

**COMMUNITY SERVICES OF
NORTHEAST TEXAS, INC.**

Linden, Texas

Independent Auditors' Report and
Financial Statements with
Supplementary Information

For the Year Ended September 30, 2018

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Services of Northeast Texas, Inc.
Linden, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Community Services of Northeast Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, 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 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 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 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 Community Services of Northeast Texas, Inc. as of September 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining schedule of activities (presented on Pages (14-18) is prepared for 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 March 1, 2019, on our consideration of Community Services of Northeast Texas, 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 solely 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 effectiveness of Community Services of Northeast Texas, Inc.'s 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 Community Services of Northeast Texas, Inc.'s internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 1, 2019

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Financial Position

September 30, 2018

ASSETS

Current Assets:

Cash	\$ 498,414.86
Receivables, Net	97,534.83
Prepaid Expense	49,305.23
Total Current Assets	<u>645,254.92</u>

Capital Assets, Net

1,517,654.16

TOTAL ASSETS

\$ 2,162,909.08

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:

Accounts Payable	\$ 314,380.05
Accrued Salary and Fringe	136,856.87
Accrued Annual Leave	54,637.47
Refundable Grant Advances	186,514.74
Total Current Liabilities	<u>692,389.13</u>

TOTAL LIABILITIES

692,389.13

Net Assets:

Unrestricted	819,781.40
Temporarily Restricted	<u>650,738.55</u>

TOTAL NET ASSETS

1,470,519.95

TOTAL LIABILITIES AND NET ASSETS

\$ 2,162,909.08

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Activities

For the Year Ended September 30, 2018

CHANGES IN NET ASSETS

Unrestricted Net Assets	
Revenues and Gains	
Contributions	\$ 8,643,810.11
Program Revenue	29,209.60
Miscellaneous Revenue	25,288.10
Total Revenue and Gains	<u>8,698,307.81</u>
Expenses	
Program Services	
Early Childhood Development	4,617,991.54
Nutrition Services	19,680.60
Community Services	310,990.00
Emergency Assistance	2,456,890.68
Supporting Activities	
Management and General	999,704.79
Fundraising	3,523.10
Total Expenses	<u>8,408,780.71</u>
Net Assets Released From Restrictions through Satisfaction of Program Restrictions	<u>22,994.14</u>
Increase (Decrease) in Unrestricted Net Assets	<u>312,521.24</u>
Temporarily Restricted Net Assets	
Contributions	607,331.52
Net Assets Released From Restrictions Through Satisfaction of Program Restrictions	<u>(22,994.14)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>584,337.38</u>
Net Increase(Decrease) In Net Assets	896,858.62
NET ASSETS, September 30, 2017	<u>573,661.33</u>
NET ASSETS, September 30, 2018	<u>\$ 1,470,519.95</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Functional Expenses

For the Year Ended September 30, 2018

Expenses	Program Services				Total Program Services
	Early Childhood Development	Nutrition Services	Community Services	Emergency Assistance	
Salaries	\$ 2,574,636.67	\$ 2,280.03	\$ 136,292.52	\$ 188,769.02	\$ 2,901,978.24
Fringe Benefits	707,995.97	1,893.07	47,452.19	36,645.11	793,986.34
Supplies	111,822.98	-	12,415.63	3,156.89	127,395.50
Small Equipment	34,482.15	85.26	9,317.51	2,837.54	46,722.46
Insurance	11,685.63	42.94	4,951.85	3,018.75	19,699.17
Professional Fees	67,556.37	-	-	3,897.53	71,453.90
Space	619,615.95	140.49	21,313.83	9,252.68	650,322.95
Repairs and Maintenance	15,745.26	80.54	17,975.61	7,566.22	41,367.63
Travel	85,428.94	-	1,690.72	1,034.79	88,154.45
Utilities	100,642.37	822.73	19,090.86	9,964.70	130,520.66
Vehicle	61,272.11	1,706.84	19,205.67	2,499.44	84,684.06
Utility Assistance	-	-	11,609.42	2,150,301.75	2,161,911.17
Program Services	-	-	(502.00)	31,539.03	31,037.03
Food	116,812.16	10,264.70	25.41	25.18	127,127.45
Other	30,600.18	120.00	2,215.55	6,382.05	39,317.78
Depreciation	79,694.80	2,244.00	7,935.23	-	89,874.03
Total Expenses	\$ 4,617,991.54	\$ 19,680.60	\$ 310,990.00	\$ 2,456,890.68	\$ 7,405,552.82
	Supporting Activities				
	Management and General	Fundraising	Total Organization Services		
Expenses					
Salaries	\$ 548,594.65	\$ 1,951.26	\$ 3,452,524.15		
Fringe Benefits	102,306.35	363.89	896,656.58		
Supplies	22,437.49	79.81	149,912.80		
Small Equipment	10,525.85	37.44	57,285.75		
Insurance	24,197.09	86.14	43,982.40		
Professional Fees	60,576.79	215.46	132,246.15		
Space	114,327.28	406.64	765,056.87		
Repairs and Maintenance	20,872.41	74.24	62,314.28		
Travel	14,198.72	50.50	102,403.67		
Utilities	29,984.09	106.65	160,611.40		
Vehicles	3,227.22	-	87,911.28		
Utility Assistance	1,536.41	5.46	2,163,453.04		
Program Services	31.22	0.11	31,068.36		
Food	(426.93)	(1.52)	126,699.00		
Other	21,134.82	75.17	60,527.77		
Depreciation	26,181.33	71.85	116,127.21		
Total Expenses	\$ 999,704.79	\$ 3,523.10	\$ 8,408,780.71		

