

Community Services of Northeast Texas, Inc.

Linden, Texas

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended September 30, 2008

SAUNDERS & ASSOCIATES, PLLC

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COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

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September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Community Services of Northeast Texas, Inc. as of September 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Community Services of Northeast Texas, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Services of Northeast Texas, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services of Northeast Texas, Inc. as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Community Services of Northeast Texas, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis. This supplemental information is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Saunders & Associates PLLC
SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

March 20, 2009

FINANCIAL STATEMENTS

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

STATEMENT OF FINANCIAL POSITION

September 30, 2008

ASSETS

Current Assets:

Cash	\$ 145,975
Grant Receivables	230,605
Other Receivables	0
Total Current Assets	<u>376,580</u>

Property and Equipment

Property and Equipment	1,576,826
Accumulated Depreciation	(1,260,519)
Net Property and Equipment	<u>316,307</u>

TOTAL ASSETS

\$ 692,887

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 123,986
Accrued Expenses	209,011
Current Portion of Long-Term Debt	52,168
Total Current Liabilities	<u>385,165</u>

Non-Current Liabilities:

Notes Payable	127,597
Current Portion	(52,168)
Total Non-Current Liabilities	<u>75,429</u>
Total Liabilities	<u>460,594</u>

Net Assets:

Unrestricted	(130,763)
Temporarily Restricted	46,749
Investment in Property and Equipment	316,307
Total Net Assets	<u>232,293</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 692,887

* 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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Contract Revenue/Grants	\$ 0	\$ 5,105,120	\$ 5,105,120
Program Income	0	17,733	17,733
Other	6,613	2,667	9,280
In-Kind	0	980,649	980,649
	<u>6,613</u>	<u>6,106,169</u>	<u>6,112,782</u>
Total Revenues			
Net Assets Released From Restrictions: Satisfaction of Program Requirements	<u>6,086,171</u>	<u>(6,086,171)</u>	<u>0</u>
Total Revenues and Program Satisfaction	<u>6,092,784</u>	<u>19,998</u>	<u>6,112,782</u>
<u>EXPENSES</u>			
Head Start Program	4,158,205	0	4,158,205
Elderly Nutrition and Transportation	758,948	0	758,948
Energy Assistance	259,678	0	259,678
Emergency Assistance	3,599	0	3,599
Community Services	121,822	0	121,822
Management and General	789,647	0	789,647
	<u>6,091,899</u>	<u>0</u>	<u>6,091,899</u>
Total Expenses			
Change in Net Assets	885	19,998	20,883
Net Assets, Beginning of Year	(171,438)	470,754	299,316
Prior Period Adjustment	0	13	13
Returned to Grantor	0	(5,925)	(5,925)
Acquisition/(Disposition) of Fixed Assets	0	11,674	11,674
Depreciation	(1,700)	(91,968)	(93,668)
Transfers	46,590	(46,590)	0
	<u>46,590</u>	<u>(46,590)</u>	<u>0</u>
NET ASSETS, END OF YEAR	\$ <u>(125,663)</u>	\$ <u>357,956</u>	\$ <u>232,293</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, 2008

<u>EXPENSES</u>	<u>Head Start</u>	<u>Elderly Nutrition and Transportation</u>	<u>Energy Assistance</u>	<u>Emergency Assistance</u>
Salaries	\$ 2,026,592	\$ 125,976	\$ 8,504	\$ 0
Payroll Taxes	163,165	10,269	612	0
Fringe Benefits	286,598	37,312	14	0
Accounting and Audit	0	0	0	0
Supplies	83,130	23,359	0	0
Dues and Subscriptions	6	0	0	0
Equipment	71,543	5,950	0	0
Insurance	10,009	660	0	0
Interest	0	656	0	0
Legal	252	0	0	0
Memberships	1,235	0	0	0
Employee Costs	13,734	1,770	0	0
Volunteer Expense	232	0	0	0
Postage and Shipping	1,306	539	0	0
Printing and Advertising	5,132	1,292	28	0
Space	82,621	5,500	0	0
Repairs and Maintenance	55,919	2,380	0	0
Software Support and Maintenance	1,556	0	0	0
Telephone	31,351	4,850	0	0
Training and Technical Assistance	28,716	0	0	0
Travel	9,218	3,368	0	0
Utilities	59,228	12,063	0	0
Vehicle	93,441	68,077	0	0
Community Grant	0	0	0	0
Utility Assistance	0	0	250,520	0
Consultants	34,340	300	0	0
Education Costs	7,569	0	0	0
Food	190,038	415,424	0	0
Parent Activities	4,594	0	0	0
Emergency Assistance	0	0	0	3,599
Other	5,078	187	0	0
InKind	891,602	39,016	0	0
TOTAL EXPENSES	\$ 4,158,205	\$ 758,948	\$ 259,678	\$ 3,599

