

**COMMUNITY SERVICES, INC.**

Financial Statements  
with  
Report of Independent Auditors  
and  
Uniform Guidance Section

October 31, 2021

# COMMUNITY SERVICES, INC.

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Community Services, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Community Services, Inc. (the Organization), a non-profit organization, which comprise the statement of financial position as of October 31, 2021, 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.

### ***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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of October 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the accompanying schedule of state awards, are 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 July 25, 2022, 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.

*BKM Aowan Horan, LLP*

Dallas, TX  
July 25, 2022

## COMMUNITY SERVICES, INC.

### Statement of Financial Position October 31, 2021

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#### ASSETS

Cash and cash equivalents	\$ 138,239
Grant receivable	332,595
Prepaid expenses	23,730
Property and equipment, net	<u>509,462</u>
Total assets	<u><u>\$ 1,004,026</u></u>

#### LIABILITIES

Accounts payable	\$ 114,009
Due to grantor	126,965
Deferred revenue	338,296
Accrued payroll	80,071
Accrued vacation	55,429
Credit card payable	<u>30,290</u>
Total liabilities	745,060

#### Commitments and contingencies (Note 8)

#### NET ASSETS

Without donor restrictions	<u>258,966</u>
Total net assets	<u>258,966</u>
Total liabilities and net assets	<u><u>\$ 1,004,026</u></u>

See accompanying notes to the financial statements.

## COMMUNITY SERVICES, INC.

### Statement of Activities and Changes in Net Assets Year Ended October 31, 2021

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#### Changes in net assets without donor restrictions:

##### Revenues:

Government grants and contracts	\$ 4,824,905
Contributions	<u>50,442</u>
Total revenues without donor restrictions	4,875,347

##### Expenses:

Direct Client Services	2,955,761
Transportation Services	1,429,552
Senior Related Assistance	380,955
Program Support	87,063
General and Administrative	<u>115,298</u>

Total expenses	4,968,629
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Decrease in net assets	(93,282)
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Net assets, beginning of year	<u>352,248</u>
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Net assets, end of year	<u>\$ 258,966</u>
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See accompanying notes to the financial statements.

**COMMUNITY SERVICES, INC.**

Statement of Functional Expenses

Year Ended October 31, 2021

	Program Expense						General and Administrative	Total
	Direct Client Services	Senior Related Assistance	Program Support	Transportation Services	Total			
<b>EXPENSES</b>								
Program expenses	\$ 2,030,953	\$ 197,916	\$ 11,529	\$ 814	\$ 2,241,212	\$ 29,881	\$ 2,271,093	
Personnel expenses	755,162	133,620	-	934,230	1,823,012	52,954	1,875,966	
Professional fees	48,727	13,045	-	124,910	186,682	-	186,682	
Maintenance and repairs	3,848	13,197	-	107,008	124,053	2,353	126,406	
Occupancy	33,259	3,150	-	54,915	91,324	17,316	108,640	
Insurance	5,325	5,229	-	38,679	49,233	221	49,454	
Telephone	9,701	1,731	-	36,261	47,693	108	47,801	
Supplies	9,203	3,468	-	12,987	25,658	6,290	31,948	
Equipment rental	10,136	801	-	9,509	20,446	805	21,251	
Travel	17,745	2,840	-	193	20,778	353	21,131	
Training materials	8,714	212	-	5,338	14,264	8	14,272	
Board expenses	8,760	-	-	-	8,760	-	8,760	
Advertising and promotions	5,494	-	-	2,318	7,812	-	7,812	
Dues and subscriptions	5,985	350	-	610	6,945	100	7,045	
Bank fees	-	-	-	-	-	4,465	4,465	
Postage and shipping	1,360	110	-	263	1,733	85	1,818	
Miscellaneous	1,389	5,286	-	5,383	12,058	359	12,417	
<b>Total expenses before depreciation</b>	<b>2,955,761</b>	<b>380,955</b>	<b>11,529</b>	<b>1,333,418</b>	<b>4,681,663</b>	<b>115,298</b>	<b>4,796,961</b>	
Depreciation	-	-	75,534	96,134	171,668	-	171,668	
<b>Total expenses</b>	<b>\$ 2,955,761</b>	<b>\$ 380,955</b>	<b>\$ 87,063</b>	<b>\$ 1,429,552</b>	<b>\$ 4,853,331</b>	<b>\$ 115,298</b>	<b>\$ 4,968,629</b>	

See accompanying report of independent auditor.



