

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**

**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 and 2009  
and  
SUPPLEMENTARY INFORMATION**

**with  
INDEPENDENT AUDITORS' REPORTS**

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6-7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-16
SUPPLEMENTARY INFORMATION	
SCHEDULE OF STATE REVENUES	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
INDEPENDENT AUDITORS' 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	20-21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	22-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24-25

## INDEPENDENT AUDITORS' REPORT

### **To the Board of Directors Communities In Schools of Georgia, Inc.**

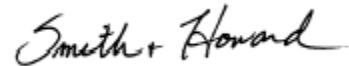
We have audited the accompanying statement of financial position of Communities In Schools of Georgia, Inc. (the "Organization") as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 Georgia, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 November 4, 2010 on our consideration of Communities in Schools of Georgia, 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 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 considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of state revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and NonProfit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

A handwritten signature in cursive script, reading "Smith + Howard".

November 4, 2010

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u><b>2010</b></u>	<u><b>2009</b></u>
Cash and cash equivalents	\$ 1,605,270	\$ 1,149,345
Restricted cash	84,329	94,969
Contributions, grants and other receivables, net (Note 2)	582,956	756,842
Prepaid expenses and other assets	45,533	56,066
Property and equipment, net (Note 3)	<u>57,051</u>	<u>62,960</u>
 Total Assets	 <u>\$ 2,375,139</u>	 <u>\$ 2,120,182</u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	\$ 898,714	\$ 711,361
Advances under grants	53,611	85,762
Deferred rent liability	80,820	79,233
Note payable (Note 5)	<u>19,415</u>	<u>-</u>
 Total Liabilities	 1,052,560	 876,356
 Commitments and contingencies (Note 9)		
 Net assets		
Unrestricted		
Undesignated	62,135	-
Designated for specific purposes	<u>800,000</u>	<u>722,848</u>
	862,135	722,848
 Temporarily restricted (Note 6)	 <u>460,444</u>	 <u>520,978</u>
 Total Net Assets	 <u>1,322,579</u>	 <u>1,243,826</u>
 Total Liabilities and Net Assets	 <u>\$ 2,375,139</u>	 <u>\$ 2,120,182</u>

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

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Revenues and Other Support:			
Contributions and other revenues	\$ 2,785,661	\$ 754,224	\$ 3,539,885
Grants	3,081,366	-	3,081,366
Interest income	3,064	-	3,064
Net assets released from restrictions (Note 6)	<u>814,758</u>	<u>(814,758)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>6,684,849</u>	 <u>(60,534)</u>	 <u>6,624,315</u>
Expenses:			
Program services (Note 7)	<u>5,763,615</u>	<u>-</u>	<u>5,763,615</u>
Supportive services:			
Fund-raising	327,647	-	327,647
Management and general	<u>454,300</u>	<u>-</u>	<u>454,300</u>
Total supportive services	<u>781,947</u>	<u>-</u>	<u>781,947</u>
 Total Expenses	 <u>6,545,562</u>	 <u>-</u>	 <u>6,545,562</u>
 Increase (Decrease) in Net Assets	 139,287	 (60,534)	 78,753
Net assets:			
Beginning of year	<u>722,848</u>	<u>520,978</u>	<u>1,243,826</u>
 End of year	 <u>\$ 862,135</u>	 <u>\$ 460,444</u>	 <u>\$ 1,322,579</u>

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

**2009**

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<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
\$ 2,877,343	\$ 785,000	\$ 3,662,343
2,942,870	-	2,942,870
10,865	-	10,865
<u>1,053,601</u>	<u>(1,053,601)</u>	<u>-</u>
<u>6,884,679</u>	<u>(268,601)</u>	<u>6,616,078</u>
<u>6,188,344</u>	<u>-</u>	<u>6,188,344</u>
281,288	-	281,288
<u>562,577</u>	<u>-</u>	<u>562,577</u>
<u>843,865</u>	<u>-</u>	<u>843,865</u>
<u>7,032,209</u>	<u>-</u>	<u>7,032,209</u>
(147,530)	(268,601)	(416,131)
<u>870,378</u>	<u>789,579</u>	<u>1,659,957</u>
<u>\$ 722,848</u>	<u>\$ 520,978</u>	<u>\$ 1,243,826</u>