* 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, 2008

<u>EXPENSES</u>	<u>Community Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 55,276	\$ 491,671	\$ 2,708,019
Payroll Taxes	5,822	32,544	212,412
Fringe Benefits	3,360	53,980	381,264
Accounting and Audit	0	38,607	38,607
Supplies	2,120	14,283	122,892
Dues and Subscriptions	76	865	947
Equipment	4,813	8,661	90,967
Insurance	710	11,505	22,884
Interest	8,717	0	9,373
Legal	0	10,998	11,250
Memberships	0	3,535	4,770
Employee Costs	1,157	867	17,528
Volunteer Expense	62	50	344
Postage and Shipping	229	4,270	6,344
Printing and Advertising	269	524	7,245
Space	12,050	14,839	115,010
Repairs and Maintenance	29	2,440	60,768
Software Support and Maintenance	3,545	5,027	10,128
Telephone	7,984	14,055	58,240
Training and Technical Assistance	0	12,026	40,742
Travel	1,371	6,771	20,728
Utilities	2,944	5,708	79,943
Vehicle	25	4,939	166,482
Community Grant	10,000	0	10,000
Utility Assistance	0	0	250,520
Consultants	0	0	34,640
Education Costs	0	0	7,569
Food	283	181	605,926
Parent Activities	0	0	4,594
Emergency Assistance	0	0	3,599
Other	980	1,270	7,515
InKind	0	50,031	980,649
TOTAL EXPENSES	\$ 121,822	\$ 789,647	\$ 6,091,899

* 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, 2008

Cash Flows From Operating Activities:

Change in Net Assets		\$	20,883
Adjustment to Reconcile Change in Net Assets to			
Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Receivables	\$	(28,975)	
(Increase) Decrease in Prepaid Expense		8,243	
Increase (Decrease) in Account Payables		3,158	
Increase (Decrease) in Accrued Expenses		36,734	
Increase (Decrease) in Other Payables		(756)	
Acquisition/Disposition of Property and Equipment		11,674	
Returned to Grantor		(5,925)	
Prior Period Adjustment		13	
		<u>13</u>	
Total Adjustments			<u>24,166</u>
Net Cash Provided (Used) by Operating Activities			<u>45,049</u>
<u>Cash Flows From Investing Activities:</u>			
Acquisition/Disposition of Property and Equipment		<u>(11,674)</u>	
Net Cash Provided (Used) by Investing Activities			<u>(11,674)</u>
<u>Cash Flows From Financing Activities:</u>			
Debt Acquisition		131,085	
Debt Retirement		<u>(146,705)</u>	
Net Cash Provided (Used) by Financing Activities			<u>(15,620)</u>
Net Increase (Decrease) in Cash and Cash Equivalents			17,755
Cash and Cash Equivalents, September 30, 2007			<u>128,220</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2008		\$	<u>145,975</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE 1: ORGANIZATION

Nature of Activities – Community Services of Northeast Texas, Inc. (CSNT) is a private non-profit corporation incorporated under the laws of the State of Texas. CSNT is governed by a Board of Directors composed of members from the counties they serve. CSNT operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in various counties in Texas that CSNT serves. The following programs are administered by CSNT.

Head Start Program – Provides comprehensive early child development for disadvantaged and handicapped preschool children and their families. Operates a food service program for eligible children in coordination with the Head Start program during the school year.