## COMMUNITY SERVICES, INC.

### Statement of Cash Flows Year Ended October 31, 2021

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**Cash flows from operating activities:**

Decrease in net assets	\$ (93,282)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	171,668
Change in operating assets and liabilities:	
Grant receivable	226,546
Prepaid expenses	(23,307)
Accounts payable	(106,947)
Due to grantor	(38,522)
Deferred revenue	(19,630)
Accrued payroll	42,982
Credit card payable	(16,037)
	<hr/>
Net cash provided by operating activities	143,471
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(146,989)
	<hr/>
<b>Cash flows from financing activities:</b>	
Repayment of short-term loan payable	(68,260)
	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(71,778)</b>
Cash and cash equivalents, beginning of year	210,017
Cash and cash equivalents, end of year	<u><u>\$ 138,239</u></u>

See accompanying notes to the financial statements.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 1 - Organization**

Community Services, Inc. (the Organization) began in Navarro County, Texas on Feb 28, 1966 as Navarro County Action Committee, Inc. In November 1973, the Organization was renamed Community Services, Inc. The Organization is a Community Action Agency (non-profit), developed from the Economic Opportunity Act of 1964. The purpose of the Organization is to initiate and carry out a program of health, education and welfare for the residents of Texas. It was founded with a mission to help clients – specifically, low-income citizens in Navarro and surrounding rural areas to achieve success and rewards through confidential case management, direct coordination of resources, support services, and peer celebration activities. The Organization's support comes primarily from various government grants and public contributions.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of presentation***

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### ***Financial statement presentation***

The Organization's net assets, revenues and gains, and expenses are classified as with donor restrictions and without donor restrictions based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

- Net assets with donor restrictions consist of the principal amount of gifts which are required by donors to be permanently retained as well as donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.
- Net assets without donor restrictions do not contain donor restrictions or the donor-imposed restrictions have expired.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and loss are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Net assets with donor restrictions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. There are no donor restricted net assets as of October 31, 2021.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 2 - 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 amounts reported in the financial statements and accompanying notes. Significant estimates include depreciable lives of assets, including impairment considerations, and the functional allocation of expenses. Accordingly, actual results could differ from those estimates.

#### ***Cash and cash equivalents***

Cash and cash equivalents includes all highly-liquid investments with maturities of three months or less when purchased. As of October 31, 2021, there were no cash equivalents.

#### ***Restricted cash***

Restricted cash includes monies held related to requirements of specific note and grant agreements. The Organization had no restricted cash as of October 31, 2021.

#### ***Revenue recognition***

##### *Government grants and contracts*

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. The Organization submits requests for advance and/or reimbursement to grantors and pass-through agencies for grant funds. The Organization recognizes revenues on grants and contracts as the awards for such programs are expended. Indirect cost recovery by the Organization on grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue. Advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. These amounts are included in deferred revenue on the statement of financial position. The Organization had approximately \$338,000 in deferred revenue for advances received from Texas Department of Housing and Community Affairs (TDHCA).

Grants receivable represents grant funds which the Organization has earned and/or requested, but not received. Receivables are deemed by management to be fully collectible; therefore, no provision for bad debt expense or other valuation allowances has been recorded. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. See Note 4.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 2 - Summary of Significant Accounting Policies – (Continued)**

#### **Revenue recognition – continued**

##### *Contributions*

Contributions are recorded as revenue in the year notification is received from the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets without donor restrictions. Contributions received over multiple years are to be recorded at present value and amortized until last payment is received. No allowance for uncollectibility was considered necessary at October 31, 2021.

##### *Transportation fares*

The Organization provides transportation services to the public as part of their Community Transit Service Program. The Organization charges fares for transportation services at various rates based on the amount of stops and distance. Fare revenue is recorded as revenue as trips are completed. Due to the COVID-19 pandemic and for the safety of their transportation employees, the Organization paused all transportation fares for the year ended October 31, 2021 and resumed normal operations on November 1, 2021.

##### *In-kind contributions*

In-kind contributions are contributions of non-cash assets or services that can be utilized by the Organization. All in-kind contributions are recorded at fair value as follows. Amounts of non-cash assets to be used within one year are recorded at their net realizable value. Amounts of non-cash assets expected to be used in future years recorded at fair value, which considered estimated future cash flows discounted at the risk-free interest rate at the date of the contribution. During 2021, the Organization did not receive any in-kind contributions.

#### **Concentration of risk and significant grantors**

Certain grantors accounted for a significant portion of the Organization's revenue for 2021. The following table summarizes concentrations greater than 10% of grant receivable and revenue as of and for the year ended October 31, 2021:

Grantor	Grants Receivable	Revenue
A	59%	26%
B	38%	68%

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 2 - Summary of Significant Accounting Policies – (Continued)**

#### ***Concentration of risk and significant grantors – continued***

The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk on cash. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### ***Property and equipment***

Expenditures for property and equipment are stated at historical cost or, if acquired by gift, at the estimated fair value at the date of the gift, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over estimated useful lives of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Useful lives of assets range from 5 to 20 years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In making this evaluation, the Organization considers various factors, including the overall industry and economic environment, recent market activity, and the Organization's ability to hold the properties until recovery. No impairment losses were recognized in 2021.

