

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

Linden, Texas

Independent Auditors' Report and
Financial Statements with
Supplemental Information

For the Year Ended September 30, 2013

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, 2013, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services of Northeast Texas, Inc. as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining schedule of activities (presented on Pages 14 and 15) is prepared for additional analysis and is not a required part of the consolidated 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 7, 2014, 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 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 7, 2014

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Financial Position

September 30, 2013

ASSETS

Current Assets:	
Cash	\$ 290,404.11
Receivables, Net	175,011.94
Prepaid Expense	30,769.98
Total Current Assets	<u>496,186.03</u>
Capital Assets, Net	<u>377,554.72</u>
TOTAL ASSETS	<u>\$ 873,740.75</u>

LIABILITIES AND NET ASSETS

Liabilities	
Current Liabilities:	
Accounts Payable	\$ 417,879.22
Line of Credit	3,000.00
Accrued Salary and Fringe	62,880.61
Accrued Annual Leave	51,440.87
Refundable Grant Advances	8,570.81
Current Maturities of Notes Payable	18,137.03
Total Current Liabilities	<u>561,908.54</u>
Long-Term Liabilities	
Notes Payable	18,137.03
Less: Current Maturities of Notes Payable	<u>(18,137.03)</u>
Total Long-Term Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>561,908.54</u>
Net Assets:	
Unrestricted	297,100.37
Temporarily Restricted	14,731.84
TOTAL NET ASSETS	<u>311,832.21</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 873,740.75</u>

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, 2013

CHANGES IN NET ASSETS

Unrestricted Net Assets	
Revenues and Gains	
Contributions	\$ 7,812,543.86
Miscellaneous Revenue	24,677.74
Total Revenue and Gains	<u>7,837,221.60</u>
Expenses	
Program Services	
Early Childhood Development	4,329,771.95
Elderly and Aging Services	1,194,440.05
Community Services	155,508.94
Emergency Assistance	1,353,264.74
Supporting Activities	
Management and General	878,103.53
Fundraising	2,091.89
Total Expenses	<u>7,913,181.10</u>
Net Assets Released From Restrictions through Satisfaction of Program Restrictions	<u>26,127.05</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(49,832.45)</u>
Temporarily Restricted Net Assets	
Contributions	27,664.70
Miscellaneous Revenue	1,719.75
Net Assets Released From Restrictions Through Satisfaction of Program Restrictions	<u>(26,127.05)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>3,257.40</u>
Net Increase(Decrease) In Net Assets	(46,575.05)
NET ASSETS, September 30, 2012	<u>358,407.26</u>
NET ASSETS, September 30, 2013	<u>\$ 311,832.21</u>

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (46,575.05)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	71,489.58
(Increase) Decrease in Receivables	27,443.53
(Increase) Decrease in Prepaid Expense	6,361.72
Increase (Decrease) in Accounts Payable	71,184.77
Increase (Decrease) in Accrued Salary and Fringe	(595.69)
Increase (Decrease) in Accrued Annual Leave	(12,333.64)
Increase (Decrease) in Advances from Grantor	<u>(16,413.49)</u>

Net cash provided by (used in) operating activities 100,561.73

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt	(24,861.19)
Proceeds from Line of Credit	221,935.00
Principal Payments on Line of Credit	<u>(229,285.00)</u>

Net cash provided by (used in) financing activities (32,211.19)

Net Increase (Decrease) in Cash and Cash Equivalents 68,350.54

Cash, September 30, 2012 222,053.57

Cash, September 30, 2013 \$ 290,404.11

Supplemental Information

Cash Paid During the Period for:

Interest Expense \$ 2,716.62

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, 2013

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, Harrison, Marion, Morris, and Panola 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, Title III, Part C – Nutrition Service Programs, Nutrition Services Incentive Programs, and others.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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). The Organization is no longer subject to examination by tax authorities for years before September 30, 2010.

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 \$290,404.11. The bank balance was held at three banks resulting in a concentration of credit risk. The bank balance was \$352,762.08. Of the bank balance, \$252,598.13 was covered by FDIC insurance and the remaining \$100,163.95 was collateralized by pledged securities held under joint custody receipts by a third-party bank in the Organization's name.

