

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

Linden, Texas

Financial Statements and
Independent Auditors' Report with
Supplemental Information and
Federal Compliance Section

For the Year Ended September 30, 2011

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

We have audited the accompanying statement of financial position of Community Services of Northeast Texas, Inc. (a nonprofit organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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. 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 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 that 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, 2011, 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 June 14, 2012 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 financial statements as a whole. The supplemental information presented on pages 15 to 17 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Organization. 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*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 14, 2012
Chanute, Kansas

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Statement of Financial Position

September 30, 2011

ASSETS

Current Assets:	
Cash	\$ 262,626.50
Receivables, Net	176,184.70
Prepaid Expense	46,337.43
Total Current Assets	<u>485,148.63</u>
Non-Current Assets:	
Capital Assets, Net	<u>534,990.19</u>
 TOTAL ASSETS	 <u>\$ 1,020,138.82</u>

LIABILITIES AND NET ASSETS

Liabilities	
Current Liabilities:	
Accounts Payable	\$ 186,896.35
Accrued Payroll	61,165.71
Accrued Payroll Withholdings	9,016.18
Accrued Annual Leave	65,367.54
Refundable Grant Advances	74,720.03
Current Maturities of Notes Payable	21,199.52
Total Current Liabilities	<u>418,365.33</u>
Long-Term Liabilities	
Notes Payable	64,018.84
Less: Current Maturities of Notes Payable	<u>(21,199.52)</u>
Total Long-Term Liabilities	<u>42,819.32</u>
 TOTAL LIABILITIES	 <u>461,184.65</u>
Net Assets:	
Unrestricted	547,539.13
Temporarily Restricted	<u>11,415.04</u>
 TOTAL NET ASSETS	 <u>558,954.17</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,020,138.82</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, 2011

CHANGES IN NET ASSETS

Unrestricted Net Assets	
Revenues and Gains	
Federal Grant Income	\$ 6,537,927.32
Donations	286,464.32
In-Kind Donations	678,308.31
Miscellaneous Revenue	21,012.67
Gain/(Loss) on Sale of Assets	8,419.76
Total Revenue and Gains	<u>7,532,132.38</u>
Net Assets Released From Restrictions	
through Satisfaction of Program Restrictions	17,388.78
Total Revenues, Gains and Other Support	<u>7,549,521.16</u>
Expenses	
Program Services	
Early Childhood Development	3,746,620.24
Elderly and Aging Services	1,432,526.07
Community Services	139,578.03
Emergency Assistance	1,086,638.36
Supporting Activities	
Management and General	971,643.53
Fundraising	2,532.55
Total Expenses	<u>7,379,538.78</u>
Increase (Decrease) in Unrestricted Net Assets	169,982.38
Temporarily Restricted Net Assets	
Donations	19,297.66
Miscellaneous Revenue	62.30
Net Assets Released From Restrictions	
Through Satisfaction of Program Restrictions	<u>(17,388.78)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>1,971.18</u>
Net Increase(Decrease) In Net Assets	171,953.56
NET ASSETS, September 30, 2010, As Previously Reported	402,058.86
Prior Period Adjustment, see NOTE 18	<u>(15,058.25)</u>
NET ASSETS, September 30, 2010, As Restated	<u>387,000.61</u>
NET ASSETS, September 30, 2011	<u>\$ 558,954.17</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, 2011

