASE (DECREASE) IN CASH

336,601

Cash at the Beginning of the Year (218,108)

Cash at the End of the Year \$ 118,493

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS
TO CASH PROVIDED BY OPERATING ACTIVITIES:**

INCREASE (DECREASE) IN NET ASSETS \$ (2,115)

**ADJUSTMENT TO RECONCILE INCREASE (DECREASE)
IN NET ASSETS TO CASH PROVIDED BY
OPERATING ACTIVITIES:**

Depreciation	24,260
Decrease in Accounts Receivable	163,533
Decrease in Prepaid Expenses	25,626
Increase in Accounts Payable and Accrued Expenses	<u>134,641</u>

Total Adjustments 348,060

Net Cash used by Operating Activities \$ 345,945

SUPPLEMENTAL DISCLOSURES:

NON-CASH ITEMS:

Donated Facilities and Materials	\$ 1,692,600
Loss on Retirement of Equipment	<u>192</u>

\$ 1,692,792

The accompany notes are an integral part of the financial statements.

Communities In Schools – Corpus Christi, Inc.
Notes to Financial Statements
August 31, 2010

Nature of Activities

Communities In Schools – Corpus Christi, Inc. is an in-school multidisciplinary approach to decreasing the drop-out rate in the community and surrounding county schools. The program promotes and facilitates the coordinated delivery of community social services, as well as health, educational and other support services on the elementary, middle, intermediate and high school campuses for the “hard to serve” youth and their families.

Summary of Significant Accounting Policies

Income Taxes

The Internal Revenue Service has classified Communities In Schools – Corpus Christi, Inc. as not a private foundation within the meaning of 509(a) of the Internal Revenue Code because it is an organization described in section 170(b)(1)(A)(vi) and exempt from federal income taxes under section 501(c)(3).

Financial Statement Presentation

Communities In Schools – Corpus Christi, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit-Organizations”. Under SFAS No. 117, Communities In Schools – Corpus Christi, Inc. 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 Communities In Schools – Corpus Christi, Inc. is required to present a statement of cash flows. As permitted by this statement, Communities In Schools – Corpus Christi, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Contributed Services

During the year ended August 31, 2010, individuals volunteered their time and performed a variety of tasks that assisted Communities In Schools – Corpus Christi, Inc. within their mentoring program. However, these services do not meet the criteria for recognition as contributed services and therefore, the value of these services has not been recorded in the financial statements.

Estimates

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

Property and Equipment

It is the organization’s policy to capitalize all property and equipment in excess of \$500. Donations of property and equipment are recorded at their fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Office furniture and equipment purchased with grantor funds are generally restricted to use in that program. In the event that the program terminates, the grantor reserves the right to retrieve capital purchases with grantor funds. Capital assets which are purchased are recorded at cost. Donated assets are recorded at fair market value at the date of donation.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Communities In Schools – Corpus Christi, Inc. considers all cash and time deposits with maturity of three months or less to be cash equivalents.

**Communities In Schools – Corpus Christi, Inc.
Notes to Financial Statements (continued)
August 31, 2010**

Summary of Significant Accounting Policies (continued)

Advertising

Communities In Schools – Corpus Christi, Inc. incurs costs of commercials, programming and billboard advertising. These costs are charged to expenses in the fiscal year during which the programs and advertising are incurred.

Note 1 – CASH

Monies of Communities In Schools – Corpus Christi, Inc. are held in financial institutions. Accordingly, the monies are federally insured up to a maximum \$250,000. At August 31, 2010, deposits with financial institutions are within federally insured limits.

Note 2 – GRANTS RECEIVABLE

Grants and Contract Services Receivable represent amounts earned and billed to grantors. As of August 31, 2010, the total accounts receivable in the amount of \$110,274 represents amounts due from grantors for costs incurred in providing services and for amounts due for contractual services. Bad debts are recognized on the allowance method when management determines that the collectability of receivables is remote.

Note 3 – PROPERTY AND EQUIPMENT

The summary of changes in Property and Equipment is as follows:

	<u>Balance 09/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 08/31/10</u>
Gonzalez Center Building and Land	\$ 219,357	\$ -	\$	\$ 219,357
Office Furniture and Equipment	<u>206,832</u>	<u>9,536</u>	<u>12,817</u>	<u>203,551</u>
Total Property and Equipment	426,189	9,536	12,817	422,908
Less: Accumulated Depreciation	<u>(187,029)</u>	<u>24,260</u>	<u>12,625</u>	<u>(198,664)</u>
Net Property and Equipment	<u>\$ 239,160</u>	<u>\$ (14,724)</u>	<u>\$ 192</u>	<u>\$ 224,244</u>

Fixed Assets are carried at historical cost and depreciation is computed using the Straight-line Method over a period of 5 – 10 and 30 years, respectively, for equipment and buildings. Depreciation Expense for the year ended August 31, 2010, totaled \$24,260.