#### ***Functional allocation of expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services benefited. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to the various programs and supporting services benefited.

#### ***Advertising***

The Organization expenses all advertising costs when incurred. The Organization incurred approximately \$8,000 in advertising costs for the year ended October 31, 2021.

#### ***Income taxes***

The Organization is exempt from federal income taxation on income related to its exempt purpose as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization did not have net unrelated business income for the year ended October 31, 2021. No provision for income taxes has been included in the accompanying financial statements.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 2 - Summary of Significant Accounting Policies – (Continued)**

#### ***Income taxes – continued***

The Organization's application of Accounting Standards Codification Topic 740, Income Taxes regarding uncertain tax positions had no effect on its financial position as management believes the Organization has no material unrecognized income tax benefits or liabilities, including the potential risk of loss of its not-for-profit status. The Organization would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits in income tax expense.

#### ***Subsequent events***

The Organization has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 25, 2022, the date on which the financial statements were available to be issued. See Note 9.

#### ***New accounting pronouncements***

In February 2016, the FASB issued a new standard, *Leases (Topic 842)*. The new standard was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard affects any entity that enters into a lease, with some specified scope exemptions. The amendments in this standard are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the standard and its effect on the financial statements.

### **Note 3 - Liquidity**

#### ***Quantitative***

The Organization had approximately \$138,000 as of October 31, 2021 of cash financial assets available to meet cash needs for general expenditures. None of the cash financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

#### ***Qualitative***

The Organization depends heavily on contributions and grants for its revenue. The ability of contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 3 – Liquidity – (Continued)**

#### ***Qualitative - continued***

While the Board of Directors believes the Organization has the resources to continue its programs, its ability to do so, and the extent to which it continues to do so, may be dependent on such economic factors.

The Organization has outstanding liabilities of approximately \$127,000 (See Note 6) due to the Texas Department of Transportation (TxDOT) for disallowed costs, which must be paid with non-federal funds. Subsequent to year end, the Organization paid off all amounts owed in full.

### **Note 4 - Grant Receivable**

The Organization receives grant support through periodic claims filed with respective funding sources, not to exceed a limit specified in the funding agreement. All earned portions of the grants not yet received as of year-end have been recorded as receivables. Grant receivable, by granting agency, consisted of the following at October 31, 2021:

Texas Department of Housing and Community Affairs	\$	125,486
Texas Department of Transportation		196,403
Texas Department of Health and Human Services		<u>10,706</u>
	\$	<u>332,595</u>

### **Note 5 - Property and Equipment**

Property and equipment, net consisted of the following as of October 31, 2021:

Equipment	\$	530,959
Transit covered parking		132,419
Vehicles		<u>1,281,565</u>
		1,944,943
Accumulated depreciation		<u>(1,435,481)</u>
	\$	<u>509,462</u>

Depreciation expense for the year ended October 31, 2021 was approximately \$172,000.

# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 6 - Due to Grantor**

As of October 31, 2021, the Organization owed Texas Department of Transportation approximately \$127,000 for disallowed costs (see Note 3).

### **Note 7 - Short-term Loan Payable**

In April 2020, the Organization entered into a loan agreement with Community National Bank & Trust of Texas. The Organization received total proceeds of \$68,260 for the loan. The loan matured on October 1, 2021 and bore a 3.54% interest rate. The loan was paid in full at maturity and no amounts were owed as of October 31, 2021.

### **Note 8 - Commitments and Contingencies**

#### ***Leases***

The Organization is obligated on various lease agreements for certain office equipment and facility space. These leases are classified as operating leases for accounting purposes. The majority of the office equipment leases are for terms of less than one year and/or cancelable. Total expense for all equipment and facility leases for the fiscal year ended October 31, 2021 was approximately \$122,000.

Future minimum lease payments for non-cancelable leases for facility space and office equipment are the following at October 31:

2022	\$	99,127
2023		91,227
2024		45,606
2025		676
		<hr/>
	\$	<u>236,636</u>

#### ***Retirement plan***

The Organization adopted a 401(k) Profit Sharing Plan (Plan A or the Plan) on January 1, 1997. The Plan is designed to provide retirement, death and disability benefits for employees when their employment with the Organization terminates. The Organization is responsible for the administration and management of the Plan. The Organization is the plan administrator and "named fiduciary" for the Plan and shall manage the operation of the Plan.



# COMMUNITY SERVICES, INC.

## Notes to Financial Statements

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### **Note 8 - Commitments and Contingencies – (Continued)**

#### ***Retirement plan – continued***

The Board has appointed an Advisory Committee to act as its agent in performing these duties. The Organization may contribute to the Plan for each plan year a discretionary amount, which the Board of Directors will determine by resolution, prior to the date the Organization files its federal informational return for such year.