Expenses	Program Services				Total Program Services
	Early Childhood Development	Elderly and Aging Services	Community Services	Emergency Assistance	
Salaries	\$ 2,045,078.45	\$ 315,338.97	\$ 66,556.88	\$ 35,160.13	\$ 2,462,134.43
Payroll Taxes	170,526.37	27,937.86	5,437.19	3,018.34	206,919.76
Fringe Benefits	316,031.86	72,352.64	16,315.13	630.07	405,329.70
Supplies	44,267.34	44,589.72	2,563.22	769.76	92,190.04
Dues and Subscriptions	255.00	-	95.49	-	350.49
Equipment	21,911.56	12,387.48	5,246.06	926.63	40,471.73
Insurance	13,066.10	(554.03)	4,384.08	916.40	17,812.55
Legal	831.50	125.00	-	-	956.50
Memberships	1,200.00	-	2,400.00	-	3,600.00
Employee Costs	4,126.70	802.25	223.80	391.80	5,544.55
Volunteer Expense	199.36	12.82	74.94	8.86	295.98
Postage and Shipping	834.22	319.51	88.00	68.00	1,309.73
Printing and Advertising	287.16	-	153.65	-	440.81
Space	71,992.00	4,800.00	12,325.00	2,475.00	91,592.00
Repairs and Maintenance	32,022.84	8,243.37	183.08	135.59	40,584.88
Software Support and Maintenance	6,064.04	-	3,466.65	1,790.02	11,320.71
Telephone	25,433.96	6,912.58	6,681.63	1,786.65	40,814.82
Training and Technical Assistance	22,671.87	-	-	-	22,671.87
Travel	14,007.50	618.08	714.32	557.95	15,897.85
Utilities	69,362.86	36,513.19	2,045.76	648.03	108,569.84
Vehicle	79,268.67	159,918.17	10,613.15	393.78	250,193.77
Utility Assistance	-	-	-	1,029,937.23	1,029,937.23
Food	167,816.33	739,302.13	10.00	-	907,128.46
Parent Activities	11.30	-	-	-	11.30
Emergency Assistance	-	-	-	6,912.90	6,912.90
Other	5,048.84	2,906.33	-	111.22	8,066.39
In-Kind Expense	634,304.41	-	-	-	634,304.41
Total Expenses	\$ 3,746,620.24	\$ 1,432,526.07	\$ 139,578.03	\$ 1,086,638.36	\$ 6,405,362.70

Expenses	Supporting Activities		
	Management and General	Fundraising	Total Organization Services
Salaries	\$ 530,666.89	\$ 1,383.16	\$ 2,994,184.48
Payroll Taxes	42,911.78	111.85	249,943.39
Fringe Benefits	63,431.05	165.33	468,926.08
Accounting and Audit	47,834.51	124.68	47,959.19
Supplies	9,015.15	23.50	101,228.69
Dues and Subscriptions	1,965.39	5.12	2,321.00
Equipment	12,082.85	31.49	52,586.07
Insurance	7,998.04	20.85	25,831.44
Legal	701.62	1.83	1,659.95
Memberships	134.65	0.35	3,735.00
Employee Costs	1,819.16	4.74	7,368.45
Volunteer Expense	-	-	295.98
Postage and Shipping	3,073.77	8.01	4,391.51
Printing and Advertising	1,230.83	3.21	1,674.85
Space	17,294.92	45.08	108,932.00
Repairs and Maintenance	3,490.87	9.10	44,084.85
Software Support and Maintenance	1,878.52	4.90	13,204.13
Telephone	14,901.89	38.84	55,755.55
Training and Technical Assistance	4,228.14	11.02	26,911.03
Travel	11,034.27	28.76	26,960.88
Utilities	8,642.51	22.53	117,234.88
Vehicles	-	-	250,193.77
Utility Assistance	243.46	0.63	1,030,181.32
Contractual Labor	35,357.84	92.16	35,450.00
Food	423.90	1.10	907,553.46
Parent Activities	-	-	11.30
Emergency Assistance	-	-	6,912.90
Other	5,750.85	14.99	13,832.23
Depreciation	101,641.17	264.92	101,906.09
In-Kind Expense	43,889.50	114.40	678,308.31
Total Expenses	\$ 971,643.53	\$ 2,532.55	\$ 7,379,538.78