Elderly Nutrition and Transportation – Operates programs designed to provide nutrition, transportation and other services to the elderly persons of the community.

Energy Assistance – Operates an energy crisis intervention program to assist low-income households with an energy crisis in offsetting the burden of high energy costs.

Emergency Services – Provides emergency assistance to individuals and families in emergency situations.

Community Services – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of CSNT have been prepared on the accrual basis of accounting where revenues are recognized when earned and expenses when incurred.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CSNT has no permanently restricted net assets. Therefore, this classification was omitted in the financial statement presentation. In addition, CSNT is required to present a statement of cash flows.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the organization. Generally, the donor of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

Income Tax Status – CSNT is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Property and Equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Grantors have a reversionary interest in property purchased with grant funds. It is the CSNT's policy to capitalize all items with a unit cost of \$5,000 or more.

Depreciation is calculated on the 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

In-Kind and Match Revenues, Expenses – Certain grants require in-kind and/or cash matching funds. CNST utilizes the fair market value of space and donated services as in-kind expenses. In-kind matching funds are included in both revenues and expenses.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE 3: CASH

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, cash consists of demand deposits maintained at financial institutions insured by the FDIC. Deposits are carried at cost. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

<u>Category</u>	<u>Bank Balance</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 101,586
2) Collateralized with securities held by the pledging financial institution's trust department.	107,742
3) Uncollateralized	<u>0</u>
TOTAL	<u>\$ 209,328</u>

NOTE 4: PROPERTY AND EQUIPMENT

Analysis of the property and equipment at September 30, 2008 is as follows:

	<u>Totals</u>
Buildings and Improvements	\$ 325,417
Furniture and Equipment	380,965
Vehicles	870,444
Accumulated Depreciation	<u>(1,260,519)</u>
Net Property and Equipment	<u>\$ 316,307</u>

NOTE 5: ACCRUED EXPENSES

Accrued expenses at September 30, 2008 were made up of the following:

Accrued Payroll	\$ 146,837
Accrued Leave	51,818
Other Payroll Liabilities	<u>10,356</u>
	<u>\$ 209,011</u>

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE 6: DEBT

Notes Payable – Long-term debt at September 30, 2008 consisted of the following:

Note payable to First National Bank of Linden, with interest at 8%, payable in 24 monthly installments of \$543 including interest, with the final payment due August 10, 2009, secured by a storage building.	\$ 5,219
Note payable to Capital One Bank, with interest at 9.39%, payable in 60 monthly installments of \$548 including interest, with a final payment due December 11, 2011, secured by 2 automobiles.	18,341
Note payable to Capital One Bank, with interest at 6.651%, payable in 60 monthly installments of \$2,232 including interest, with the final payment due April 1, 2012, unsecured	85,067
Note Payable Line of Credit (1)	<u>18,970</u>
Total Note Payable	<u>\$ 127,597</u>

(1) Revolving Line of Credit – CSNT has a \$40,000 line of credit. The interest rate on this line of credit is 3% above the prime rate. Activity for the fiscal year ended September 30, 2008 was as follows:

<u>09/30/07</u>	<u>Advances</u>	<u>Retirements</u>	<u>09/30/08</u>
\$ <u>3,850</u>	\$ <u>131,085</u>	\$(<u>115,965</u>)	\$ <u>18,970</u>

Debt requirements for the next 5 years are as follows:

2009	\$ 52,168
2010	29,973
2011	32,112
2012	<u>13,344</u>
Total	<u>\$ 127,597</u>

NOTE 7: ECONOMIC DEPENDENCY

CSNT 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. Management is not aware of any actions that will adversely affect the amount of funds the organization will receive in the next fiscal year.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE 8: OPERATING LEASES

The CSNT leases certain buildings and equipment various several operating leases. Rental costs on those items for the year ended September 30, 2008 was \$143,539. Future minimum lease payments for leases whose terms exceed one year are as follows:

Year Ending <u>September 30</u>	
2009	\$ 199,646
2010	133,001
2011	43,968
2012	41,868
2013	16,356
2014	<u>5,000</u>
	<u>\$ 439,839</u>

Leases contain termination clause.

