

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 and 2013
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
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
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	21-22
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	23-24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25-26

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Communities in Schools of Georgia, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

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 of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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

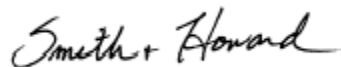
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 the date of this report, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.



November 11, 2014

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,359,808	\$ 3,853,645
Restricted cash	54,939	64,826
Grants and other receivables	544,259	224,904
Pledges receivable, net	100,000	1,750,000
Prepaid expenses and other assets	106,925	75,201
Property and equipment, net	<u>1,276</u>	<u>994</u>
 Total Assets	 <u><u>\$ 5,167,207</u></u>	 <u><u>\$ 5,969,570</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 863,786	\$ 556,153
Advances under grants	12,889	18,103
Deferred rent liability	35,764	55,070
Note payable	<u>-</u>	<u>8,701</u>
 Total Liabilities	 912,439	 638,027
Net assets		
Unrestricted		
Undesignated	498,434	508,951
Designated for specific purposes	<u>1,300,000</u>	<u>800,000</u>
	1,798,434	1,308,951
Temporarily restricted	<u>2,456,334</u>	<u>4,022,592</u>
 Total Net Assets	 <u><u>4,254,768</u></u>	 <u><u>5,331,543</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 5,167,207</u></u>	 <u><u>\$ 5,969,570</u></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, 2014 AND 2013

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contributions and other revenues	\$ 2,226,514	\$ 482,294	\$ 2,708,808
Grants	1,802,371	-	1,802,371
Interest income	7,213	-	7,213
Net assets released from restrictions	<u>2,048,552</u>	<u>(2,048,552)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>6,084,650</u>	 <u>(1,566,258)</u>	 <u>4,518,392</u>
Expenses:			
Program services	<u>4,950,481</u>	<u>-</u>	<u>4,950,481</u>
Supportive services:			
Fundraising	254,590	-	254,590
Management and general	<u>390,096</u>	<u>-</u>	<u>390,096</u>
Total supportive services	<u>644,686</u>	<u>-</u>	<u>644,686</u>
 Total Expenses	 <u>5,595,167</u>	 <u>-</u>	 <u>5,595,167</u>
 Increase (Decrease) in Net Assets	 489,483	 (1,566,258)	 (1,076,775)
Net assets:			
Beginning of year	<u>1,308,951</u>	<u>4,022,592</u>	<u>5,331,543</u>
 End of year	 <u>\$ 1,798,434</u>	 <u>\$ 2,456,334</u>	 <u>\$ 4,254,768</u>

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

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,310,414	\$ 478,839	\$ 1,789,253
2,370,853	-	2,370,853
11,593	-	11,593
<u>2,797,281</u>	<u>(2,797,281)</u>	<u>-</u>
 <u>6,490,141</u>	 <u>(2,318,442)</u>	 <u>4,171,699</u>
 <u>5,880,309</u>	 <u>-</u>	 <u>5,880,309</u>
 274,694	 -	 274,694
<u>439,853</u>	<u>-</u>	<u>439,853</u>
<u>714,547</u>	<u>-</u>	<u>714,547</u>
 <u>6,594,856</u>	 <u>-</u>	 <u>6,594,856</u>
 (104,715)	 (2,318,442)	 (2,423,157)
 <u>1,413,666</u>	 <u>6,341,034</u>	 <u>7,754,700</u>
 <u><u>\$ 1,308,951</u></u>	 <u><u>\$ 4,022,592</u></u>	 <u><u>\$ 5,331,543</u></u>

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (1,076,775)	\$ (2,423,157)
Adjustments:		
Depreciation and amortization	1,249	18,765
Changes in:		
Grants and other receivables, net	(319,355)	110,828
Pledges receivable, net	1,650,000	1,565,103
Prepaid expenses and other assets	(31,724)	(18,290)
Accounts payable and accrued expenses	307,633	(326,480)
Advances under grants	(5,214)	(419,937)
Deferred rent liability	<u>(19,306)</u>	<u>(13,843)</u>
Total adjustments	<u>1,583,283</u>	<u>916,146</u>
Net cash provided (required) by operating activities	<u>506,508</u>	<u>(1,507,011)</u>
Cash Flows from Investing Activities:		
Additions of property and equipment	<u>(1,531)</u>	<u>-</u>
Net cash required by investing activities	<u>(1,531)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Principal payments on note payable	<u>(8,701)</u>	<u>(3,610)</u>
Net cash required by financing activities	<u>(8,701)</u>	<u>(3,610)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	496,276	(1,510,621)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>3,918,471</u>	<u>5,429,092</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 4,414,747</u>	<u>\$ 3,918,471</u>

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

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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").

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, 2014 and 2013 was \$54,939 and \$64,826, respectively.