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 171,953.56
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	101,906.09
(Gain) Loss on Sale of Assets	(8,419.76)
(Increase) Decrease in Receivables	207,896.97
(Increase) Decrease in Prepaid Expense	3,445.78
Increase (Decrease) in Accounts Payable	(105,935.38)
Increase (Decrease) in Accrued Payroll	(132,169.31)
Increase (Decrease) in Accrued Payroll Withholdings	9,016.18
Increase (Decrease) in Accrued Annual Leave	(9,493.37)
Increase (Decrease) in Advances from Grantor	<u>(48,889.58)</u>
Net cash provided by (used in) operating activities	<u>189,311.18</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for Capital Assets	(280,947.36)
Proceeds from the Sale of Assets	<u>13,128.09</u>
Net cash provided by (used in) investing activities	<u>(267,819.27)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt	(20,160.78)
Proceeds from Line of Credit	416,261.42
Principal Payments on Line of Credit	<u>(416,261.42)</u>
Net cash provided by (used in) financing activities	<u>(20,160.78)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (98,668.87)

Cash, September 30, 2010 361,295.37

Cash, September 30, 2011 \$ 262,626.50

Supplemental Information

Cash Paid During the Period for:

Interest Expense \$ 4,708.34

Non Cash Transactions

Donated Capital Assets \$ 268,425.00

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

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Linden, Texas

Notes to the Financial Statements

September 30, 2011

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).

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 \$262,626.50. The bank balance was held at three banks resulting in a concentration of credit risk. The bank balance was \$399,195.80. Of the bank balance, \$257,314.88 was covered by FDIC insurance and the remaining \$141,880.92 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, 2011, consist of amounts due as follows:

Head Start	\$	66,973.68
Head Start - USDA		27,828.44
Other Head Start		2,589.57
Department of Aging and Disability Services (DADS)		47,460.21
Community Services Block Grant (CSBG)		6,028.55
East Texas Council of Governments (ETCOG)		25,066.65
Child Care Wellness Grant		<u>237.60</u>
Total Receivables, Net	\$	<u>176,184.70</u>

All accounts receivable at September 30, 2011, 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, 2011:

	Balance 9/30/2010	Additions	Retirements	Balance 9/30/2011
Capital Assets				
Land	\$ -	\$ 22,610.00	\$ -	\$ 22,610.00
Buildings	325,417.24	245,815.00	-	571,232.24
Equipment	390,767.90	-	-	390,767.90
Vehicles	844,524.66	12,522.36	31,019.75	826,027.27
Total Capital Assets	<u>1,560,709.80</u>	<u>280,947.36</u>	<u>31,019.75</u>	<u>1,810,637.41</u>
Accumulated Depreciation	<u>(1,200,052.55)</u>	<u>(101,906.09)</u>	<u>(26,311.42)</u>	<u>(1,275,647.22)</u>
Total Net Capital Assets	<u>\$ 360,657.25</u>	<u>\$ 179,041.27</u>	<u>\$ 4,708.33</u>	<u>\$ 534,990.19</u>

6. REFUNDABLE GRANT ADVANCES

Refundable grant advances at September 30, 2011, consist of grant funds received in advance of expenditures in the following programs:

Comprehensive Energy Assistance Program (CEAP)	<u>\$ 74,720.03</u>
Total Refundable Grant Advances	<u>\$ 74,720.03</u>

7. NOTES PAYABLE

The Organization signed an agreement dated April 9, 2009, with Capital One, National Association in order to purchase two vehicles, which requires 60 monthly consecutive principal and interest payments at \$312.17 each, beginning June 1, 2009, including interest at 5.00% through May 1, 2014. The note is secured by two vehicles. The balance on this note at September 30, 2011, is \$9,325.16.

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, 2011, is \$54,693.68.