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Cash Flows

For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 896,858.62
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	116,127.21
Noncash Donation of Capital Assets	(988,840.00)
(Increase) Decrease in Receivables	63,402.19
(Increase) Decrease in Prepaid Expense	(26,936.07)
Increase (Decrease) in Accounts Payable	(2,760.49)
Increase (Decrease) in Accrued Salary and Fringe	11,814.59
Increase (Decrease) in Accrued Annual Leave	(7,903.62)
Increase (Decrease) in Advances from Grantor	154,472.56
	<hr/>
Net cash provided by (used in) operating activities	216,234.99

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Junked Assets - Roof Insurance Proceeds	53,920.19
	<hr/>
Net cash provided by (used in) investing activities	53,920.19

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Line of Credit	92,039.44
Principal Payments on Line of Credit	(94,039.44)
	<hr/>
Net cash provided by (used in) financing activities	(2,000.00)

Net Increase (Decrease) in Cash and Cash Equivalents 268,155.18

Cash, September 30, 2017 230,259.68

Cash, September 30, 2018 \$ 498,414.86

Supplemental Information

Cash Paid During the Period for:

Interest Expense \$ 993.21

Noncash Donated Capital Assets

Land and Building - Kaufman 343,180.00

Land and Building - East Texas Enrichment Center 645,660.00

Total Noncash Donations \$ 988,840.00

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Notes to the Financial Statements

September 30, 2018

1. NATURE OF ACTIVITIES

Community Services of Northeast Texas, Inc. (the "Organization") is a nonprofit organization established in 1965 which serves the economically and socially disadvantaged persons in north east Texas consisting of Bowie, Camp, Cass, Delta, Franklin, Harrison, Hopkins, Lamar, Marion, Morris, and Panola, Rains, Red River, and Titus counties.

The Organization provides services to stimulate a better focusing of all available local, state, federal and private resources upon the goal of enabling low income families and individuals to attain the skills, knowledge, motivations and to secure the opportunities needed for them to become more fully self sufficient. The Organization administers the following major sources of revenue to meet the needs of the area it serves: Head Start Programs, Low-Income Home Energy Assistance Programs, Community Services Block Grant Programs, Star-Plus Nutrition Service Programs, and others. Expenses are broken down by program services. The following is a description of the program services:

Early Childhood Development - Provides high quality comprehensive child and family development services to income and age eligible children and their families, which includes education, health, nutrition, mental health, and parent involvement.

Nutrition Services - Provides meals to home bound citizens.

Emergency Assistance - Provides utility assistance to low-income individuals to assist them with energy bills, this could be gas, electric, Propane, etc.

Community Services - Community services programs strive to reduce poverty and empower low-income families to become self-sufficient.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's program policy is to prepare its financial statements on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Assets are recorded at cost when purchased, or in the case of gifts, at fair value at the date of the gift. Investments are valued at fair value for financial statement presentation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid instruments with a maturity of three months or less when acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of their grantors to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Capital Assets

It is the Organization's policy to capitalize capital assets with a useful life of more than one year and a value over \$5,000.00. Capital assets are stated at cost, if purchased, and at fair value at the date of donation, if donated. Such items acquired under grants from Federal and state sources are considered to be owned by the Organization while used in the programs for which they are purchased or in programs authorized in the future. However, the funding source has a reversionary interest in the property. Property and equipment purchased or donated to the corporate account are depreciated based on estimated useful lives using the straight-line method as follows:

Buildings and Improvements	5-30 Years
Furniture and Equipment	5-7 Years
Vehicles	5 Years

Net Assets

The Organization's net assets are classified as follows:

Unrestricted net assets: Unrestricted net assets represent those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction are included as well as resources derived from gifts and contributions. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

Temporarily restricted net assets: Temporarily restricted net assets consist of those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes.