4. RECEIVABLES, NET

Receivables at September 30, 2013, consist of amounts due as follows:

Head Start	\$	53,137.09
Head Start - USDA		14,666.73
Department of Aging and Disability Services (DADS)		64,553.94
Community Services Block Grant (CSBG)		18,822.81
East Texas Council of Governments (ETCOG)		<u>23,831.37</u>
Total Receivables, Net	\$	<u>175,011.94</u>

All accounts receivable at September 30, 2013, 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, 2013:

	Balance 9/30/2012	Additions	Retirements	Balance 9/30/2013
Capital Assets				
Land	\$ 22,610.00	\$ -	\$ -	\$ 22,610.00
Buildings	571,232.24	-	-	571,232.24
Equipment	390,767.90	-	-	390,767.90
Vehicles	766,015.77	-	-	766,015.77
Total Capital Assets	<u>1,750,625.91</u>	<u>-</u>	<u>-</u>	<u>1,750,625.91</u>
Accumulated Depreciation	<u>(1,301,581.61)</u>	<u>(71,489.58)</u>	<u>-</u>	<u>(1,373,071.19)</u>
Total Net Capital Assets	<u>\$ 449,044.30</u>	<u>\$ (71,489.58)</u>	<u>\$ -</u>	<u>\$ 377,554.72</u>

6. REFUNDABLE GRANT ADVANCES

Refundable grant advances at September 30, 2013, consist of grant funds received in advance of expenditures in the following programs:

Comprehensive Energy Assistance Program (CEAP)	\$ 2,374.03
Comprehensive Energy Assistance Program UB (CEAP)	<u>6,196.78</u>
Total Refundable Grant Advances	<u>\$ 8,570.81</u>

7. NOTES PAYABLE

The Organization signed an agreement dated July 13, 2009, with Capital One, National Association to assist with operations, which requires 60 monthly consecutive principal and interest payments at \$1,684.71 each, beginning September 1, 2009, including interest at 5.00% through August 1, 2014. The note is unsecured. The balance on this note at September 30, 2013, is \$18,137.03.

The following is a summary of changes in notes payable for the year ended September 30, 2013:

	Principal September 30, 2012	Principal Received (Paid)	Principal September 30, 2013	Interest Paid
<u>Obligations:</u>				
Two Vehicles	\$ 6,000.50	\$ (6,000.50)	\$ 0.00	\$ 109.14
Refinanced Note	<u>36,997.72</u>	<u>(18,860.69)</u>	<u>18,137.03</u>	<u>1,355.83</u>
	<u>\$ 42,998.22</u>	<u>\$ (24,861.19)</u>	<u>\$ 18,137.03</u>	<u>\$ 1,464.97</u>

The schedule of maturities of notes payable is as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2014	\$ 18,137.03

8. LINE OF CREDIT

The Organization has obtained a line of credit with Capital One, National Association, Irving, Texas for operating expenses. The interest rate on the line of credit is 6.25%. The balance on the note at September 30, 2013 was \$3,000.00 and interest paid during the fiscal year ended September 30, 2013, was \$1,251.65.

9. OPERATING LEASES

As of September 30, 2013, the Organization has entered into a number of operating leases for space. Total payments for the year ended September 30, 2013, were \$144,282.75. Under the current lease agreements, the future minimum lease rentals are as follows:

2014	\$	96,761.24
2015		73,962.10
2016		31,076.50
2017		10,696.00

10. 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.

11. 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	\$	8,767.90
Salvation Army		2,429.39
TLC		3,529.34
TLC – Bowie County		<u>5.21</u>
Total Temporarily Restricted Net Assets (Deficit)	\$	<u>14,731.84</u>

12. 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 06CH5356/46	Non-Professional Volunteers	\$	33,921.40
	Professional Services		120,823.97
	Supplies		462.35
	Travel		18,794.59
	Space		<u>9,596.96</u>
	Total In-Kind		183,599.27
	Non-GAAP		<u>(33,921.40)</u>
	In-Kind per Audit	\$	<u>149,677.87</u>
Head Start 06CH5356/47	Non-Professional Volunteers	\$	98,430.24
	Professional Services		450,701.49
	Supplies		4,122.54
	Travel		50,992.27
	Space		<u>370,919.19</u>
	Total In-Kind		975,165.73
	Non-GAAP		<u>(98,430.24)</u>
	In-Kind per Audit	\$	<u>876,735.49</u>
Title III – C(1)	Non-Professional Volunteers	\$	<u>16,251.30</u>
	Total In-Kind		16,251.30
	Non-GAAP		<u>(16,251.30)</u>
	Total In-Kind Per Audit	\$	<u>0.00</u>
Title III – C(2)	Non-Professional Volunteers	\$	<u>17,874.64</u>
	Total In-Kind		17,874.64
	Non-GAAP		<u>(17,874.64)</u>
	Total In-Kind Per Audit	\$	<u>0.00</u>

13. 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.