The following is a summary of changes in notes payable for the year ended September 30, 2011:

	Principal September 30, 2010	Principal Received (Paid)	Principal September 30, 2011	Interest Paid
Obligations:				
Two Vehicles	\$ 12,510.55	\$ (3,185.39)	\$ 9,325.16	\$ 560.65
Refinanced Note	<u>71,669.07</u>	<u>(16,975.39)</u>	<u>54,693.68</u>	<u>3,241.13</u>
	<u>\$ 84,179.62</u>	<u>\$ (20,160.78)</u>	<u>\$ 64,018.84</u>	<u>\$ 3,801.78</u>

7. NOTES PAYABLE (Continued)

The schedule of maturities of notes payable is as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2012	\$ 21,199.52
2013	22,306.29
2014	<u>20,513.03</u>
Total	<u>\$ 64,018.84</u>

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, 2011 was \$0.00 and interest paid during the fiscal year ended September 30, 2011, was \$906.56.

9. OPERATING LEASES

As of September 30, 2011, the Organization has entered into a number of operating leases for space. Total payments for the year ended September 30, 2011, were \$108,932.00. Under the current lease agreements, the future minimum lease rentals are as follows:

2012	\$ 83,992.00
2013	35,128.00
2014	17,814.00
2015	5,615.00

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.

10. COMPENSATED ABSENCES (Continued)

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	\$	2,742.39
Salvation Army		6,692.34
TLC		1,975.10
TLC – Bowie County		<u>5.21</u>
Total Temporarily Restricted Net Assets (Deficit)	\$	<u>11,415.04</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	Non-Professional Volunteers	\$	496,813.85
06CH5356/45	Supplies		10,522.91
	Mileage		56,571.01
	Space		580,324.42
	Other		<u>30,889.97</u>
	Total In-Kind		1,175,122.16
	Non-GAAP		<u>(496,813.85)</u>
	In-Kind per Audit	\$	<u>678,308.31</u>

12. IN-KIND CONTRIBUTIONS (Continued)

Title III – C(1)	Non-Professional Volunteers	\$ 24,832.15
	Total In-Kind	24,832.15
	Non-GAAP	<u>(24,832.15)</u>
	Total In-Kind Per Audit	<u>\$ 0.00</u>
Title III – C(2)	Non-Professional Volunteers	\$ 28,101.45
	Total In-Kind	28,101.45
	Non-GAAP	<u>(28,101.45)</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. PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2011, the Organization did an analysis of their accounts receivable, prepaid expenses, and refundable grant advances. After completion of the review it was determined that the following amounts had not been properly reported. The effects on the financial statements are as follows:

Beginning net assets have been restated as follows:

Net Assets, September 30, 2010, As Previously Reported	\$ 402,058.86
Increase in Net Assets for Head Start Receivable	101,284.44
Decrease in Net Assets for DADS Receivable	(49,453.65)
Increase in Net Assets for Prepaid Expense	39,558.21
Decrease in Net Assets for CSBG Refundable Grant Advance	(32,013.47)
Decrease in Net Assets for CEAP Refundable Grant Advance	<u>(74,433.78)</u>
Net Assets, September 30, 2010, As Restated	<u>\$ 387,000.61</u>

16. SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent to September 30, 2011, through June 14, 2012, 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, 2011