Each employee is eligible to participate in the Plan if they complete one year of service (a 12 consecutive month period beginning on the initial date of hire, or the last day of rehire if you incurred a break in service, and each anniversary of such date) during which they complete 1,000 hours of service and attain the age of twenty-one.

The Organization also has a separate retirement plan (Plan B), in which employees that are vested in Plan A can contribute up to 3%, with an employer match portion equal to 100% employees' contribution. For the year ended October 31, 2021, the total matching contributions were approximately \$32,000 which is included in personnel expenses on the accompanying statement of functional expenses.

#### ***Economic dependency***

The Organization receives a significant portion of its revenue from funds provided through federal and state grants. The grant amounts are appropriated each year at the federal and/or state level. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

#### ***Contingent liabilities***

The Organization participates in a number of federal and state assisted programs. These programs are audited in accordance with Government Auditing Standards and the Uniform Guidance, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years may result in disallowed costs and grantor agencies may provide for further examinations. Management believes that further examinations would not result in any significant disallowed costs.

### **Note 9 – Subsequent Events**

On February 14, 2022, the Organization entered into a loan agreement with Cross River Bank for \$50,000. The loan requires 59 consecutive monthly payments of \$1,518 and one final payment of unpaid principal and interest on February 14, 2027, the maturity date. The loan bears interest at 26.69% per annum.

**UNIFORM GUIDANCE SECTION**



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Community Services, Inc.

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

We have audited Community Services, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended October 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 other major federal for the year ended October 31, 2021.

### ***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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKM Bowen Horan, LLP*

Dallas, Texas

July 25, 2022



## INDEPENDENT AUDITOR'S 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

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Board of Directors  
Community Services, 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 Community Services, Inc. (the Organization), which comprise the statement of financial position as of October 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2022.

### ***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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKM Souwan Horan, LLP*

Dallas, Texas

July 25, 2022

**COMMUNITY SERVICES, INC.**

Schedule of Expenditures of Federal Awards  
For the Year Ended October 31, 2021

Program Title and Source	Federal CFDA Number	Contract Number	Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through Texas Department of Housing and Community Affairs			
Community Services Block Grant	93.569	61200003217	\$ 227,001
Community Services Block Grant	93.569	61200003484	1,492,255
Community Services Block Grant	93.569	61210003448	133,808
Community Services Block Grant - CARES Act Funding	93.569	61200003338	<u>1,461,096</u>
Total passed through Texas Department of Housing and Community Affairs			<u>3,314,160</u>
Total U.S. Department of Health and Human Services			<u><u>3,314,160</u></u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Passed through Texas Department of Transportation			
Section 5307 Federal Transit - Formula Grants - CARES Act Funding	20.507	NCTCOG CAF	106,100
Section 5307 Federal Transit - Formula Grants	20.507	NCTCOG 2018	5,857
Section 5311 Formula Grants for Rural Areas	20.509	RPT 1902 (12) 39_19	132,419
Section 5311 Formula Grants for Rural Areas	20.509	RPT 2101 (12) 39_19	61,403
Section 5311 Formula Grants for Rural Areas	20.509	RPT 2101 (12) 045_20	279,140
Section 5311 Formula Grants for Rural Areas - CARES Act Funding	20.509	CAF 2101 (12) 072_20	607,730
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	ED 1904 (33) 074_19	1,743
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	ED 2201 (33) 108_21	<u>3,576</u>
Total passed through Texas Department of Transportation			<u>1,197,968</u>
Total U.S. Department of Transportation			<u><u>1,197,968</u></u>
<b>TOTAL FEDERAL AWARDS</b>			\$ <u><u>4,512,128</u></u>

See accompanying notes to the financial statements.



**COMMUNITY SERVICES, INC.**

Schedule of Expenditures of State Awards  
For the Year Ended October 31, 2021

<u>Program Title and Source</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
U.S. Department of Agriculture	HDM-21-6174	\$ <u>13,716</u>
Total U.S. Department of Agriculture		<u>13,716</u>
<b><u>U.S. DEPARTMENT OF AGING AND DISABILITY SERVICES</u></b>		
U.S. Department of Aging and Disability Services	000154900	\$ <u>169,845</u>
Total U.S. Department of Aging and Disability Services		<u>169,845</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>		
Passed through Texas Department of Transportation Public Transportation - Rural State Funds	RUR 2101 (33)	\$ <u>160,165</u>
Total U.S. Department of Transportation		<u>160,165</u>
<b>TOTAL STATE AWARDS</b>		\$ <u>343,726</u>

See accompanying notes to the financial statements.