NOTE 9: PRIOR PERIOD ADJUSTMENT

For the year ended September 30, 2008, CSNT made a correction to restate beginning net assets to include the Salvation Army fund. Beginning net assets, if restated as a result of this adjustment would be \$299,329.

NOTE 10: CONTINGENT LIABILITIES

The organization participates in a number of federally assisted programs. These programs are audited in accordance with *Government Auditing Standards and the Single Audit Act Amendments of 1996*, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

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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

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

We have audited the financial statements of Community Services of Northeast Texas, Inc. as of and for the year ended September 30, 2008, and have issued our report thereon dated March 20, 2009. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Services of Northeast Texas, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Services of Northeast Texas, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Services of Northeast Texas, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Community Services of Northeast Texas, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Community Services of Northeast Texas, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Community Services of Northeast Texas, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Community Services of Northeast Texas, Inc.'s internal control.

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

Compliance and Other Matters

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

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

Saunders + Associates PLLC

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Certified Public Accountants

March 20, 2009

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Community Services of Northeast Texas, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Community Services of Northeast Texas, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Services of Northeast Texas, Inc.'s management. Our responsibility is to express an opinion on Community Services of Northeast Texas, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on Community Services of Northeast Texas, Inc.'s compliance with those requirements.

In our opinion, Community Services of Northeast Texas, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Community Services of Northeast Texas, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Services of Northeast Texas, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in Community Services of Northeast Texas, Inc.'s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Community Services of Northeast Texas, Inc.'s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Community Services of Northeast Texas, Inc.'s internal control.

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

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

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

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

March 20, 2009

SUPPLEMENTAL INFORMATION

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-through Granter Number	Expenditures
<u>U.S. Dept. of Health and Human Services</u>			
Direct Programs:			
Head Start	93.600	06CH5356/41	\$ 549,429
Head Start	93.600	06CH5356/42	2,906,187
Passed Through Texas Dept. of Housing and Community Affairs:			
Community Services Block Grant	93.569	616023	93,705
Community Services Block Grant	93.569	61080000212	198,409
Low-Income Home Energy Assistance-CEAP	93.568	587023	47,649
Low-Income Home Energy Assistance-CEAP	93.568	58080000160	225,564
Passed Through East Texas Council of Governments			
Special Programs For the Aging- Title III, Part C	93.045	1000859	<u>642,114</u>
Total U.S. Dept. of Health and Human Services			<u>4,663,057</u>
<u>U. S. Department of Agriculture</u>			
Child and Adult Care Food Program Head Start	10.558	FY 07-7516008	64,113
Child and Adult Care Food Program Head Start	10.558	FY 08-7516008	<u>217,021</u>
Total Department of Agriculture			<u>281,134</u>
Total Federal Expenditures			<u>\$ 4,944,191</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

NOTES TO EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of CSNT 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: CONTINGENT LIABILITIES

The organization participates in a number of federally assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act Amendments of 1996*, if applicable, in accordance with the required levels of Federal Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

NOTE 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports filed with agencies.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF FINANCIAL POSITION

September 30, 2008

<u>ASSETS</u>	Head Start 01	DADS Meals 02	CSBG 05	ETCOG 07
Current Assets:				
Cash	\$ 77,034	\$ 8,377	\$ 34,424	\$ (3,961)
Grant Receivables	71,875	23,362	20,725	58,746
Other Receivables	0	0	0	0
Total Current Assets	<u>148,909</u>	<u>31,739</u>	<u>55,149</u>	<u>54,785</u>
Property and Equipment	1,415,306	26,000	0	83,909
Accumulated Depreciation	<u>(1,118,520)</u>	<u>(17,333)</u>	<u>0</u>	<u>(78,155)</u>
Total Net Property and Equipment	<u>296,786</u>	<u>8,667</u>	<u>0</u>	<u>5,754</u>
TOTAL ASSETS	\$ <u>445,695</u>	\$ <u>40,406</u>	\$ <u>55,149</u>	\$ <u>60,539</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 22,378	\$ 33,959	\$ 2,134	\$ 34,706
Accrued Expenses	124,608	18,250	10,149	2,287
Current Portion of Long Term Debt	0	0	0	18,970
Total Current Liabilities	<u>146,986</u>	<u>52,209</u>	<u>12,283</u>	<u>55,963</u>
Long-Term Liabilities:				
Notes Payable	0	0	0	18,970
Current Portion of Debt	0	0	0	(18,970)
Total Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>146,986</u>	<u>52,209</u>	<u>12,283</u>	<u>55,963</u>
Net Assets:				
Unrestricted	0	0	0	0
Investment in Property and Equipment	296,786	8,667	0	5,754
Temporarily Restricted:	1,923	(20,470)	42,866	(1,178)
Total Net Assets	<u>298,709</u>	<u>(11,803)</u>	<u>42,866</u>	<u>4,576</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>445,695</u>	\$ <u>40,406</u>	\$ <u>55,149</u>	\$ <u>60,539</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF FINANCIAL POSITION