Permanently restricted net assets: Permanently restricted net assets consist of funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions. If a restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Organization is exempt from Federal income taxes under IRS Code Section 501(c)(3). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

In-Kind Goods/Services

The Organization receives donated goods and services as part of its programs. In-kind contributions are shown both as support and expenditures in these programs, and are recorded at the fair value of the goods or services at the time of donation. Amounts included are only those allowable under generally accepted accounting principles.

Allocated Costs

The Organization allocates its expenses on a functional basis among its various programs and support activities. Expenses that can be identified with a specific program and support activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various allocation methods.

3. CONCENTRATION OF CREDIT RISK

At year-end, the carrying amount of the Organization's deposits was \$498,414.86. The bank balance was held at one bank resulting in a concentration of credit risk. The bank balance was \$710,513.39. Of the bank balance, \$250,000.00 was covered by FDIC insurance, \$382,827.61 was collateralized by pledged securities held under joint custody receipts by a third-party bank in the Organization's name, and \$78,185.78 was considered unsecured at year-end.

4. RECEIVABLES, NET

Receivables at September 30, 2018, consist of amounts due as follows:

Head Start	80,863.68
Head Start - USDA	16,153.86
Agrilife	199.00
Community Based Alternatives United Health Care	<u>6,528.24</u>
Total Receivables, Net	<u>\$ 97,534.83</u>

All accounts receivable at September 30, 2018, are considered collectible, therefore, the allowance for uncollectibility is zero.

5. CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended September 30, 2018:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018
Capital Assets				
Land	\$ 27,180.00	\$ 165,450.00	\$ -	\$ 192,630.00
Buildings	698,713.24	823,390.00	53,920.19	1,468,183.05
Equipment	359,176.90	-	-	359,176.90
Vehicles	716,062.74	-	-	716,062.74
Total Capital Assets	<u>1,801,132.88</u>	<u>988,840.00</u>	<u>53,920.19</u>	<u>2,736,052.69</u>
Accumulated Depreciation	<u>(1,102,271.32)</u>	<u>(116,127.21)</u>	<u>-</u>	<u>(1,218,398.53)</u>
Total Net Capital Assets	<u>\$ 698,861.56</u>	<u>\$ 872,712.79</u>	<u>\$ 53,920.19</u>	<u>\$ 1,517,654.16</u>

6. REFUNDABLE GRANT ADVANCES

Refundable grant advances at September 30, 2018, consist of grant funds received in advance of expenditures in the following programs:

Community Services Block Grant (CSBG)	\$ 11,501.99
Comprehensive Energy Assistance Program (CEAP)	6,196.78
Comprehensive Energy Assistance Program (CEAP) Current	134,155.89
Vet Services NOW	13,670.78
Tenant Based Rental Assistance	11,438.41
Community Services Block Grant - Discretionary	<u>9,550.89</u>
Total Refundable Grant Advances	<u>\$ 186,514.74</u>

7. LINE OF CREDIT

The Organization has obtained a line of credit with Texana Bank, Linden, Texas for operating expenses. The interest rate on the line of credit is 7.00%. The balance on the note at September 30, 2018 was \$0.00 and interest paid during the fiscal year ended September 30, 2018, was \$993.21.

8. OPERATING LEASES

As of September 30, 2018, the Organization has entered into a number of operating leases for space. Total payments for the year ended September 30, 2018, were \$163,482.07. Under the current lease agreements, the future minimum lease rentals are as follows:

2018	\$ 54,665.54
2019	19,100.00
2020	7,000.00

9. COMPENSATED ABSENCES

Employees earn annual leave based upon the following schedule:

<u>LENGTH OF SERVICE</u>	<u>FULL-TIME</u>	<u>PART-TIME</u>	<u>PART-TIME</u>
	<u>8 Hours Per Day</u>	<u>6 Hours Per Day</u>	<u>4 Hours Per Day</u>
0 – 3 Years	3 Hours	2.25 Hours	1.5 Hours
4 – 10 Years	5 Hours	3.75 Hours	2.5 Hours
11 – 19 Years	7 Hours	5.25 Hours	3.5 Hours
20 and Over	8 Hours	6 Hours	4 Hours

Hours are awarded per pay period.