	Head Start 01	Child Care Wellness Grant 18	DADS 02	ETCOG 07	CSBG 05
Program Code CFDA No.	93.600/10.558	10.579	93.045	93.045/93.053	93.569
	Early Childhood	Early Childhood	Elderly and Aging	Elderly and Aging	Community Services
Revenues and Gains					
Federal Grant Income	\$ 3,584,078.86	\$ 237.60	\$ 1,207,330.42	\$ 377,462.10	\$ 265,418.52
Donations	-	-	33.00	12,416.37	-
In-Kind Donations	1,175,122.16	-	-	52,933.60	-
Miscellaneous Revenue	-	-	-	533.61	-
Gain/(Loss) on Sale of Assets	600.00	-	12,528.09	-	-
Transfers	-	197.42	(11,981.28)	14,492.96	-
Total Revenue and Gains	4,759,801.02	435.02	1,207,910.23	457,838.64	265,418.52
Administration					
Salaries	305,400.37	52.96	75,876.79	46,171.38	87,619.73
Payroll Taxes	23,967.99	4.05	6,398.37	3,963.83	6,480.01
Fringe Benefits	51,352.35	-	1,763.21	2,276.42	7,475.22
Accounting and Audit	31,880.64	-	6,728.42	3,649.18	3,192.46
Supplies	6,085.98	-	1,134.49	410.53	1,315.65
Dues and Subscriptions	658.66	-	104.66	92.91	542.78
Equipment	9,654.93	-	1,165.08	385.09	785.88
Insurance	4,176.00	-	616.65	278.64	1,108.64
Legal	534.62	-	77.38	14.07	42.21
Memberships	-	-	-	-	-
Employee Costs	644.94	-	182.88	31.77	75.74
Postage and Shipping	2,197.16	-	132.57	425.18	291.83
Printing and Advertising	989.49	-	118.54	24.68	74.05
Space	6,798.00	-	1,224.00	510.00	8,400.00
Repairs and Maintenance	2,239.34	-	423.58	174.84	522.04
Software Support and Maintenance	-	-	361.13	229.81	1,047.65
Telephone	7,730.96	-	2,225.64	726.79	3,858.99
Training and Technical Assistance	4,239.16	-	-	-	-
Travel	6,657.18	-	1,254.13	1,236.77	1,186.69
Utilities	4,639.33	-	989.04	523.23	1,715.86
Other	2,696.52	-	385.21	245.13	105.06
Depreciation	-	-	-	-	-
In-Kind Expense	54,056.67	-	-	-	-
Program					
Salaries	2,044,958.57	119.88	233,782.62	81,556.35	66,556.88
Payroll Taxes	170,517.14	9.23	20,737.95	7,199.91	5,437.19
Fringe Benefits	316,031.86	-	54,021.99	18,330.65	16,315.13
Supplies	44,215.86	51.48	31,454.03	13,135.69	2,563.22
Dues and Subscriptions	255.00	-	-	-	95.49
Equipment	21,911.56	-	18,657.52	6,252.32	5,246.06
Insurance	13,066.10	-	2,316.50	(2,870.53)	4,384.08
Legal	831.50	-	125.00	-	-
Memberships	1,200.00	-	-	-	2,400.00
Employee Costs	4,126.70	-	665.71	136.54	223.80
Volunteer Expense	199.36	-	6.41	6.41	74.94
Postage and Shipping	834.22	-	194.42	125.09	88.00
Printing and Advertising	287.16	-	-	-	153.65
Space	71,992.00	-	-	4,800.00	12,325.00
Repairs and Maintenance	32,022.84	-	1,540.24	6,703.13	183.08
Software Support and Maintenance	6,064.04	-	-	-	3,466.65
Telephone	25,433.96	-	2,539.11	4,373.47	6,681.63
Training and Technical Assistance	22,671.87	-	-	-	-
Travel	14,007.50	-	403.71	214.37	714.32
Utilities	69,362.86	-	-	36,513.19	2,045.76
Vehicle	79,268.67	-	130,263.34	29,654.83	10,613.15
Utility Assistance	-	-	-	-	-
Contractual Labor	-	-	-	-	-
Food	167,816.33	-	569,376.04	169,926.09	10.00
Parent Activities	11.30	-	-	-	-
Emergency Assistance	-	-	-	-	-
Other	5,048.84	-	2,779.58	126.75	-
In-Kind Expense	1,121,065.49	-	-	52,933.60	-
Total Expenses	4,759,801.02	237.60	1,170,025.94	490,488.11	265,418.52
Increase (Decrease) in Net Assets	-	197.42	37,884.29	(32,649.47)	-
NET ASSETS, Beginning of Year	-	-	(102,509.28)	50,410.14	-
NET ASSETS, End of the Year	\$ -	\$ 197.42	\$ (64,624.99)	\$ 17,760.67	\$ -

See accompanying independent auditors' report.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2011