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u><b>2010</b></u>	<u><b>2009</b></u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 78,753	\$ (416,131)
Adjustments:		
Depreciation and amortization	35,445	48,278
Provision (credit) for doubtful accounts	45,000	(102,000)
Gain on disposition of property and equipment	(4,410)	-
Changes in:		
Contributions, grants and other receivables, net	128,886	(35,954)
Prepaid expenses and other assets	10,533	6,781
Accounts payable and accrued expenses	187,353	(60,246)
Advances under grants	(32,151)	(105,475)
Deferred rent liability	<u>1,587</u>	<u>6,806</u>
Total adjustments	<u>372,243</u>	<u>(241,810)</u>
Net cash provided (required) by operating activities	<u>450,996</u>	<u>(657,941)</u>
Net Cash Used by Investing Activities:		
Purchases of property and equipment, net	<u>(5,436)</u>	<u>(24,989)</u>
Net cash required by investing activities	<u>(5,436)</u>	<u>(24,989)</u>
Net Cash Used by Financing Activities:		
Principal payments on note payable	<u>(275)</u>	<u>-</u>
Net cash required by financing activities	<u>(275)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	445,285	(682,930)
Cash and Cash Equivalents, Beginning of Year and Restricted Cash	<u>1,244,314</u>	<u>1,927,244</u>
Cash and Cash Equivalents, End of Year and Restricted Cash	<u>\$ 1,689,599</u>	<u>\$ 1,244,314</u>

Schedule of Non-Cash Investing and Financing Activities

During 2010, the Organization financed the purchase of a vehicle with a note payable in the amount of \$19,690.

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



**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Communities in Schools of Georgia, Inc. (the "Organization") was formed August 15, 1989 as a not-for-profit organization. The purpose of the Organization is to assist communities in Georgia in providing educational and developmental services to young people who are considered to be at risk of dropping out of school or who have already dropped out.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP"). In June 2009, the FASB issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, the Organization no longer references to particular standards of GAAP. The adoption of FASB ASC 105 did not impact the Organization's financial position or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased.

Restricted Cash

Certain of the Organization's state and federal grants require that a separate bank account be maintained. The cash balance that was restricted at June 30, 2010 and 2009 was \$84,329 and \$94,969, respectively.

Contributions, Grants, and Other Receivables

Contributions, grants and other receivables are stated at their fair value, less any allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on existing economic conditions, the financial conditions of the contributors, and the amount and age of the receivables. Bad debts are expensed and charged against the allowance account when deemed uncollectible based upon a periodic review of collections.

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and contributions, grants and other receivables. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn could materially affect the amounts reported in the accompanying financial statements.

Property and Equipment

The Organization capitalizes property and equipment expenditures over \$1,000. Property and equipment is stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets.

Deferred Rent Liability

Rent expense for operating leases that contain scheduled rent increases, net of any landlord allowances, is recognized for financial reporting purposes on the straight-line method. Consequently, amounts that have been expensed for financial reporting purposes, but not yet paid, are reflected as deferred rent liability in the accompanying statement of financial position.

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

The Organization records contributions as revenue upon notification from the donor. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Organization receives certain of its grants from governmental agencies and accounts for their grants as exchange transactions whereby revenue is recognized as expenses are incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Event

Management has evaluated subsequent events through November 4, 2010, the date which the financial statements were available to be issued.

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 2 - CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES**

Contributions, grants and other receivables consist of the following at June 30:

	<u><b>2010</b></u>	<u><b>2009</b></u>
Contributions receivable	\$ 2,840	\$ 8,422
Grants receivable	557,424	675,646
Accounts receivable, local affiliates	51,727	65,110
Other	<u>15,965</u>	<u>7,664</u>
	627,956	756,842
Less allowance for doubtful accounts	<u>(45,000)</u>	<u>-</u>
Contributions, grants and other receivables, net	<u><u>\$ 582,956</u></u>	<u><u>\$ 756,842</u></u>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u><b>2010</b></u>	<u><b>2009</b></u>
Office equipment	\$ 726,414	\$ 725,777
Furniture and fixtures	132,930	132,930
Computer software	127,879	127,879
Vehicles	<u>28,900</u>	<u>30,528</u>
	1,016,123	1,017,114
Less accumulated depreciation and amortization	<u>(959,072)</u>	<u>(954,154)</u>
	<u><u>\$ 57,051</u></u>	<u><u>\$ 62,960</u></u>

Depreciation and amortization expense for the year ended June 30, 2010 and 2009 was \$35,445 and \$48,278, respectively.