At the termination of grants, the grantor may request that Communities In Schools transfer large capital assets to the new grant contract or to continue performing services. No such transfers have occurred in fiscal year ended August 31, 2010.

Note 4 – FEES FROM GOVERNMENT AGENCIES

Amounts included in Fees from Government Agencies in the total amount of \$2,236,435 consist of the following:

Texas Department of Protective and Regulatory Services, through a reimbursement compensatory education contract, significantly provides funding to Communities In Schools through State compensatory education funds and Federal funds, TANF. For the year August 31, 2010, an amount of \$583,216 was granted.

City of Corpus Christi, serving as the fiscal agent, is contracted with Communities In Schools – Corpus Christi, Inc. through its Community Youth Development Program. For the year ended August 31, 2010, an amount of \$71,765 has been recognized.

Texas Department of Family and Protective Services is contracted with Communities In Schools – Corpus Christi, Inc. for the period from September 1, 2009, to August 31, 2010. Amounts recognized totaled \$448,865 during this period.

**Communities In Schools – Corpus Christi, Inc.
Notes to Financial Statements (continued)
August 31, 2010**

Texas Education Agency is contracted with Communities In Schools – Corpus Christi, Inc. for a multi-year grant for the periods August 1, 2008 through July 31, 2010. For the contract periods ended through August 31, 2010, \$1,056,734 was granted.

Other grants were received by Communities In Schools – Corpus Christi, Inc. totaling \$75,855 from various governmental agencies and units for the year ended August 31, 2010.

Note 5 – DONATED FACILITIES AND SUPPLIES

During the year, a total of \$1,692,600 In-Kind revenue was recognized by Communities In Schools – Corpus Christi, Inc. An amount of \$1,682,400 was recorded as In-Kind Rental/Utilities for the Fair Market Value of the usage of the various school facilities occupied by administrative and pragmatic staff. Additionally, an amount of \$10,200 was recorded as In-Kind Supplies, telephone, and janitorial services received by various sources for programmatic services. These in-kind values were simultaneously recognized in the accounting period as revenue and an expense.

Note 6 – CONTRACTED SERVICES

Communities In Schools – Corpus Christi, Inc. obtained contracts with school districts and other organizations, whereby Communities In Schools – Corpus Christi, Inc. provided professional program services for them. The referenced school districts, with their contracted amounts, are as follows:

Corpus Christi Independent School District	\$ 379,320
Flour Bluff Independent School District	50,000
Kingsville Independent School District	81,000
West Oso Independent School District	51,000
Falfurrias Independent School District	25,000
Sinton Independent School District	41,129
Calallen Independent School District	48,178
Premont Independent School District	12,000
Aransas County Independent School District	51,500
Odem Edroy Independent School District	27,000
Gregory Portland Independent School District	42,174
Richard Milburn Academy	25,000
Mathis Independent School District	<u>50,000</u>
Total Contracted Services	\$ <u>883,301</u>

Note 7 – COMPENSATED ABSENCES

Compensated absences arise from employees' absences from employment due to vacation, illness, or other reasons. When an employer expects to pay an employee for such compensated absences, a liability for the estimated probable future payment must be accrued if all of the following conditions are met:

- a. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
- b. The employee's right to receive the compensation for the future absences is vested or accumulated.
- c. It is probable that the compensation will be paid.
- d. The amount of compensation can be reasonably estimated.

Vested rights are those that have been earned by the employee for services already performed. Thus, vested rights are not contingent on any future services by the employee and are an obligation of the employer even if the employee leaves the employment. Rights that accumulate increase an employee's benefits in one or more years subsequent to the year in which they are earned.

Vacation

Annual vacation is provided for all regular full time employees. At the end of the year, any unused vacation is not available if the employee leaves the Organization and therefore, is not subject to accrual.

Communities In Schools – Corpus Christi, Inc.
Notes to Financial Statements (continued)
August 31, 2010

Sick Leave

Nonvesting sick pay benefits that accumulate and can be carried forward to succeeding years and are not to be recorded as a liability in the financial statements for the following reasons:

- a. The cost/benefit rule,
- b. The materiality rule, and
- c. The reliability of estimating the days an employee will be sick in succeeding years.

All regular full time employees earn 1 sick day per month. Sick leave may be accumulated without limit, but no one may receive compensation for unused sick leave upon termination of service with the Organization.