	CEAP	Utilities-Upshur	Salvation Army	TLC	TLC - Bowie
Program Code	08	Rural	13	14	County
CFDA No.	93.568	12	N/A	14	15
	Emergency Services	Emergency Services	Emergency Services	Emergency Services	Emergency Services
	N/A	N/A	N/A	N/A	N/A
Revenues and Gains					
Federal Grant Income	\$ 1,103,399.82	\$ -	\$ -	\$ -	\$ -
Donations	-	4,367.81	13,859.45	1,070.40	-
In-Kind Donations	-	-	-	-	-
Miscellaneous Revenue	-	-	-	62.30	-
Gain/(Loss) on Sale of Assets	-	-	-	-	-
Transfers	-	-	-	-	-
Total Revenue and Gains	<u>1,103,399.82</u>	<u>4,367.81</u>	<u>13,859.45</u>	<u>1,132.70</u>	<u>-</u>
Administration					
Salaries	26,422.19	-	-	-	-
Payroll Taxes	2,209.38	-	-	-	-
Fringe Benefits	729.18	-	-	-	-
Accounting and Audit	2,504.26	-	-	-	-
Supplies	188.09	-	-	(3.00)	-
Dues and Subscriptions	30.14	-	-	-	-
Equipment	123.36	-	-	-	-
Insurance	193.18	-	-	-	-
Legal	35.17	-	-	-	-
Memberships	-	-	-	-	-
Employee Costs	34.77	-	-	28.20	-
Postage and Shipping	26.29	-	-	-	-
Printing and Advertising	27.28	-	-	-	-
Space	408.00	-	-	-	-
Repairs and Maintenance	140.17	-	-	-	-
Software Support and Maintenance	244.83	-	-	-	-
Telephone	398.35	-	-	-	-
Training and Technical Assistance	-	-	-	-	-
Travel	81.66	-	-	-	-
Utilities	258.75	-	-	-	-
Other	69.99	-	-	-	-
Depreciation	-	-	-	-	-
In-Kind Expense	-	-	-	-	-
Program					
Salaries	35,160.13	-	-	-	-
Payroll Taxes	3,018.34	-	-	-	-
Fringe Benefits	630.07	-	-	-	-
Supplies	769.76	-	-	-	-
Dues and Subscriptions	-	-	-	-	-
Equipment	926.63	-	-	-	-
Insurance	916.40	-	-	-	-
Legal	-	-	-	-	-
Memberships	-	-	-	-	-
Employee Costs	-	-	-	391.80	-
Volunteer Expense	8.86	-	-	-	-
Postage and Shipping	44.00	-	24.00	-	-
Printing and Advertising	-	-	-	-	-
Space	2,475.00	-	-	-	-
Repairs and Maintenance	-	-	135.59	-	-
Software Support and Maintenance	1,790.02	-	-	-	-
Telephone	1,786.65	-	-	-	-
Training and Technical Assistance	-	-	-	-	-
Travel	449.87	-	-	108.08	-
Utilities	638.03	10.00	-	-	-
Vehicle	-	-	393.78	-	-
Utility Assistance	1,020,661.02	4,685.12	4,591.09	-	-
Contractual Labor	-	-	-	-	-
Food	-	-	-	-	-
Parent Activities	-	-	-	-	-
Emergency Assistance	-	-	6,912.90	-	-
Other	-	-	-	111.22	-
In-Kind Expense	-	-	-	-	-
Total Expenses	<u>1,103,399.82</u>	<u>4,695.12</u>	<u>12,057.36</u>	<u>636.30</u>	<u>-</u>
Increase (Decrease) in Net Assets	-	(327.31)	1,802.09	496.40	-
NET ASSETS, Beginning of Year	-	3,069.70	4,890.25	1,478.70	5.21
NET ASSETS, End of the Year	<u>\$ -</u>	<u>\$ 2,742.39</u>	<u>\$ 6,692.34</u>	<u>\$ 1,975.10</u>	<u>\$ 5.21</u>

See accompanying independent auditors' report.

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.