Employees may accumulate up to a maximum balance of 208 hours. No employee may carry over more than 208 hours of accrued leave into a new fiscal year and hours in excess of 208 hours will be forfeited. Upon termination of employment, permanent employees will be paid for unused Personal Leave that has been earned through the last actual day worked up to a maximum of 80 hours. However, if a reduction in force occurs as a result of a decrease in or elimination of grant funds, the full 80 hours may not be reimbursed upon termination of employment.

The Organization determines a liability for compensated absences when the following conditions are met:

1. The Organization’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employee services already rendered;
2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with the above criteria, the Organization has accrued a liability for annual leave which has been earned, but not taken, by Organization employees.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets consist of donations received and are restricted to use and are presented by program as follows:

Utilities – Upshur Rural	\$ 15,337.82
Salvation Army	514.74
TLC	2,356.93
Roof Insurance Proceeds	53,920.19
East Texas Enrichment Center NBV	<u>578,608.87</u>
Total Temporarily Restricted Net Assets (Deficit)	<u>\$ 650,738.55</u>

11. IN-KIND CONTRIBUTIONS

Under the grant agreements, the Organization (grantee) receives a percentage of total estimated project funds from the Federal government. The balance of the project funds is contributed to the Organization from non-Federal sources in the form of “in-kind” contributions of services or goods from the Organization, delegated agencies, the community, or non-Federal governmental organizations. The services and goods donated are valued according to the grant guidelines. In-kind revenues and in-kind expenses that are allowable under generally accepted accounting principles (GAAP) have been recognized in the Head Start programs.

Head Start 06CH7174-03-03	Non-Professional Volunteers	\$	22,010.66
	Professional Services		142,078.78
	Travel		15,335.43
	Space		<u>89,001.86</u>
	Total In-Kind		268,426.73
	Non-GAAP		<u>(22,010.66)</u>
	In-Kind per GAAP	\$	<u>246,416.07</u>
Head Start 06CH7174-04-02	Non-Professional Volunteers	\$	70,263.68
	Professional Services		523,006.36
	Supplies		484.77
	Travel		57,634.03
	Space		<u>521,097.64</u>
	Total In-Kind		1,172,486.48
	Non-GAAP		<u>(70,263.68)</u>
	In-Kind per GAAP	\$	<u>1,102,222.80</u>

12. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

13. CONCENTRATION OF RISK

The Organization receives substantial revenue in the form of Federal and State grants. The effect on the Organization’s ability to continue operations if these funding sources were lost or cancelled is unknown.

14. SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent to September 30, 2018, through March 1, 2019, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2018

	Head Start	Head Start	Adult Nutrition	CBAUnited HC	CBA Cigna
Program Code	01	01	02	23	24
Grant Year End	11/30/2017	11/30/2018	9/30/2017	9/30/2018	9/30/2018
CFDA No.	93.600/10.558	93.600/10.558	N/A	N/A	N/A
	Early Childhood	Early Childhood	Elderly and Aging	Elderly and Aging	Elderly and Aging
Revenues and Gains					
Contributions					
Grant Revenue - Federal	\$ 649,521.60	\$ 3,052,859.71	\$ -	\$ -	-
Grant Revenue - Federal USDA	30,365.91	105,619.24	-	-	-
Grant Revenue - State	-	-	-	-	-
Local	-	-	-	-	-
Local Non-Cash	268,426.73	1,172,486.48	-	-	-
Program Revenue	-	-	-	12,640.82	16,369.10
Miscellaneous Revenue	-	-	-	-	-
Transfers	-	-	-	3,658.05	(999.69)
Total Revenue and Gains	948,314.24	4,330,965.43	-	16,298.87	15,369.41
Administration					
Salaries	61,483.00	285,006.78	-	2,588.47	1,715.96
Salaries Non-Cash	566.97	5,491.31	-	-	-
Fringe Benefits	11,556.12	51,712.27	-	381.37	250.57
Fringe Benefits Non-Cash	163.85	1,414.57	-	-	-
Supplies	6,372.64	7,920.61	-	-	-
Small Equipment	1,285.46	7,976.85	-	14.61	14.61
Insurance	1,181.25	8,261.56	-	78.39	55.65
Professional Fees	6,422.28	44,144.09	-	105.99	105.99
Space	1,587.16	7,166.35	-	158.46	158.46
Space Non-Cash	7,519.86	89,347.64	-	-	-
Repairs and Maintenance	2,679.99	11,008.52	-	102.44	102.44
Travel	141.35	986.92	-	-	-
Travel Non-Cash	103.63	1,062.93	-	-	-
Utilities	4,628.95	15,115.66	-	83.25	83.25
Vehicle	-	-	-	-	-
Program Services	-	-	-	-	-
Food	37.44	94.09	-	4.68	4.68
Other	2,370.59	3,897.90	-	7.95	5.59
Depreciation	-	-	-	-	-
Program					
Salaries	343,018.60	1,724,120.30	-	1,368.03	912.00
Salaries Non-Cash	125,491.56	454,953.24	-	-	-
Fringe Benefits	89,468.47	484,391.83	-	1,135.20	757.87
Fringe Benefits Non-Cash	36,267.06	117,195.92	-	-	-
Supplies	34,852.56	76,435.65	-	-	-
Supplies Non-Cash	50.00	484.77	-	-	-
Small Equipment	5,992.02	28,490.13	-	51.16	34.10
Insurance	1,706.24	9,979.39	-	19.71	23.23
Professional Fees	11,890.81	39,900.56	-	-	-
Professional Fees Non-Cash	1,550.00	14,215.00	-	-	-
Space	21,977.95	84,406.00	-	80.29	60.20
Space Non-Cash	81,482.00	431,750.00	-	-	-
Repairs and Maintenance	1,045.47	14,699.79	-	48.32	32.22
Travel	2,582.29	11,043.75	-	-	-
Travel Non-Cash	15,231.80	56,571.10	-	-	-
Utilities	17,987.72	82,654.65	-	489.77	332.96
Vehicle	9,594.88	51,677.23	-	1,021.31	685.53
Utility Assistance	-	-	-	-	-
Program Services	-	-	-	-	-
Food	29,535.90	87,276.26	-	6,158.75	4,105.95
Other	10,488.37	20,111.81	-	72.00	48.00
Total Expenses	948,314.24	4,330,965.43	-	13,970.15	9,489.26
Increase (Decrease) in Net Assets	-	-	-	2,328.72	5,880.15
NET ASSETS, Beginning of Year	-	-	(32,200.80)	6,466.88	61.36
NET ASSETS, End of the Year	\$ -	\$ -	\$ (32,200.80)	\$ 8,795.60	\$ 5,941.51