14. 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.

15. SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent to September 30, 2013, through March 7, 2014, 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.

SUPPLEMENTAL INFORMATION

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities

For the Year Ended September 30, 2013

	Program Code Grant Year End CFDA No.	Head Start		Head Start		Wellness Grant		DADS		ETCOG		CSBG		CSBG		CEAP		CEAP	
		01 11/30/2012 93.600/10.558 Early Childhood	01 11/30/2013 93.600/10.558 Early Childhood	01 9/30/2013 10.579 Early Childhood	02 9/30/2013 93.045 Elderly and Aging	02 9/30/2013 93.045 Elderly and Aging	07 9/30/2013 93.045/93.053 Elderly and Aging	05 12/31/2012 93.569 Community Services	05 12/31/2013 93.569 Community Services	08 12/31/2012 93.568 Emergency Services	08 12/31/2013 93.568 Emergency Services								
Revenues and Gains																			
Contributions																			
Grant Revenue - Federal		\$ 862,974.08	\$ 2,899,568.56	\$ 25,000.00	\$ 1,167,538.08	\$ 169,303.01	\$ 15,526.32	\$ 359.75	\$ 23,595.40	\$ 210,548.32	\$ 426,421.31	\$ 477,536.59							
Local		-	975,165.73	-	-	34,125.94	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Non-Cash		183,599.27	203.90	-	-	16,682.11	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue		10,911.12	-	-	-	-	-	-	65,159.92	-	-	-	-	-	-	-	-	-	-
Transfers		1,057,484.47	3,874,938.19	25,000.00	1,167,897.83	235,637.38	-	-	88,755.32	(43,784.85)	382,636.46	43,840.90							
Total Revenue and Gains		1,057,484.47	3,874,938.19	25,000.00	1,167,897.83	235,637.38			88,755.32	(43,784.85)	382,636.46	43,840.90							
Administration																			
Salaries		64,024.73	282,002.37	270.27	56,273.45	16,445.06	-	-	31,861.92	70,463.67	10,050.28	10,071.46							
Salaries Non-Cash		1,313.37	9,988.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fringe Benefits		7,858.45	36,763.06	23.38	5,583.13	1,882.63	-	-	4,730.97	10,411.04	849.52	1,094.97							
Fringe Benefits Non-Cash		461.22	3,507.59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies		4,699.74	6,655.95	-	812.96	229.88	-	-	940.57	1,442.43	69.00	35.70							
Equipment		2,594.70	8,568.30	-	2,892.71	1,754.08	-	-	797.59	2,257.70	198.67	509.37							
Insurance		807.00	4,344.57	-	688.40	168.34	-	-	331.20	1,212.50	58.74	97.01							
Professional Fees		2,801.81	29,106.22	-	3,176.72	3,341.53	-	-	469.78	5,489.16	396.82	768.49							
Space		2,235.09	10,313.57	-	1,757.41	512.50	-	-	3,470.58	2,939.80	431.80	402.26							
Space Non-Cash		6,244.46	32,785.77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance		2,898.03	3,847.98	(6.16)	39.96	23.00	-	-	1,046.18	1,789.78	66.06	71.66							
Travel		9.28	-	-	1,131.24	1,015.23	-	-	611.59	2,453.19	0.22	-							
Utilities		2,735.43	13,075.14	-	2,543.76	487.30	-	-	1,645.58	4,724.32	116.90	165.90							
Vehicle		1,589.63	6,800.42	-	22,244.32	229.90	-	-	392.92	2,124.23	14.12	138.75							
Other		-	-	-	-	-	-	-	-	-	-	-							
Depreciation		-	-	-	-	-	-	-	-	-	-	-							
Program																			
Salaries		350,915.16	1,613,592.63	3,066.75	194,264.39	29,303.59	-	-	26,839.27	52,511.79	17,541.63	9,977.29							
Salaries Non-Cash		126,981.09	425,830.49	-	-	34,125.94	-	-	-	-	-	-							
Fringe Benefits		55,692.62	417,526.00	320.10	61,376.11	12,112.26	-	-	5,050.89	14,918.52	3,483.18	4,399.01							
Fringe Benefits Non-Cash		25,989.69	109,805.32	-	-	-	-	-	-	-	-	-							
Supplies		225,167.31	59,613.55	15,583.68	3,775.91	851.32	-	-	623.20	1,144.84	542.88	179.49							
Supplies Non-Cash		462.35	4,122.54	-	-	-	-	-	-	-	-	-							
Equipment		5,454.20	24,888.84	-	8,642.50	2,415.42	-	-	753.90	4,303.09	72.99	484.80							
Insurance		2,119.02	12,517.11	-	1,707.67	671.63	-	-	215.82	2,025.05	-	21.18							
Professional Fees		8,795.57	38,688.83	-	889.12	15,410.56	-	-	3,444.96	8,492.55	49.81	1,125.00							
Space		41,308.84	80,455.98	-	-	-	-	-	-	-	-	-							
Space Non-Cash		3,352.50	338,133.42	-	-	-	-	-	-	-	-	-							
Repairs and Maintenance		679.27	19,583.03	2,170.60	-	2,621.70	-	-	1,139.52	6,121.61	487.95	1,559.42							
Travel		2,152.72	6,695.24	-	70.73	17.10	-	-	190.57	475.90	-	315.89							
Travel Non-Cash		18,794.59	50,992.27	-	2,700.61	35,467.50	-	-	2,084.06	7,009.67	481.74	936.31							
Utilities		18,154.21	75,422.38	-	115,466.50	15,730.81	-	-	1,982.77	3,289.12	-	-							
Vehicle		18,816.35	41,139.23	386.14	-	-	-	-	-	-	-	-							
Utility Assistance		-	-	-	-	-	-	-	-	50.00	-	-							
Food		38,466.54	101,897.11	-	586,746.49	93,529.42	-	-	19.50	-	-	-							
Other		13,909.50	6,274.95	2,231.76	8,002.88	161.36	-	-	111.98	270.64	27.18	-							
Total Expenses		1,057,484.47	3,874,938.19	24,046.52	1,080,786.97	268,508.06			88,755.32	210,548.32	382,636.46	521,377.49							
Increase (Decrease) in Net Assets		-	-	953.48	87,110.86	(32,870.68)			-	-	-	-							
NET ASSETS, Beginning of Year		-	-	8,234.02	(99,091.19)	(87,836.14)			-	-	-	-							
NET ASSETS, End of the Year		\$ -	\$ -	\$ 9,187.50	\$ (11,980.33)	\$ (120,706.82)			\$ -	\$ -	\$ -	\$ -							