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 grants and pledges receivable. 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. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements. Management continually monitors receivable balances and believes that its exposure to credit risk is limited.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

The Organization records contributions as revenue upon notification from the donor and uses discounting for recording long-term pledges. 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. Bad debts are expensed and charged against the allowance account when deemed uncollectible based upon a periodic review of collections. There is no allowance deemed necessary at June 30, 2014 and 2013. During the year ended June 30, 2014, 34% of contributions and other revenues and 100% of pledges receivable were from one donor. During the year ended June 30, 2013, 68% of contributions and other revenues and 86% of pledges receivable were from one donor.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization receives certain grants from governmental agencies and accounts for their grants as exchange transactions whereby revenue is recognized as expenses are incurred. Receivables arise from reimbursements owed through these government contracts. The Organization's ability to collect amounts due is affected by the acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements. At June 30, 2014 and 2013, there was no allowance for uncollectible government grants. For the year ended June 30, 2014 and 2013, the Organization received approximately 40% and 57%, respectively, of its total public funding through various government agencies.

Donated Goods and Services

Donated goods, such as materials, equipment, or other assets, are reported as contributions at their estimated fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded as contributions at their estimated fair values in the period the services are performed. These services totaled approximately \$76,000 in 2014 and \$13,000 in 2013.

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. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the years ending before June 30, 2011.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the date of this report, which is the date which the financial statements were available to be issued.

NOTE 2 - GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Grants receivable	\$ 504,076	\$ 189,885
Accounts receivable, local affiliates	26,835	22,241
Other	<u>13,348</u>	<u>12,778</u>
	<u><u>\$ 544,259</u></u>	<u><u>\$ 224,904</u></u>

NOTE 3 - PLEDGES RECEIVABLE, NET

Pledges receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
CIS/Performance Learning Centers		
Development and Expansion	\$ -	\$ 1,500,000
Other	<u>100,000</u>	<u>250,000</u>
	<u><u>\$ 100,000</u></u>	<u><u>\$ 1,750,000</u></u>

Pledges receivable at June 30, 2014 are due in fiscal year 2015.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 746,609	\$ 745,078
Furniture and fixtures	132,930	132,930
Computer software	130,126	130,126
Vehicles	<u>-</u>	<u>28,901</u>
	1,009,665	1,037,035
Less accumulated depreciation and amortization	<u>(1,008,389)</u>	<u>(1,036,041)</u>
	<u><u>\$ 1,276</u></u>	<u><u>\$ 994</u></u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$1,249 and \$18,765, respectively.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
CIS/ Performance Learning Centers Development and Expansion	\$ 2,245,334	\$3,738,666
Performance Learning Centers Support	100,000	275,541
Communities in Schools Network Investment	<u>111,000</u>	<u>8,385</u>
	<u><u>\$ 2,456,334</u></u>	<u><u>\$ 4,022,592</u></u>

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	<u>2014</u>	<u>2013</u>
CIS/ Performance Learning Centers		
Development and Expansion	\$ 1,737,553	\$ 2,065,453
Performance Learning Centers Support	107,320	311,396
Leadership Institute	-	126,700
Communities in Schools Network Investment	203,679	292,799
Mentoring Program	<u>-</u>	<u>933</u>
	<u>\$ 2,048,552</u>	<u>\$ 2,797,281</u>

NOTE 6 - PROGRAM EXPENSES

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

	<u>2014</u>	<u>2013</u>
Performance Learning Centers	\$ 1,934,135	\$ 2,543,235
Comprehensive Student Dropout Prevention Initiative	2,184,242	1,661,314
Parental Information Resource Centers III	-	409,326
AmeriCorps	365,223	298,852
Communities in Schools Network Investment	308,760	296,362
College Access and College Success	97,177	467,449
Leadership Institute	-	126,700
Volunteers in Service to America	<u>60,944</u>	<u>77,071</u>
	<u>\$ 4,950,481</u>	<u>\$ 5,880,309</u>

NOTE 7 - 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. 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. During the years ended June 30, 2014 and 2013, the Organization had employer contributions of \$43,846 and \$44,069, respectively.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Organization leases office space under various non-cancellable operating leases. The office leases, which expire August 2015 (see Note 9), stipulate terms for forecasting additional rent and operating expenses, and include a renewal option for one additional period of five years.

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

2015	\$ 192,628
2016	<u>32,259</u>
	<u>\$ 224,887</u>

Total rent expense under all operating leases for the years ended June 30, 2014 and 2013 approximated \$199,000 and \$172,000, respectively.

The Organization is dependent upon contributions, grants and other public support for its revenues. The ability 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 to continue providing its programs. While the Organization believes it has the resources to continue its programs during the year ending June 30, 2015 and beyond, its ability to do so is dependent upon the above factors.