September 30, 2008

<u>ASSETS</u>	CEAP 08	IP Grant 10	Utilities Upshur Rural 12	TLC Program 14
Current Assets:				
Cash	\$ (645)	\$ 46	\$ 568	\$ 1,294
Grant Receivables	55,897	0	0	0
Other Receivables	0	0	0	0
Total Current Assets	<u>55,252</u>	<u>46</u>	<u>568</u>	<u>1,294</u>
Property and Equipment	0	0	0	0
Accumulated Depreciation	0	0	0	0
Total Net Property and Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ <u>55,252</u>	\$ <u>46</u>	\$ <u>568</u>	\$ <u>1,294</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 30,791	\$ 0	\$ 64	\$ 0
Accrued Expenses	1,899	0	0	0
Current Portion of Long Term Debt	0	0	0	0
Total Current Liabilities	<u>32,690</u>	<u>0</u>	<u>64</u>	<u>0</u>
Long-Term Liabilities:				
Notes Payable	0	0	0	0
Current Portion of Debt	0	0	0	0
Total Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>32,690</u>	<u>0</u>	<u>64</u>	<u>0</u>
Net Assets:				
Unrestricted	0	0	504	1,294
Investment in Property and Equipment	0	0	0	0
Temporarily Restricted:	22,562	46	0	0
Total Net Assets	<u>22,562</u>	<u>46</u>	<u>504</u>	<u>1,294</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>55,252</u>	\$ <u>46</u>	\$ <u>568</u>	\$ <u>1,294</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF FINANCIAL POSITION