Note 8 – NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, support, and revenues are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of Communities In Schools – Corpus Christi, Inc. are classified and reported as follows:

<u>Unrestricted Net Assets</u> – Net assets that are not subject to restrictions	\$ 52,609
<u>Temporarily Restricted Net Assets</u> – Net assets subject to restrictions that may or will be met, by actions of Communities In Schools – Corpus Christi, Inc.	\$ -
<u>Permanently Restricted Net Assets</u> – Net assets subject to restrictions that they be maintained permanently by Communities In Schools – Corpus Christi, Inc.	\$ -

When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the “Statement of Activities” as net assets released from restrictions. Monies received by Communities In Schools – Corpus Christi, Inc. which were considered temporarily restricted and subsequently released from restrictions are as follows:

Texas Workforce Commission Compensatory Education/TANF Funding	\$ 583,216
Community Youth Development Funding	71,765
B.A.S.I.C.S.	44,382
Work Force Mentoring	31,473
Star Program	448,865
21 st Century	<u>1,056,734</u>

Total Temporarily Restricted net assets subsequently released from restrictions. \$ 2,236,435

Note 9 – CREDIT RISK CONCENTRATIONS

Communities In Schools – Corpus Christi, Inc. operates within South Texas with activities designed to support youth and their families. As such, government agencies award grants which provide substantial support for the Organization’s operation. During the year ended August 31, 2010, revenues recognized totaled \$2,236,435 from these grantors. Amounts receivable from the sources totaled \$110,274.

**Communities In Schools – Corpus Christi, Inc.
Notes to Financial Statements (continued)
August 31, 2010**

Note 10 – SIMPLE INDIVIDUAL RETIREMENT PLAN

Communities In Schools – Corpus Christi, Inc. maintains a savings incentive match plan for employees of the Organization. Employees may contribute up to \$6,000 annually on a pre-tax basis. Communities In Schools – Corpus Christi, Inc. shall make matching contributions in an amount equal to 100% of employee contributions and shall not exceed 3% of participant compensation. Amounts contributed by the Organization totaled \$15,782 for the year ended August 31, 2010.

Note 11 – SECTION 125 PLAN

Communities In Schools – Corpus Christi, Inc. maintains a Section 125 premium only plan whereby health insurance premiums are paid from the plan for the benefit of participants. Benefits under the plan are financed by salary reductions of employee participants.

Note 12 – OPERATING LEASES

The Organization leases office equipment from vendors with lease agreements expiring through April 2012. Aggregate minimum lease payments for the five years ending August 31, 2015, are as follows:

2011	\$	29,630
2012	\$	26,856
2013	\$	23,499
2014	\$	9,525
2015	\$	-

Rent expense for the year ended August 31, 2010, totaled \$33,391.

Note 13 – COMMITMENTS AND CONTINGENCIES

The Organization participates in several federally funded grant programs, all of which are subject to federal regulations and guidelines. Should any of the grant program expenditures be disallowed by any of the respective grantor agencies or should any other contingency become a reality, funds would have to be designated in future periods for settlement.

Note 14 – FUND RAISING ACTIVITIES

The Organization conducts fundraising programs during the year including events and food sales. Fundraising revenue earned during fiscal year end August 31, 2010, totaled \$120,058. Costs associated with fundraising activities totaled \$30,387.

Note 15 – SUBSEQUENT EVENTS

The Organization's management has reviewed financial information for possible events subsequent to its year end. This evaluation was performed through January 10, 2011, which was the date the financial statements were available to be issued.

Note 16 – INSURANCE IN FORCE

Insurance in force at August 31, 2010, is as follows:

<u>Policy</u>	<u>Term</u>	<u>Insured Amount</u>
General Liability	9-1-09/8-31-10	\$ 300,000
Windstorm	9-1-09/8-31-10	\$ 1,315,000
Workers' Comp.	9-1-09/8-31-10	\$ 500,000
Crimeshield	9-1-09/8-31-10	\$ 2,000,000
Directors and Officers	9-1-09/8-31-10	\$ 1,000,000
Building and Contents	9-1-09/8-31-10	\$ 500,000

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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

To the Board of Directors of
Communities In Schools – Corpus Christi, Inc.

We have audited the financial statements of Communities In Schools – Corpus Christi, Inc. (a non-profit organization) as of and for the year ended August 31, 2010, and have issued our report thereon dated January 10, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Communities In Schools – Corpus Christi, Inc. internal control over financial reporting as a basis for designing our auditing procedures 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 Communities In Schools – Corpus Christi, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

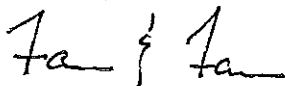
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Communities In Schools – Corpus Christi, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of management, The Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Farris & Farris, CPA's
January 10, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors of
Communities In Schools – Corpus Christi, Inc.

Compliance

We have audited the compliance of Communities In Schools – Corpus Christi, Inc. (a non-profit organization) with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal and state programs for the year ended August 31, 2010. Communities In Schools – Corpus Christi, Inc. major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of Communities In Schools – Corpus Christi, Inc. management. Our responsibility is to express an opinion on Communities In Schools – Corpus Christi, Inc. compliance based on our audit.