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2018

	CSBG	CSBG	CSBG	CSBG	CSBG Special
Program Code	05	05	DISCRETIONARY	DISCRETIONARY	DISCRETIONARY
Grant Year End	12/31/2017	12/31/2018	12/31/2017	01/31/2019	1/31/2019
CFDA No.	93.569	93.569	93.569	93.569	93.569
	Community Services	Community Services	Community Services	Community Services	Community Services
Revenues and Gains					
Contributions					
Grant Revenue - Federal	\$ 179,463.41	\$ 418,630.01	\$ 1,283.31	\$ 10,103.11	\$ 790.00
Grant Revenue - Federal USDA	-	-	-	-	-
Grant Revenue - State	-	-	-	-	-
Local	-	-	-	-	-
Local Non-Cash	-	-	-	-	-
Program Revenue	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-
Transfers	-	-	-	-	-
Total Revenue and Gains	179,463.41	418,630.01	1,283.31	10,103.11	790.00
Administration					
Salaries	68,353.15	133,243.89	-	-	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	12,183.83	25,007.66	-	-	-
Fringe Benefits Non-Cash	-	-	-	-	-
Supplies	2,308.52	2,832.25	-	-	-
Small Equipment	204.10	1,067.66	-	-	-
Insurance	424.93	3,764.20	-	-	-
Professional Fees	1,281.97	10,569.91	-	-	-
Space	3,024.50	4,301.96	-	-	-
Space Non-Cash	-	-	-	-	-
Repairs and Maintenance	1,297.46	4,965.80	-	-	790.00
Travel	1,389.13	8,396.28	-	-	-
Travel Non-Cash	-	-	-	-	-
Utilities	2,001.17	7,038.07	-	-	-
Vehicle	701.29	3,319.23	-	-	-
Program Services	-	-	-	-	-
Food	31.20	75.43	-	-	-
Other	2,638.79	6,201.69	-	-	-
Depreciation	-	-	-	-	-
Program					
Salaries	35,619.00	100,673.52	-	-	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	11,413.49	36,038.70	-	-	-
Fringe Benefits Non-Cash	-	-	-	-	-
Supplies	8,098.93	4,316.70	-	-	-
Supplies Non-Cash	-	-	-	-	-
Small Equipment	6,226.20	3,091.31	-	-	-
Insurance	738.65	4,213.20	-	-	-
Professional Fees	-	-	-	-	-
Professional Fees Non-Cash	-	-	-	-	-
Space	10,853.96	10,459.87	-	-	-
Space Non-Cash	-	-	-	-	-
Repairs and Maintenance	2,791.77	15,183.84	-	-	-
Travel	316.05	1,175.67	-	-	-
Travel Non-Cash	-	-	-	-	-
Utilities	2,921.52	16,169.34	-	-	-
Vehicle	3,333.54	15,872.13	-	-	-
Utility Assistance	-	223.00	1,283.31	10,103.11	-
Program Services	-	(502.00)	-	-	-
Food	1.12	24.29	-	-	-
Other	1,309.14	906.41	-	-	-
Total Expenses	179,463.41	418,630.01	1,283.31	10,103.11	790.00
Increase (Decrease) in Net Assets	-	-	-	-	-
NET ASSETS, Beginning of Year	-	-	-	-	-
NET ASSETS, End of the Year	\$ -	\$ -	\$ -	\$ -	\$ -