September 30, 2008

	TLC Bowie County 15	Salvation Army	Local Admin 20	Total
ASSETS				
Current Assets:				
Cash	\$ 5	\$ 1,000	\$ 27,833	\$ 145,975
Grant Receivables	0	0	0	230,605
Other Receivables	0	0	0	0
Total Current Assets	<u>5</u>	<u>1,000</u>	<u>27,833</u>	<u>376,580</u>
Property and Equipment	0	0	51,611	1,576,826
Accumulated Depreciation	0	0	(46,511)	(1,260,519)
Total Net Property and Equipment	<u>0</u>	<u>0</u>	<u>5,100</u>	<u>316,307</u>
TOTAL ASSETS	\$ <u>5</u>	\$ <u>1,000</u>	\$ <u>32,933</u>	\$ <u>692,887</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ (46)	\$ 123,986
Accrued Expenses	0	0	51,818	209,011
Current Portion of Long Term Debt	0	0	33,198	52,168
Total Current Liabilities	<u>0</u>	<u>0</u>	<u>84,970</u>	<u>385,165</u>
Long-Term Liabilities:				
Notes Payable	0	0	108,627	127,597
Current Portion of Debt	0	0	(33,198)	(52,168)
Total Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>75,429</u>	<u>75,429</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>160,399</u>	<u>460,594</u>
Net Assets:				
Unrestricted	5	0	(132,566)	(130,763)
Investment in Property and Equipment	0	0	5,100	316,307
Temporarily Restricted:	0	1,000	0	46,749
Total Net Assets	<u>5</u>	<u>1,000</u>	<u>(127,466)</u>	<u>232,293</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5</u>	\$ <u>1,000</u>	\$ <u>32,933</u>	\$ <u>692,887</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	Head Start 01	DADS Meals 02	CSBG 05	ETCOG 07
REVENUES AND OTHER SUPPORT				
Contract Revenue/Grants	\$ 3,736,751	\$ 700,139	\$ 275,956	\$ 115,036
Program Income	0	2	0	13,145
Other	200	0	0	474
In-Kind	941,633	0	0	39,016
Total Revenue and Other Support	<u>4,678,584</u>	<u>700,141</u>	<u>275,956</u>	<u>167,671</u>
EXPENSES				
Administrative				
Salaries	291,882	42,753	126,720	15,408
Payroll Taxes	18,508	3,265	8,461	1,297
Fringe Benefits	47,676	116	6,141	24
Accounting and Audit	28,965	4,688	3,730	819
Supplies	10,200	1,249	2,823	23
Dues and Subscriptions	672	9	184	0
Equipment	6,439	688	1,534	0
Insurance	9,035	397	1,953	120
Legal	10,967	18	13	0
Memberships	704	31	2,800	0
Employee Costs	493	47	78	0
Volunteer Expense	0	0	0	0
Postage and Shipping	2,629	532	970	125
Printing and Advertising	290	28	12	14
Space	10,506	1,506	2,782	0
Repairs and Maintenance	1,689	243	405	0
Software Support and Maintenance	2,433	446	2,148	0
Telephone	10,130	1,109	2,725	91
Training and Technical Assistance	10,703	100	182	0
Travel	57	610	5,856	248
Utilities	4,065	571	1,072	0
Vehicle	3,800	551	0	588
Food	144	0	37	0
Other	304	56	40	0
InKind	50,031	0	0	0
Total Administrative	<u>522,322</u>	<u>59,013</u>	<u>170,666</u>	<u>18,757</u>
Program				
Salaries	2,026,592	100,977	65,409	24,999
Payroll Taxes	163,165	8,234	5,822	2,035
Fringe Benefits	286,598	33,718	3,360	3,594
Supplies	81,160	11,356	2,629	12,003
Dues and Subscriptions	6	0	0	0
Equipment	71,543	0	4,813	5,950
Insurance	10,009	207	710	453
Interest	0	656	0	0
Legal	252	0	0	0