**NOTE 4 - LINE OF CREDIT**

In September 2008, the Organization entered into a \$250,000 line of credit agreement with a financial institution. The line carried interest at the bank's prime rate plus 2% and was collateralized by certain assets of the Organization. The line expired in September of 2009 and was not renewed.

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 5 - NOTE PAYABLE**

In June 2010, the Organization entered into a \$19,690 note payable with a financial institution at a fixed rate of 6.94%. Interest and principal payments of \$390 are due monthly. The note payable is secured by the purchased vehicle and matures in June 2015. The outstanding borrowings at June 30, 2010 totaled \$19,415.

Principal maturities on the note payable are as follows at June 30:

2011	\$	3,137
2012		3,657
2013		3,920
2014		4,200
2015		<u>4,501</u>
	<u>\$</u>	<u>19,415</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

The components of temporarily restricted net assets were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Performance Learning Centers Support	\$ 411,603	\$ 424,978
Supplemental Grant Matching Program	1,000	71,000
Summit Meeting	-	25,000
Other	<u>47,841</u>	<u>-</u>
	<u>\$ 460,444</u>	<u>\$ 520,978</u>

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Net assets released from restrictions during the years ended June 30 were as follows:

	<u><b>2010</b></u>	<u><b>2009</b></u>
Performance Learning Centers Support	\$ 529,099	\$ 290,022
Supplemental Grant Matching Program	70,000	313,295
Internship and Job Shadowing Program	186,000	-
Development of Performing Learning Centers	-	109,037
Performance Learning Center Camp	-	250,000
Other	<u>29,659</u>	<u>91,247</u>
	<u><u>\$ 814,758</u></u>	<u><u>\$ 1,053,601</u></u>

**NOTE 7 - PROGRAM EXPENSES**

Program service expenses during the years ended June 30 were as follows:

	<u><b>2010</b></u>	<u><b>2009</b></u>
AmeriCorps	\$ 340,922	\$ 336,270
Communities Empowerment Youth Program	93,711	207,551
Comprehensive Student Dropout Prevention Initiative - DOE	1,117,775	1,280,315
Georgia Institute of Technology/BOR	85,455	-
High School Graduation Coach	-	219,410
Parental Information Resource Centers III	501,581	592,189
Performance Learning Centers	2,248,595	2,199,314
Adolescence & Family Life Demonstration Project	968,362	364,185
Georgia Mentoring Partnership	-	80,568
Other Dropout Prevention Programs	344,474	870,510
Volunteers in Service to America	<u>62,740</u>	<u>38,032</u>
	<u><u>\$ 5,763,615</u></u>	<u><u>\$ 6,188,344</u></u>

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 8 - RETIREMENT PLANS**

The Organization has a Simplified Employee Pension Plan (SEP), a defined contribution plan, under which the Organization may contribute, at their discretion, 3% of each employee's salary, plus up to an additional 3% to match employees' contributions. All employees are eligible to participate in this plan. The Organization also has an Internal Revenue Code Section 403(b) defined-contribution plan whereby employees can contribute to the plan on a voluntary basis. In June 2008, the Board of Directors approved suspension of all employer contributions.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Organization leases office space under various non-cancellable operating leases. The office leases, which expire August 2015, stipulates terms for forecasting additional rent and operating expenses, and includes a renewal option for one additional period of five years.

Future minimum lease payments for the years ending June 30 are as follows:

2011	\$ 216,093
2012	222,529
2013	229,271
2014	236,168
2015	243,180
Thereafter	<u>40,725</u>
	<u>\$ 1,187,966</u>

Total rent expense under all operating leases for the years ended June 30, 2010 and 2009 approximated \$200,000 and \$188,000, respectively.