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2018

	Agilife	CEAP	CEAP	Utilities-Upshur Rural	Salvation Army
Program Code	30	08	08	12	13
Grant Year End	09/30/2018	03/31/2018	03/31/2019	9/30/2018	9/30/2018
CFDA No.	N/A	93.568	93.568	N/A	N/A
	Community Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services
Revenues and Gains					
Contributions					
Grant Revenue - Federal	\$ -	\$ 698,445.14	\$ 1,713,650.15	\$ -	\$ -
Grant Revenue - Federal USDA	-	-	-	-	-
Grant Revenue - State	-	-	-	-	-
Local	199.00	-	-	14,579.59	419.62
Local Non-Cash	-	-	-	-	-
Program Revenue	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-
Transfers	-	2,164.46	-	-	-
Total Revenue and Gains	199.00	700,609.60	1,713,650.15	14,579.59	419.62
Administration					
Salaries	-	-	-	-	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	-	-	-	-	-
Fringe Benefits Non-Cash	-	-	-	-	-
Supplies	-	-	-	-	-
Small Equipment	-	-	-	-	-
Insurance	-	-	-	-	-
Professional Fees	-	-	-	-	-
Space	-	-	-	-	-
Space Non-Cash	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-
Travel	-	-	-	-	-
Travel Non-Cash	-	-	-	-	-
Utilities	-	-	-	-	-
Vehicle	-	-	-	-	-
Program Services	-	-	-	-	-
Food	-	-	-	-	-
Other	-	-	-	-	-
Depreciation	-	-	-	-	-
Program					
Salaries	-	27,857.77	151,780.65	-	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	-	3,316.91	32,628.59	-	-
Fringe Benefits Non-Cash	-	-	-	-	-
Supplies	-	188.69	2,428.10	-	127.10
Supplies Non-Cash	-	-	-	-	-
Small Equipment	-	57.02	2,515.52	-	-
Insurance	-	15.90	3,002.85	-	-
Professional Fees	-	377.42	3,376.56	-	-
Professional Fees Non-Cash	-	-	-	-	-
Space	-	1,801.00	6,521.12	-	38.00
Space Non-Cash	-	-	-	-	-
Repairs and Maintenance	-	624.89	5,391.33	-	-
Travel	199.00	81.70	788.75	-	41.36
Travel Non-Cash	-	-	-	-	-
Utilities	-	1,046.54	8,885.30	-	-
Vehicle	-	-	2,283.18	-	30.00
Utility Assistance	-	656,369.59	1,468,565.39	5,120.79	930.65
Program Services	-	8,515.86	23,023.17	-	-
Food	-	-	25.18	-	-
Other	-	356.31	2,434.46	-	2,857.08
Total Expenses	199.00	700,609.60	1,713,650.15	5,120.79	4,024.19
Increase (Decrease) in Net Assets	-	-	-	9,458.80	(3,604.57)
NET ASSETS, Beginning of Year	-	-	-	5,879.02	4,119.31
NET ASSETS, End of the Year	\$ -	\$ -	\$ -	\$ 15,337.82	\$ 514.74