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities (Continued)

For the Year Ended September 30, 2013

Program Code Grant Year End CFDA No.	CEAP 08 7/31/2013 93.568		Utilities-Upshur Rural 12 9/30/2013 N/A		Salvation Army 13 9/30/2013 N/A		TLC 14 9/30/2013 N/A		TLC - Bowie County 15 9/30/2013 N/A		Local Admin 20 9/30/2013 N/A		Elimination Entries and GAAP Adjustments	Consolidated Totals
	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services		
Revenues and Gains														
Contributions														
Grant Revenue - Federal	\$	475,050.43	\$	8,181.09	\$	1,983.61	\$	17,500.00	\$	-	\$	32,708.65	\$	6,737,535.78
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	76,259.42
Local Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	1,192,890.94
Miscellaneous Revenue	-	-	-	-	-	-	-	1,719.75	-	-	7,791.73	-	-	26,397.49
Transfers	-	-	-	-	-	-	-	-	-	-	(76,127.09)	-	-	-
Total Revenue and Gains		475,050.43		8,181.09		1,983.61		19,219.75			(35,626.71)		(166,477.58)	7,866,606.05
Administration														
Salaries	18,946.07	-	-	-	-	-	-	-	-	-	-	-	-	560,409.28
Salaries Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	11,301.70
Fringe Benefits	1,959.46	-	-	-	-	-	-	-	-	-	-	-	-	71,156.61
Fringe Benefits Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	3,968.81
Supplies	29.73	-	-	-	-	-	-	-	-	-	278.36	-	-	15,299.77
Equipment	55.06	-	-	-	-	-	-	-	-	-	60.30	-	-	19,688.48
Insurance	(34.57)	-	-	-	-	-	-	-	-	-	-	-	-	7,673.19
Professional Fees	2,695.43	-	-	-	-	-	-	-	-	-	-	-	-	48,245.96
Space	(201.64)	-	-	-	-	-	-	-	-	-	-	-	-	21,861.37
Space Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	39,030.23
Repairs and Maintenance	3.73	-	-	-	-	-	-	-	-	-	-	-	-	9,780.22
Travel	-	-	-	-	-	-	-	2,436.08	-	-	-	-	-	7,656.83
Utilities	12.11	-	-	-	-	-	-	-	-	-	-	-	-	25,506.44
Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	321.47
Other	11.57	-	-	-	-	-	-	300.51	-	-	19,671.51	-	-	53,517.88
Depreciation	-	-	-	-	-	-	-	-	-	-	71,489.58	-	-	71,489.58
Program														
Salaries	39,989.76	-	-	-	-	-	-	-	-	-	(12,333.64)	-	-	2,325,668.62
Salaries Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	586,937.52
Fringe Benefits	5,034.56	-	-	-	-	-	-	-	-	-	(8,833.50)	-	(139,166.94)	447,770.58
Fringe Benefits Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	571,079.75
Supplies	182.93	-	-	-	-	-	-	-	-	-	441.19	-	(27,310.64)	108,484.37
Supplies Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	308,091.37
Equipment	680.06	-	-	-	-	-	-	-	-	-	-	-	-	4,584.89
Insurance	35.19	-	-	-	-	-	-	-	-	-	47,695.80	-	-	47,695.80
Professional Fees	30.00	-	-	-	-	-	-	-	-	-	1,874.72	-	-	21,187.39
Space	900.00	-	-	-	-	-	-	-	-	-	-	-	-	51,870.46
Space Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	152,730.01
Repairs and Maintenance	681.87	-	-	-	-	-	-	-	-	-	341,485.92	-	-	341,485.92
Travel	614.04	-	-	-	-	-	-	-	-	-	62.85	-	-	35,044.97
Travel Non-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	10,595.04