The Organization is dependent upon contributions, grants and other public support for its revenues. Since 2008, the Organization experienced a significant decline in those revenues due mainly to the ending of certain programs and economic conditions that have impacted the ability of contributors, grantors and other supporters to give at levels previously provided to the Organization. The ability of certain of the Organization's contributors, grantors and supporters to give amounts comparable with previous years is greatly dependent upon current and future overall programmatic and economic conditions. Therefore, the Organization has developed a financial and operational plan projecting reduced revenues and expenses to continue providing its programs. While the Organization believes it has the resources to continue its programs during the year ending June 30, 2011 and beyond, its ability to do so is dependent upon the above factors.

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)**

Grants often require fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although the return of funds is a possibility, the Organization deems the contingency unlikely as the Organization has implicitly agreed to comply with the provisions of each grant received.



## **SUPPLEMENTARY INFORMATION**

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**SCHEDULE OF STATE REVENUES**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u><b>2010</b></u>	<u><b>2009</b></u>
Agency/Funding		
Georgia Department of Education	<u>\$ 1,117,775</u>	<u>\$ 1,373,347</u>

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>2010 Federal Expenditures</u>	<u>2009 Federal Expenditures</u>
<b>U.S. Corporation for National &amp; Community Service:</b>				
Direct Programs:				
Volunteers in Service to America	94.013		\$ 19,447	\$ 38,032
ARRA- Volunteers in Service to America	94.013		4,500	-
Total Volunteers in Service to America			<u>23,947</u>	<u>38,032</u>
Pass-through program from Georgia Department of Community Affairs:				
AmeriCorps	94.006 *	06AFHGA0016	82,700	69,410
AmeriCorps	94.006 *	06AFHGA0026	258,222	266,860
Total AmeriCorps			<u>340,922</u>	<u>336,270</u>
			<u>364,869</u>	<u>374,302</u>
<b>U.S. Department of Education:</b>				
Direct Programs:				
Communities in Schools of Georgia's Information and Resource Centers Project (Goals 2006: Parental Information Resource Centers III)	84.310A		501,581	592,189
Georgia Mentoring Partnership	84.214K		-	80,568
College Access Challenge Grant Program	84.378A		<u>158,262</u>	<u>60,905</u>
			<u>659,843</u>	<u>733,662</u>
<b>U.S. Department of Health and Human Services:</b>				
Direct Program:				
Communities Empowerment Youth Program	93.647		93,711	207,551
Adolescence & Family Life Demonstration Project	93.995 *		<u>968,362</u>	<u>364,186</u>
			<u>1,062,073</u>	<u>571,737</u>
Total Federal Expenditures			<u>\$ 2,086,785</u>	<u>\$ 1,679,701</u>

\* Indicates major program tested.

Note: This schedule is prepared 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*.

## **INDEPENDENT AUDITORS' 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 Communities In Schools of Georgia, Inc.**

We have audited the financial statements of Communities In Schools of Georgia, Inc. (the "Organization") as of June 30, 2010 and for the year then ended, and have issued our report thereon dated November 4, 2010. 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 the Organization's 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

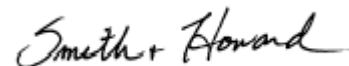
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 the 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 compliance that we considered to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, 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.

A handwritten signature in black ink, appearing to read "Smith + Howard", is positioned in the lower right area of the page.

November 4, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
Communities In Schools of Georgia, Inc.**

Compliance

We have audited the compliance of Communities In Schools of Georgia, Inc. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditors' 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 programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

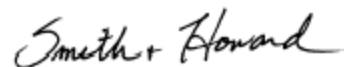
## Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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 deficiencies, 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 the Board of Directors, management, federal awarding agencies, and pass-through entities listed in the schedule of expenditures of federal awards and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Smith + Howard".

November 4, 2010

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

Section I – Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiencies identified that are not  
considered to be material weakness(es)?        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 that are not  
considered to be material weakness(es)?        yes   X   none reported

Type of auditor's report issued on compliance  
of major programs: Unqualified

Any audit findings disclosed that are required to be  
Reported in accordance with Section 510(a) of  
OMB Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>94.006</u>	AmeriCorps
<u>93.995</u>	Adolescence & Family Life Demonstration Project



**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

Section I – Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between  
type A and type B programs:                      \$ 300,000

Auditee qualified as low-risk auditee?                        X   yes                             no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Summary Schedule of Prior Audit Findings and Questioned Costs

No matters were reported.