Combining Schedule of Activities
For the Year Ended September 30, 2011

	Program Code CFDA No.	IP Grant	Local Admin	Combined Sub - Totals	Elimination Entries and GAAP Adjustments	Consolidated Totals
		10 N/A Management and General	20 N/A Management and General			
Revenues and Gains						
Federal Grant Income		\$ -	\$ -	\$ 6,537,927.32	\$ -	\$ 6,537,927.32
Donations		-	286,537.31	318,284.34	(12,522.36)	305,761.98
In-Kind Donations		-	-	1,228,055.76	(549,747.45)	678,308.31
Miscellaneous Revenue		-	20,479.06	21,074.97	-	21,074.97
Gain/(Loss) on Sale of Assets		-	(4,708.33)	8,419.76	-	8,419.76
Transfers		-	(2,709.10)	-	-	-
Total Revenue and Gains		<u>-</u>	<u>299,598.94</u>	<u>8,113,762.15</u>	<u>(562,269.81)</u>	<u>7,551,492.34</u>
Administration						
Salaries		-	-	541,543.42	-	541,543.42
Payroll Taxes		-	-	43,023.63	-	43,023.63
Fringe Benefits		-	-	63,596.38	-	63,596.38
Accounting and Audit		-	4.23	47,959.19	-	47,959.19
Supplies		-	(76.50)	9,055.24	-	9,055.24
Dues and Subscriptions		-	500.00	1,929.15	-	1,929.15
Equipment		-	-	12,114.34	-	12,114.34
Insurance		-	-	6,373.11	-	6,373.11
Legal		-	-	703.45	-	703.45
Memberships		-	135.00	135.00	-	135.00
Employee Costs		-	-	998.30	-	998.30
Postage and Shipping		-	8.75	3,081.78	-	3,081.78
Printing and Advertising		-	-	1,234.04	-	1,234.04
Space		-	-	17,340.00	-	17,340.00
Repairs and Maintenance		-	-	3,499.97	-	3,499.97
Software Support and Maintenance		-	-	1,883.42	-	1,883.42
Telephone		-	-	14,940.73	-	14,940.73
Training and Technical Assistance		-	-	4,239.16	-	4,239.16
Travel		-	-	10,416.43	-	10,416.43
Utilities		-	-	8,126.21	-	8,126.21
Other		-	59.70	3,561.61	-	3,561.61
Depreciation		-	101,906.09	101,906.09	-	101,906.09
In-Kind Expense		-	-	54,056.67	(10,052.77)	44,003.90
Program						
Salaries		-	(9,493.37)	2,452,641.06	-	2,452,641.06
Payroll Taxes		-	-	206,919.76	-	206,919.76
Fringe Benefits		-	-	405,329.70	-	405,329.70
Supplies		46.47	(63.06)	92,173.45	-	92,173.45
Dues and Subscriptions		-	41.36	391.85	-	391.85
Equipment		-	-	52,994.09	(12,522.36)	40,471.73
Insurance		-	1,645.78	19,458.33	-	19,458.33
Legal		-	-	956.50	-	956.50
Memberships		-	-	3,600.00	-	3,600.00
Employee Costs		-	825.60	6,370.15	-	6,370.15
Volunteer Expense		-	-	295.98	-	295.98
Postage and Shipping		-	-	1,309.73	-	1,309.73
Printing and Advertising		-	-	440.81	-	440.81
Space		-	-	91,592.00	-	91,592.00
Repairs and Maintenance		-	-	40,584.88	-	40,584.88
Software Support and Maintenance		-	-	11,320.71	-	11,320.71
Telephone		-	-	40,814.82	-	40,814.82
Training and Technical Assistance		-	-	22,671.87	-	22,671.87
Travel		-	646.60	16,544.45	-	16,544.45
Utilities		-	538.83	109,108.67	-	109,108.67
Vehicle		-	-	250,193.77	-	250,193.77
Utility Assistance		-	244.09	1,030,181.32	-	1,030,181.32
Contractual Labor		-	35,450.00	35,450.00	-	35,450.00
Food		-	425.00	907,553.46	-	907,553.46
Parent Activities		-	-	11.30	-	11.30
Emergency Assistance		-	-	6,912.90	-	6,912.90
Other		-	2,204.23	10,270.62	-	10,270.62
In-Kind Expense		-	-	1,173,999.09	(539,694.68)	634,304.41
Total Expenses		<u>46.47</u>	<u>135,002.33</u>	<u>7,941,808.59</u>	<u>(562,269.81)</u>	<u>7,379,538.78</u>
Increase (Decrease) in Net Assets		(46.47)	164,596.61	171,953.56	-	171,953.56
NET ASSETS, Beginning of Year		46.47	429,609.42	387,000.61	-	387,000.61
NET ASSETS, End of the Year		\$ -	\$ 594,206.03	\$ 558,954.17	\$ -	\$ 558,954.17