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2018

	TLC	Tenant Based Renetal Assistance	Vet Servies Now	Local Admin	
Program Code	14	26	29	20/27	
Grant Year End	9/30/2018	09/30/2018	09/30/2018	9/30/2016	Combined
CFDA No.	N/A	14.239	N/A	N/A	Sub - Totals
	Emergency Services	Emergency Services	Emergency Services	Management and General	
Revenues and Gains					
Contributions					
Grant Revenue - Federal	\$ -	\$ 16,438.51	\$ -	\$ -	\$ 6,741,184.95
Grant Revenue - Federal USDA	-	-	-	-	135,985.15
Grant Revenue - State	-	-	16,329.22	-	16,329.22
Local	592.50	-	-	4,372.73	20,163.44
Local Non-Cash	-	-	-	988,840.00	2,429,753.21
Program Revenue	-	-	-	199.68	29,209.60
Miscellaneous Revenue	-	-	-	25,288.10	25,288.10
Transfers	-	-	-	(4,822.82)	-
Total Revenue and Gains	592.50	16,438.51	16,329.22	1,013,877.69	9,397,913.67
Administration					
Salaries	-	-	-	(7,903.62)	544,487.63
Salaries Non-Cash	-	-	-	-	6,058.28
Fringe Benefits	-	-	-	-	101,091.82
Fringe Benefits Non-Cash	-	-	-	-	1,578.42
Supplies	-	-	-	3,083.28	22,517.30
Small Equipment	-	-	-	-	10,563.29
Insurance	-	-	-	10,517.25	24,283.23
Professional Fees	-	-	-	(1,837.98)	60,792.25
Space	-	-	-	1,469.53	17,866.42
Space Non-Cash	-	-	-	-	96,867.50
Repairs and Maintenance	-	-	-	-	20,946.65
Travel	-	-	-	2,168.98	13,082.66
Travel Non-Cash	-	-	-	-	1,166.56
Utilities	-	-	-	1,140.39	30,090.74
Vehicle	-	-	-	(793.30)	3,227.22
Program Services	-	-	-	31.33	31.33
Food	-	-	-	(675.97)	(428.45)
Other	-	-	-	6,087.48	21,209.99
Depreciation	-	-	-	116,127.21	116,127.21
Program					
Salaries	-	-	9,130.60	-	2,394,480.47
Salaries Non-Cash	-	-	-	-	580,444.80
Fringe Benefits	-	-	699.61	-	659,850.67
Fringe Benefits Non-Cash	-	-	-	-	153,462.98
Supplies	29.88	343.16	39.96	-	126,860.73
Supplies Non-Cash	-	-	-	-	534.77
Small Equipment	-	-	265.00	-	46,722.46
Insurance	-	-	-	-	19,699.17
Professional Fees	-	-	143.55	-	55,688.90
Professional Fees Non-Cash	-	-	-	-	15,765.00
Space	171.34	-	721.22	-	137,090.95
Space Non-Cash	-	-	-	-	513,232.00
Repairs and Maintenance	-	-	1,550.00	-	41,367.63
Travel	-	-	122.98	-	16,351.55
Travel Non-Cash	-	-	-	-	71,802.90
Utilities	-	-	32.86	-	130,520.66
Vehicle	-	144.12	42.14	-	84,684.06
Utility Assistance	-	15,872.00	3,443.33	1,541.87	2,163,453.04
Program Services	-	-	-	-	31,037.03
Food	-	-	-	-	127,127.45
Other	517.00	79.23	137.97	-	39,317.78
Total Expenses	718.22	16,438.51	16,329.22	130,956.45	8,501,055.05
Increase (Decrease) in Net Assets	(125.72)	-	-	882,921.24	896,858.62
NET ASSETS, Beginning of Year	2,482.65	-	-	586,852.91	573,661.33
NET ASSETS, End of the Year	\$ 2,356.93	\$ -	\$ -	\$ 1,469,774.15	\$ 1,470,519.95

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2018

	Program Code Grant Year End CFDA No.	Elimination Entries and GAAP Adjustments	Consolidated Totals
Revenues and Gains			
Contributions			
Grant Revenue - Federal	\$	-	\$ 6,741,184.95
Grant Revenue - Federal USDA		-	135,985.15
Grant Revenue - State		-	16,329.22
Local		-	20,163.44
Local Non-Cash		(92,274.34)	2,337,478.87
Program Revenue		-	29,209.60
Miscellaneous Revenue		-	25,288.10
Transfers		-	-
Total Revenue and Gains		<u>(92,274.34)</u>	<u>9,305,639.33</u>
Administration			
Salaries		-	544,487.63
Salaries Non-Cash		-	6,058.28
Fringe Benefits		-	101,091.82
Fringe Benefits Non-Cash		-	1,578.42
Supplies		-	22,517.30
Small Equipment		-	10,563.29
Insurance		-	24,283.23
Professional Fees		-	60,792.25
Space		-	17,866.42
Space Non-Cash		-	96,867.50
Repairs and Maintenance		-	20,946.65
Travel		-	13,082.66
Travel Non-Cash		-	1,166.56
Utilities		-	30,090.74
Vehicle		-	3,227.22
Program Services		-	31.33
Food		-	(428.45)
Other		-	21,209.99
Depreciation		-	116,127.21
Program			
Salaries		-	2,394,480.47
Salaries Non-Cash		(72,947.03)	507,497.77
Fringe Benefits		-	659,850.67
Fringe Benefits Non-Cash		(19,327.31)	134,135.67
Supplies		-	126,860.73
Supplies Non-Cash		-	534.77
Small Equipment		-	46,722.46
Insurance		-	19,699.17
Professional Fees		-	55,688.90
Professional Fees Non-Cash		-	15,765.00
Space		-	137,090.95
Space Non-Cash		-	513,232.00
Repairs and Maintenance		-	41,367.63
Travel		-	16,351.55
Travel Non-Cash		-	71,802.90
Utilities		-	130,520.66
Vehicle		-	84,684.06
Utility Assistance		-	2,163,453.04
Program Services		-	31,037.03
Food		-	127,127.45
Other		-	39,317.78
Total Expenses		<u>(92,274.34)</u>	<u>8,408,780.71</u>
Increase (Decrease) in Net Assets		-	896,858.62
NET ASSETS, Beginning of Year		-	573,661.33
NET ASSETS, End of the Year		<u>\$ -</u>	<u>\$ 1,470,519.95</u>