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	Head Start 01	DADS Meals 02	CSBG 05	ETCOG 07
<u>EXPENSES, Continued</u>				
Memberships	1,235	0	0	0
Employee Costs	13,734	755	92	1,015
Volunteer Expense	232	0	62	0
Postage and Shipping	1,306	363	229	176
Printing and Advertising	5,132	125	269	1,167
Space	82,621	0	12,050	5,500
Repairs and Maintenance	55,919	185	29	2,195
Software Support and Maintenance	1,556	0	3,545	0
Telephone	31,351	2,746	7,984	2,104
Training and Technical Assistance	28,716	0	0	0
Travel	9,218	1,776	1,371	1,592
Utilities	59,228	0	2,944	12,063
Vehicle	93,441	59,580	25	8,497
Community Grant	0	0	10,000	0
Utility Assistance	0	0	0	0
Consultants	34,340	165	0	135
Education Costs	7,569	0	0	0
Food	190,038	362,260	33	53,164
Parent Activities	4,594	0	0	0
Emergency Assistance	0	0	0	0
Other	5,078	0	72	187
InKind	891,602	0	0	39,016
Total Program	<u>4,156,235</u>	<u>583,103</u>	<u>121,448</u>	<u>175,845</u>
Total Expenses	<u>4,678,557</u>	<u>642,116</u>	<u>292,114</u>	<u>194,602</u>
Change in Net Assets	27	58,025	(16,158)	(26,931)
Net Assets, September 30, 2007	351,891	11,319	59,663	17,875
Transfers In (Out)	1,897	(70,291)	3,740	23,585
Returned to Grantor	0	0	0	0
Acquisition/(Disposition) of Fixed Assets	18,710	(2,189)	(4,379)	(468)
Depreciation	(73,816)	(8,667)	0	(9,485)
Prior Period Adjustment	0	0	0	0
NET ASSETS, SEPTEMBER 30, 2008	<u>\$ 298,709</u>	<u>\$ (11,803)</u>	<u>\$ 42,866</u>	<u>\$ 4,576</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	CEAP 08	IP Grant 10	Utilities Upshur Rural 12	TLC Program 14
<u>REVENUES AND OTHER SUPPORT</u>				
Contract Revenue/Grants	\$ 277,238	\$ 0	\$ 0	\$ 0
Program Income	0	0	0	0
Other	0	1,993	2,193	2,359
In-Kind	0	0	0	0
Total Revenue and Other Support	<u>277,238</u>	<u>1,993</u>	<u>2,193</u>	<u>2,359</u>
<u>EXPENSES</u>				
Administrative				
Salaries	14,908	0	0	0
Payroll Taxes	1,013	0	0	0
Fringe Benefits	67	0	0	0
Accounting and Audit	390	0	0	15
Supplies	0	0	0	0
Dues and Subscriptions	0	0	0	0
Equipment	0	0	0	0
Insurance	0	0	0	0
Legal	0	0	0	0
Memberships	0	0	0	0
Employee Costs	0	0	0	66
Volunteer Expense	0	0	0	0
Postage and Shipping	25	0	0	0
Printing and Advertising	0	0	0	0
Space	0	0	0	0
Repairs and Maintenance	0	0	0	0
Software Support and Maintenance	0	0	0	0
Telephone	0	0	0	0
Training and Technical Assistance	0	0	0	0
Travel	0	0	0	0
Utilities	0	0	0	0
Vehicle	0	0	0	0
Food	0	0	0	0
Other	0	0	0	46
InKind	0	0	0	0
Total Administrative	<u>16,403</u>	<u>0</u>	<u>0</u>	<u>127</u>
Program				
Salaries	8,504	0	0	0
Payroll Taxes	612	0	0	0
Fringe Benefits	14	0	0	0
Supplies	0	1,970	0	0
Dues and Subscriptions	0	0	0	0
Equipment	0	0	0	0
Insurance	0	0	0	0
Interest	0	0	0	0
Legal	0	0	0	0

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	CEAP 08	IP Grant 10	Utilities Upshur Rural 12	TLC Program 14
<u>EXPENSES, Continued</u>				
Memberships	0	0	0	0
Employee Costs	0	0	0	1,805
Volunteer Expense	0	0	0	0
Postage and Shipping	0	0	0	0
Printing and Advertising	28	0	0	0
Space	0	0	0	0
Repairs and Maintenance	0	0	0	0
Software Support and Maintenance	0	0	0	0
Telephone	0	0	0	0
Training and Technical Assistance	0	0	0	0
Travel	0	0	0	0
Utilities	0	0	0	0
Vehicle	0	0	0	0
Community Grant	0	0	0	0
Utility Assistance	247,652	0	2,868	0
Consultants	0	0	0	0
Education Costs	0	0	0	0
Food	0	0	0	0
Parent Activities	0	0	0	0
Emergency Assistance	0	0	0	0
Other	0	0	0	0
InKind	0	0	0	0
Total Program	<u>256,810</u>	<u>1,970</u>	<u>2,868</u>	<u>1,805</u>
Total Expenses	<u>273,213</u>	<u>1,970</u>	<u>2,868</u>	<u>1,932</u>
Change in Net Assets	4,025	23	(675)	427
Net Assets, September 30, 2007	29,983	23	1,243	867
Transfers In (Out)	(5,521)	0	(64)	0
Returned to Grantor	(5,925)	0	0	0
Acquisition/(Disposition) of Fixed Assets	0	0	0	0
Depreciation	0	0	0	0
Prior Period Adjustment	0	0	0	0
NET ASSETS, SEPTEMBER 30, 2008	<u>\$ 22,562</u>	<u>\$ 46</u>	<u>\$ 504</u>	<u>\$ 1,294</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	TLC Bowie County 15	Salvation Army	Local Admin 20	Total
REVENUES AND OTHER SUPPORT				
Contract Revenue/Grants	\$ 0	\$ 0	\$ 0	\$ 5,105,120
Program Income	0	4,586	0	17,733
Other	0	0	2,061	9,280
In-Kind	0	0	0	980,649
Total Revenue and Other Support	<u>0</u>	<u>4,586</u>	<u>2,061</u>	<u>6,112,782</u>
EXPENSES				
Administrative				
Salaries	0	0	0	491,671
Payroll Taxes	0	0	0	32,544
Fringe Benefits	0	0	(44)	53,980
Accounting and Audit	0	0	0	38,607
Supplies	0	0	(12)	14,283
Dues and Subscriptions	0	0	0	865
Equipment	0	0	0	8,661
Insurance	0	0	0	11,505
Legal	0	0	0	10,998
Memberships	0	0	0	3,535
Employee Costs	0	0	183	867
Volunteer Expense	0	0	50	50
Postage and Shipping	0	0	(11)	4,270
Printing and Advertising	0	0	180	524
Space	0	0	45	14,839
Repairs and Maintenance	0	0	103	2,440
Software Support and Maintenance	0	0	0	5,027
Telephone	0	0	0	14,055
Training and Technical Assistance	0	0	1,041	12,026
Travel	0	0	0	6,771
Utilities	0	0	0	5,708
Vehicle	0	0	0	4,939
Food	0	0	0	181
Other	0	0	824	1,270
InKind	0	0	0	50,031
Total Administrative	<u>0</u>	<u>0</u>	<u>2,359</u>	<u>789,647</u>
Program				
Salaries	0	0	(10,133)	2,216,348
Payroll Taxes	0	0	0	179,868
Fringe Benefits	0	0	0	327,284
Supplies	0	0	(509)	108,609
Dues and Subscriptions	0	0	76	82
Equipment	0	0	0	82,306
Insurance	0	0	0	11,379
Interest	0	0	8,717	9,373
Legal	0	0	0	252