Utilities	822.71	-	-	-	-	-	-	-	-	-	-	-	-	69,786.86
Vehicle	25.22	-	-	-	-	-	-	-	-	-	-	-	-	143,079.19
Utility Assistance	402,520.00	-	-	-	-	-	-	(486.31)	-	-	-	-	-	197,174.19
Food	-	-	-	-	-	-	-	15,838.19	-	-	-	-	-	1,241,125.71
Other	57.14	-	-	-	-	-	-	1,703.54	-	-	(3,311.97)	-	-	836,497.25
Total Expenses		475,050.43		2,554.08		3,612.39		19,960.58			69,399.40		(166,477.58)	7,913,181.10
Increase (Decrease) in Net Assets	-	-	-	5,627.01	-	(1,628.78)	-	(740.83)	-	-	(105,026.11)	-	-	(46,575.05)
NET ASSETS, Beginning of Year	-	-	-	3,140.89	-	4,058.17	-	4,270.17	5.21	-	525,626.13	-	-	358,407.26
NET ASSETS, End of the Year	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	8,767.90	2,429.39	8,767.90	3,529.34	2,429.39	3,529.34	5.21	5.21	420,600.02	420,600.02	311,832.21	311,832.21	311,832.21

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

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	11/30/2012	N/A	93.600	\$ 812,244.71
Head Start	11/30/2013	N/A	93.600	2,743,135.80
			Total 93.600 (M)	<u>3,555,380.51</u>
Passed-through:				
Texas Department of Housing and Community Affairs				
Low-Income Home Energy Assistance Program (CEAP)	12/31/2012	58120001351	93.568	382,636.46
Low-Income Home Energy Assistance Program (CEAP)	09/30/2013	58120001688	93.568	475,050.43
Low-Income Home Energy Assistance Program (CEAP)	12/31/2013	58130001629	93.568	521,377.49
			Total 93.568 (M)	<u>1,379,064.38</u>
Texas Department of Housing and Community Affairs				
Community Services Block Grant	12/31/2012	61120001286	93.569	23,595.40
Community Services Block Grant	12/31/2013	61130001580	93.569	210,548.32
			Total 93.569	<u>234,143.72</u>
HHS Aging Cluster				
Passed-through:				
Texas Department of Aging and Disability Services				
Title III, Part C - Nutrition Services	09/30/2013	1000859	93.045	1,167,538.08
East Texas Council of Governments				
Title III, Part C - Nutrition Services	09/30/2013	01-83111	93.045	122,278.01
			Total 93.045	<u>1,289,816.09</u>
Nutrition Services Incentive Program	09/30/2013	01-83111	93.053	47,025.00
			Total HHS Aging Cluster (M)	<u>1,336,841.09</u>
Total U.S. Department of Health and Human Services				<u>6,505,429.70</u>
<u>U.S. Department of Agriculture</u>				
Passed-through:				
State of Texas Department of Agriculture				
Child and Adult Care Food Program	11/30/2012	FY12-7516008	10.558	50,729.37
Child and Adult Care Food Program	11/30/2013	FY13-7516008	10.558	156,432.76
			Total 10.558	<u>207,162.13</u>
Farm to Child Care Grant Program	08/31/2013	FTC-12-30	10.579	24,046.52
Total U.S. Department of Agriculture				<u>231,208.65</u>
Total Expenditures of Federal Awards				<u>\$ 6,736,638.35</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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(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, 2013, 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 7, 2014.