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Year End	Pass-Through Entity Identifying Number	CFDA #	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start	11/30/2017	N/A	93.600	\$ 649,521.60
Head Start	11/30/2018	N/A	93.600	3,052,859.71
			Total 93.600	<u>3,702,381.31</u>
Passed-through:				
Texas Department of Housing and Community Affairs				
Low-Income Home Energy Assistance Program (CEAP)	3/31/2018	58170002585	93.568	698,445.14
Low-Income Home Energy Assistance Program (CEAP)	3/21/2019	58180002782	93.568	1,713,650.15
			Total 93.568 (M)	<u>2,412,095.29</u>
Texas Department of Housing and Community Affairs				
Community Services Block Grant	1/31/2019	61180002928	93.569	10,103.11
Community Services Block Grant	1/31/2019	61180002909	93.569	790.00
Community Services Block Grant	12/31/2017	61170002682	93.569	1,283.31
Community Services Block Grant	12/31/2017	61170002627	93.569	179,463.41
Community Services Block Grant	12/31/2018	61180002852	93.569	418,630.01
			Total 93.569 (M)	<u>610,269.84</u>
Total U.S. Department of Health and Human Services				<u>6,724,746.44</u>
<u>U.S. Department of Agriculture</u>				
Passed-through:				
State of Texas Department of Agriculture				
Child and Adult Care Food Program	11/30/2017	FY17-7516008	10.558	30,365.91
Child and Adult Care Food Program	11/30/2018	FY18-7516008	10.558	105,619.24
			Total 10.558	<u>135,985.15</u>
Total U.S. Department of Agriculture				<u>135,985.15</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through the Texas Department of Housing and Community Affairs:				
HOME Investment Partnership Program	9/30/2018	M-14-SG-48-0100	14.239	16,438.51
Total U.S. Department of Agriculture				<u>16,438.51</u>
Total Expenditures of Federal Awards				<u>\$ 6,877,170.10</u>

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Services of Northeast Texas, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: INDIRECT COST RATE

Community Services of Northeast Texas, Inc. did not elect to use the 10% de minimis cost rate.

(M) = Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Directors
Community Services of Northeast Texas, Inc.
Linden, Texas

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 of Northeast Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, 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 March 1, 2019.

Internal Control over Financial Reporting

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 1, 2019

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Board of Directors
Community Services of Northeast Texas, Inc.
Linden, Texas

Report on Compliance for Each Major Federal Program

We have audited Community Services of Northeast Texas, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Community Services of Northeast Texas, Inc.'s major federal programs for the year ended September 30, 2018. Community Services of Northeast Texas, Inc.'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Services of Northeast Texas, 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 Community Services of Northeast Texas, Inc.'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 programs. However, our audit does not provide a legal determination of Community Services of Northeast Texas, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Services of Northeast Texas, Inc. 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 programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Community Services of Northeast Texas, Inc. 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 Community Services of Northeast Texas, Inc.'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 Community Services of Northeast Texas, Inc.'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 a 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.

Purpose of this Report

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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 1, 2019

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

Financial statements:

The auditors' report expresses an unmodified opinion on the financial statements of Community Services of Northeast Texas, Inc..

Internal Control over Financial Reporting:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	None Reported

Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i> ?	_____	Yes	_____ <u>X</u> _____	No
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Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	None Reported

The auditors' report on compliance for the major federal award programs for Community Services of Northeast Texas, Inc. expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____	Yes	_____ <u>X</u> _____	No
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Identification of major programs:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Low-Income Home Energy Assistance Program	CFDA 93.568
Community Services Block Grant	CFDA 93.569

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee?	_____ <u>X</u> _____	Yes	_____	No
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II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

None