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

COMBINING SCHEDULE OF ACTIVITIES

For the Year Ended September 30, 2008

	TLC Bowie County 15	Salvation Army	Local Admin 20	Total
<u>EXPENSES, Continued</u>				
Memberships	0	0	0	1,235
Employee Costs	0	0	(740)	16,661
Volunteer Expense	0	0	0	294
Postage and Shipping	0	0	0	2,074
Printing and Advertising	0	0	0	6,721
Space	0	0	0	100,171
Repairs and Maintenance	0	0	0	58,328
Software Support and Maintenance	0	0	0	5,101
Telephone	0	0	0	44,185
Training and Technical Assistance	0	0	0	28,716
Travel	0	0	0	13,957
Utilities	0	0	0	74,235
Vehicle	0	0	0	161,543
Community Grant	0	0	0	10,000
Utility Assistance	0	0	0	250,520
Consultants	0	0	0	34,640
Education Costs	0	0	0	7,569
Food	0	0	250	605,745
Parent Activities	0	0	0	4,594
Emergency Assistance	0	3,599	0	3,599
Other	0	0	908	6,245
InKind	0	0	0	930,618
Total Program	<u>0</u>	<u>3,599</u>	<u>(1,431)</u>	<u>5,302,252</u>
Total Expenses	<u>0</u>	<u>3,599</u>	<u>928</u>	<u>6,091,899</u>
Change in Net Assets	0	987	1,133	20,883
Net Assets, September 30, 2007	5	0	(173,553)	299,316
Transfers In (Out)	0	0	46,654	0
Returned to Grantor	0	0	0	(5,925)
Acquisition/(Disposition) of Fixed Assets	0	0	0	11,674
Depreciation	0	0	(1,700)	(93,668)
Prior Period Adjustment	0	13	0	13
NET ASSETS, SEPTEMBER 30, 2008	<u>\$ 5</u>	<u>\$ 1,000</u>	<u>\$ (127,466)</u>	<u>\$ 232,293</u>

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

STATUS OF PRIOR AUDIT FINDINGS

September 30, 2008

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

Section I – Summary of Auditor Findings:

Financial Statements:

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weakness(es)? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

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

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
93.600	Head Start
93.568	CEAP
93.045	Nutrition

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

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