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 the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 7, 2014

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

Basis for Qualified Opinion on the Health and Human Services Aging Cluster

As described in the accompanying schedule of findings and questioned costs, Community Services of Northeast Texas, Inc. did not comply with requirements regarding CFDA 93.045 Title III, Part C – Nutrition Services as described in finding number 2013-001 for Period of Availability and CFDA 93.053 Nutrition Services Incentive Program as described in finding number 2013-001 for Period of Availability. Compliance with such requirements is necessary, in our opinion, for Community Services of Northeast Texas, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health and Human Services Aging Cluster

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, 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 Health and Human Services Aging Cluster for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

Community Services of Northeast Texas, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Community Services of Northeast Texas, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Services of Northeast Texas, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 to be significant deficiencies.

Community Services of Northeast Texas, Inc.'s Response to Findings

Community Services of Northeast Texas, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Community Services of Northeast Texas, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 7, 2014

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

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 that are not considered to be a material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i> ?	_____	Yes	_____ <u>X</u> _____	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____ <u>X</u> _____	Yes	_____ _____	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ <u>X</u> _____	Yes	_____ _____	No
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Identification of major programs:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start	CFDA 93.600
Low-Income Home Energy Assistance Program	CFDA 93.568
HHS Aging Cluster	
Title III, Part C – Nutrition Services	CFDA 93.045
Nutrition Services Incentive Program	CFDA 93.053

The threshold for distinguishing Types A and B programs was \$300,000.00.

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

None

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended September 30, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-001 – Period of Availability

Questioned
Costs

U.S. Department of Health and Human Services

Aging Cluster:

Special Programs for the Aging—Title III, Part C-- CFDA 93.045
Nutrition Services Incentive Program – CFDA 93.053

Not
Determined

Compliance requirement: Period of Availability of Federal Funds

Condition:

Non –Federal entities are required to liquidate all obligations incurred under the award no later than 90 days after the end of the funding period. The Federal agency may extend this deadline upon written request (CFR section 215.71).

Context:

The Organization did not liquidate final obligations within the required time frame. Due to overspending the grant and the necessary injection of local funds in the amount of \$26,833.82, the unliquidated obligations were funded with local funds. The condition requires that all obligations to be liquidated within 90 days after the end of the funding period.

Effect:

The deficiencies in the design and operation of the internal controls in this area could result is the disallowance of the expenses by grantors and the expense would have to be paid with local funds.

Cause:

The Organization no longer has adequate reserves to be able to fund expenses awaiting reimbursement from the grantor.

Recommendation:

Controls should be put into place that allows all expenses to be paid timely and reserves should be built back up to levels sufficient to fund the operations of the Organization. A goal should be set to achieve two months' expenses in reserve.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on pages 25 of the current year audit.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2013

Finding 2012-001 – Period of Availability

Condition: Non –Federal entities are required to liquidate all obligations incurred under the award no later than 90 days after the end of the funding period. The Federal agency may extend this deadline upon written request (CFR section 215.71).

Status: This is a repeat finding, see finding 2013-001.

CORRECTIVE ACTION PLAN

March 7, 2014

Cognizant or Oversight Agency for Audit

Community Services of Northeast Texas, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2013.

Name and address of independent certified public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended September 30, 2013.

The findings from the March 7, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2013-001 – Period of Availability

Recommendation:

Controls should be put into place that allows all expenses to be paid timely and reserves should be built back up to levels sufficient to fund the operations of the Organization. A goal should be set to achieve two months' expenses in reserve.

Action Taken:

Management is aware of the cash flow issues and decreased the unliquidated amounts from \$170,751.46 to \$26,833.82 in fiscal year ended September 30, 2013. The Organization is aggressively seeking unrestricted funds to help restore reserves to a manageable amount.

If the Oversight Agency for Audit has questions regarding this plan, please call Dan Boyd, Executive Director, at (903)756-5596.

Sincerely,

Community Services of Northeast Texas, Inc.

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