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.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 - SUBSEQUENT EVENTS

On July 22, 2014, the Organization entered into a new non-cancelable lease for office space. The commencement date of the lease was September 1, 2014 and expires September 1, 2024. As stated in Note 8, the Organization's current lease for office space doesn't expire until August 2015 and the Organization intends to continue making monthly payments on the space until the expiration date. The Organization's cease use date of space was October 20, 2014, at which time they recorded a liability of approximately \$160,000 for the remainder of the expected lease payments.

Under the new lease, future minimum lease payments are as follows:

2015	\$ 98,850
2016	134,302
2017	137,751
2018	141,240
2019	144,787
Thereafter	<u>821,256</u>
	<u>\$ 1,478,186</u>

SUPPLEMENTARY INFORMATION

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
SCHEDULE OF STATE REVENUES
YEAR ENDED JUNE 30, 2014

<u>Pass-through Grantor / Program Title</u>	<u>State Contract Number</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Due (advance) from State Agency</u>
Pass-through from State of Georgia Department of Education				
Department of Education Support - Dropout Prevention	41400-048-0000004444	\$ 653,170	\$ 933,100	\$ 279,930
Department of Education Support - Reinstated Funds	41400-048-0000004444	7,993	7,993	-
ARRA - Race to the Top - Development of Performance Learning Centers	41400-11-335-16679-R2	401,824	468,372	66,548
Governor's Office of Student Achievements	GOCF-GOSA-01-001	-	17,832	17,832
Pass-through from State of Georgia Department of Community Affairs				
	06AFHGA0010026/			
AmeriCorps	11AFHGA0010009	95,819	95,819	-
	06AFHGA0010026/			
AmeriCorps	12C139838	<u>216,571</u>	<u>269,404</u>	<u>52,833</u>
		<u>\$ 1,375,377</u>	<u>\$ 1,792,520</u>	<u>\$ 417,143</u>

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED JUNE 30, 2014 AND 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>2014 Federal Expenditures</u>	<u>2013 Federal Expenditures</u>
U.S. Corporation for National & Community Service:				
Direct Programs:				
Volunteers in Service to America	94.013	N/A	\$ 60,944	\$ 77,071
Pass-through programs from Georgia Department of Community Affairs:				
AmeriCorps	94.006	06AFHGA0010026/ 11AFHGA0010009	95,819	75,850
AmeriCorps	94.006	06AFHGA0010026/ 12C139838	<u>269,404</u>	<u>222,802</u>
Total AmeriCorps			<u>365,223</u>	<u>298,652</u>
			<u>426,167</u>	<u>375,723</u>
U.S. Department of Education:				
Direct Programs:				
Communities in Schools of Georgia's Information and Resource Centers Project (Goals 2006: Parental Information and Resource Centers III)	84.310A	N/A	-	380,116
Pass-through program from the Georgia Department of Education:				
ARRA - Race to the Top - Development of Performance Learning Centers	84.395A	41400-11-335-16679-R2	468,372	619,846
Pass-through program from the Georgia Institute of Technology:				
College Access Challenge Grant Program	84.378A	Y0018-G11	97,177	-
College Access Challenge Grant Program	84.378A	Y0016-G21	<u>-</u>	<u>126,564</u>
			<u>565,549</u>	<u>1,126,526</u>
Total Federal Expenditures			<u>\$ 991,716</u>	<u>\$ 1,502,249</u>

The accompanying notes are an integral part of this schedule.

COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014 AND 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards summarizes the expenditures of Communities in Schools of Georgia, Inc. (the "Organization") under programs of the federal government for the years ended June 30, 2014 and 2013 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provisions of Office of Management and Budget ("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.

NOTE 2 - NON-FEDERAL EXPENDITURES

The accompanying schedule of expenditures of federal awards includes non-federal expenditures relating to the contract match requirement of the AmeriCorp program (CFDA # 94.006) in the amounts of \$125,200 and \$80,275 for the years ended June 30, 2014 and 2013, respectively.

Included within the Volunteers in Service to America program (CFDA # 94.013) are non-federal expenditures relating to the contract match requirement in the amounts of \$34,320 and \$50,958 for the years ended June 30, 2014 and 2013, respectively.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Communities In Schools of Georgia, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated as of the date of this letter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

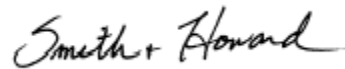
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 11, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Communities In Schools of Georgia, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

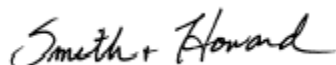
Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 OMB Circular A-133, 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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 11, 2014

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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:

CFDA Number(s)

Name of Federal Program or Cluster

84.395A

ARRA – Race to the Top – Development of
Performance Learning Centers

**COMMUNITIES IN SCHOOLS OF GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditors' 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.