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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the State of Texas Single Audit Circular. Those standards, the OMB Circular A-133 and the State of Texas Single Audit Circular, 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 or state program occurred. An audit includes examining, on a test basis, evidence about Communities In Schools – Corpus Christi, Inc. 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. Our audit does not provide legal determination of Communities In Schools – Corpus Christi, Inc.'s compliance with those requirements.

In our opinion, Communities In Schools – Corpus Christi, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal and state programs for the year ended August 31, 2010.

Internal Control Over Compliance

The management of Communities In Schools – Corpus Christi, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Communities In Schools – Corpus Christi, Inc. internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Communities In Schools – Corpus Christi, Inc. internal control over compliance.

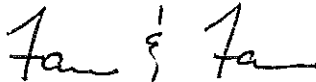
Accordingly, we do not express an opinion on the effectiveness of Communities In Schools – Corpus Christi, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Farris & Farris, consisting of the letters 'Fa' followed by an ampersand and another 'Fa'.

Farris & Farris, CPA's
January 10, 2011

**Communities In Schools – Corpus Christi, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010**

<u>Federal/ Pass-Through Grantor/ Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Education:					
Pass - Through from Texas Education Agency					
21 st Century CCLC Cycle 6 – Year 1	096950137110012	84.287C	5287C080044	\$ 620,000	\$ 555,586
21 st Century CCLC Cycle 6 – Year 2	096950137110012	84.287C	5287C080044	620,000	13,688
21 st Century CCLC Cycle 5 – Year 2	096950137110012	84.287C	5287C080044	491,360	476,462
21 st Century CCLC Cycle 5 – Year 3	096950137110012	84.287C	5287C080044	<u>491,360</u>	<u>11,031</u>
Total Pass – Through Programs				<u>2,222,720</u>	<u>1,056,767</u>
Total U.S. Department of Education				2,222,720	1,056,767
U.S. Department of Health and Human Services:					
Pass - Through from Texas Education Agency					
Helping Kids Stay in School	None	93.558	G-1002TX TANF	<u>112,111</u>	<u>112,111</u>
				112,111	112,111
Pass – Through from Texas Department of Family and Protective Services					
Services to At Risk Youth – Family Preservation	None	93.556	23430081	<u>13,558</u>	<u>13,558</u>
				13,558	13,558
Total Pass – Through Programs				<u>125,669</u>	<u>125,669</u>
Total U.S. Department of Health and Human Services				125,669	125,669
Total Expenditures of Federal Awards					<u>\$ 1,182,436</u>

**Communities In Schools – Corpus Christi, Inc.
 Schedule of Expenditures of State Awards
 For the Year Ended August 31, 2010**

<u>State Grantor</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Amount Expended</u>
Texas Education Agency	0610580171200011	\$ 471,105	\$ 471,105
Texas Department of Family and Protective Services - Services to At Risk Youth	23430081	471,446	435,307
		\$ <u>942,551</u>	\$ <u>906,412</u>

**Communities In Schools – Corpus Christi, Inc.
Note to Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2010**

Note 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Communities In Schools – Corpus Christi, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. There were no amounts of federal or state awards expended in the form of non-cash expenditures.

**Communities In Schools – Corpus Christi, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2010**

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Communities In Schools – Corpus Christi, Inc.
2. No significant deficiencies were noted during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of Communities In Schools – Corpus Christi, Inc. were disclosed during the audit.
4. No significant deficiencies in Internal Control Over Major Federal/State Awards were disclosed during the audit.
5. The Auditor's Report on Compliance for the Major Federal/State Award Programs for Communities In Schools – Corpus Christi, Inc. expresses an unqualified opinion on all Major Federal/State Programs.
6. There were no audit findings that are required to be reported in accordance with section 510 (A) of OMB Circular A-133.
7. The programs tested as major programs included:

Federal:

U.S. Department of Education
21st Century CCLC

84.287C

State:

Texas Education Agency

NOGA # 0810580171200011

8. The threshold for distinguishing type A and type B programs is \$300,000.
9. Communities In Schools – Corpus Christi, Inc. was determined to be a high-risk auditee.

HOLTMAN, WAGNER & COMPANY, L.L.P.
Certified Public Accountants

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New Braunfels, Texas 78130
830-625-1182
Fax 830-625-1498

System Review Report

January 28, 2010

To the Partners of Farris & Farris
and the Peer Review Committee of the
Texas Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Farris & Farris (the firm) in effect for the year ended July 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Farris & Farris in effect for the year ended July 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Farris & Farris has received a peer review rating of *pass*.

Holtman Wagner & Company LLP

Holtman, Wagner & Company, L.L.P.