See accompanying independent auditors' report.

FEDERAL COMPLIANCE SECTION

Community Services of Northeast Texas, Inc.
Linden, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

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	11/30/2010	N/A	93.600	\$ 403,390.14
Head Start	11/30/2011	N/A	93.600	2,924,379.49
			Total 93.600 (M)	<u>3,327,769.63</u>
Passed-through:				
Texas Department of Housing and Community Affairs				
Low-Income Home Energy Assistance Program (CEAP)	12/31/2010	5810000800	93.568	316,150.66
Low-Income Home Energy Assistance Program (CEAP)	12/31/2011	58110001074	93.568	787,249.16
			Total 93.568 (M)	<u>1,103,399.82</u>
Texas Department of Housing and Community Affairs				
Community Services Block Grant	12/31/2010	6110000855	93.569	76,994.59
Community Services Block Grant	12/31/2011	61110001121	93.569	188,423.93
			Total 93.569	<u>265,418.52</u>
HHS Aging Cluster				
Passed-through:				
Texas Department of Aging and Disability Services				
Title III, Part C - Nutrition Services	09/30/2011	1000859	93.045	1,207,330.42
East Texas Council of Governments				
Title III, Part C - Nutrition Services	09/30/2011	01-83111	93.045	308,870.10
			Total 93.045	<u>1,516,200.52</u>
Nutrition Services Incentive Program	09/30/2011	01-83111	93.053	68,592.00
			Total HHS Aging Cluster (M)	<u>1,584,792.52</u>
Total U.S. Department of Health and Human Services				<u>6,281,380.49</u>
<u>U.S. Department of Agriculture</u>				
Passed-through:				
State of Texas Department of Agriculture				
Child and Adult Care Food Program	11/30/2010	FY10-7516008	10.558	58,911.77
Child and Adult Care Food Program	11/30/2011	FY11-7516008	10.558	197,397.46
			Total 10.558	<u>256,309.23</u>
Farm to Child Care Grant Program	08/31/2012	FTC-11-02	10.579	237.60
Total U.S. Department of Agriculture				<u>256,546.83</u>
Total Expenditures of Federal Awards				<u>\$ 6,537,927.32</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

See accompanying independent auditors' report

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**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. (a nonprofit organization) as of and for the year ended September 30 , 2011, and have issued our report thereon dated June 14, 2012. 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.

Internal Control over Financial Reporting

Management of Community Services of Northeast Texas, Inc. is responsible for establishing and maintaining effective 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 the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 14, 2012
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 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, 2011. 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; 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in 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, Board of Directors, others within the entity, 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 14, 2012
Chanute, Kansas

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Internal Control over Financial Reporting:

Material weakness(es) identified? Yes No
 Significant deficiencies identified that are not considered to be a material weaknesses? Yes No
 Non compliance or other matters required to be reported under *Government Auditing Standards*? Yes No

Federal Awards:

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiencies identified that are not considered to be a material weaknesses? Yes No

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

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

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 No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

None

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COMMUNITY SERVICES OF NORTHEAST TEXAS, INC.
Linden, Texas

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2011

None