

Center for Supportive Schools, Inc.

Financial Statements
and
Schedule of Expenditures of Federal Awards

June 30, 2013 and 2012
(With Independent Auditors' Reports Thereon)

Center for Supportive Schools, Inc.
Financial Statements and OMB Circular A-133 Reports

June 30, 2013 and 2012

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Independent Auditors' Report

Board of Trustees Center for Supportive Schools, Inc.

We have audited the accompanying statements of Center for Supportive Schools, Inc. (the "Center") which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Center for Supportive Schools, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying supplementary schedules of budget to actual comparison – New Jersey Department of Health and Senior Services Contract No. AIDS12HER039, Contract No. AIDS13HER055, Contract No. DFHS13RUR001, Contract No. DFHS12CTC007 and Contract No. DFHS13CTC008 are presented for purposes of additional analysis as required by the New Jersey Department of Health and Senior Services, and are 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, with the exception of the budget information contained on pages 21-25, on which we express no 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 October 9, 2013 on our consideration of the Center'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* and should be considered in assessing the results of our audit.

O'Connor Davies, LLP

Center for Supportive Schools, Inc.

Statements of Financial Position

	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 919,469	\$ 679,900
Accounts receivable	188,139	204,739
Pledges receivable	9,250	-
Prepaid expenses	33,485	32,040
Property and equipment, net	<u>74,578</u>	<u>93,520</u>
	<u>\$ 1,224,921</u>	<u>\$ 1,010,199</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 173,773	\$ 80,140
Capital lease obligation	2,609	6,910
Deferred program income	<u>198,700</u>	<u>244,269</u>
Total Liabilities	<u>375,082</u>	<u>331,319</u>
Net Assets		
Unrestricted	834,359	678,880
Temporarily restricted	<u>15,480</u>	<u>-</u>
Total Net Assets	<u>849,839</u>	<u>678,880</u>
	<u>\$ 1,224,921</u>	<u>\$ 1,010,199</u>

See notes to financial statements

Center for Supportive Schools, Inc.

Statements of Activities

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Federal and state grants	\$ 1,838,197	\$ -	\$ 1,838,197	\$1,923,404	\$ -	\$ 1,923,404
Other foundations and grants	978,279	6,230	984,509	509,879	-	509,879
Fee for service contracts	910,846	-	910,846	655,588	-	655,588
Interest and dividend income	1,605	-	1,605	1,325	-	1,325
Donations	44,916	9,250	54,166	41,867	-	41,867
Rental and other income	-	-	-	6,978	-	6,978
Net assets released from restrictions	-	-	-	38,610	(38,610)	-
Total Support and Revenue	<u>3,773,843</u>	<u>15,480</u>	<u>3,789,323</u>	<u>3,177,651</u>	<u>(38,610)</u>	<u>3,139,041</u>
EXPENSES						
Program and evaluation expenses	2,663,330	-	2,663,330	2,294,256	-	2,294,256
General and administrative expenses	572,627	-	572,627	444,951	-	444,951
Fundraising expenses	382,407	-	382,407	299,253	-	299,253
Total Expenses	<u>3,618,364</u>	<u>-</u>	<u>3,618,364</u>	<u>3,038,460</u>	<u>-</u>	<u>3,038,460</u>
Change in Net Assets	155,479	15,480	170,959	139,191	(38,610)	100,581
NET ASSETS						
Beginning of year	<u>678,880</u>	<u>-</u>	<u>678,880</u>	<u>539,689</u>	<u>38,610</u>	<u>578,299</u>
End of year	<u>\$ 834,359</u>	<u>\$ 15,480</u>	<u>\$ 849,839</u>	<u>\$ 678,880</u>	<u>\$ -</u>	<u>\$ 678,880</u>

See notes to financial statements

Center for Supportive Schools, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 170,959	\$ 100,581
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	30,439	30,045
Change in operating assets and liabilities		
Accounts Receivable	16,600	(111,086)
Pledges Receivable	(9,250)	-
Prepaid expenses	(1,445)	(2,796)
Accounts payable and accrued expenses	93,633	(224)
Capital lease obligation	(4,301)	(4,090)
Deferred program income	(45,569)	26,128
Net Cash from Operating Activities	251,066	38,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,497)	(10,169)
Change in Cash and Cash Equivalents	239,569	28,389
CASH AND CASH EQUIVALENTS		
Beginning of year	679,900	651,511
End of year	<u>\$ 919,469</u>	<u>\$ 679,900</u>

Center for Supportive Schools, Inc.

Statements of Functional Expenses

	Year Ended June 30,	
	2013	2012
PROGRAM AND EVALUATION EXPENSES		
Salaries and benefits	\$ 1,483,516	\$ 1,346,625
Consultants and trainers	560,655	458,258
Stipends and presenters	94,323	41,858
Materials and supplies	108,999	89,048
Conference and meeting costs	261,151	185,853
Facility cost allocation	65,241	86,751
Office expense allocation	31,489	42,458
Travel and parking	57,956	43,405
Total	<u>\$ 2,663,330</u>	<u>\$ 2,294,256</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	\$ 411,472	\$ 353,859
Rent	34,130	16,163
Utilities	3,798	1,713
Insurance	4,980	2,929
Equipment leasing	699	557
Other facility costs	5,045	1,434
Professional fees	37,716	16,523
Information technology and telephone	20,177	8,516
Other office expenses	5,550	2,641
Depreciation	30,439	30,045
Other miscellaneous expenses	18,621	10,571
Total	<u>\$ 572,627</u>	<u>\$ 444,951</u>
FUNDRAISING EXPENSES		
Salaries and benefits	\$ 317,209	\$ 195,810
Facility cost allocation	12,015	12,615
Office expense allocation	6,631	6,175
Public relations expense	8,400	42,840
Marketing and fund development	38,152	41,813
Total	<u>\$ 382,407</u>	<u>\$ 299,253</u>

See notes to financial statements

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

1. Nature of Operations

The Center for Supportive Schools, Inc. (the “Center”), formerly known as Princeton Center for Leadership Training, Inc., develops, disseminates, and promotes peer leadership, advisory, and other evidence-based K-12 solutions that enable and inspire schools to more fully engage students in learning, better connect students to their schools, motivate and equip students to make decisions responsibly, and accelerate academic achievement. The Center’s services include a wide variety of evidence based K-12 solutions, including: an evidence-based school-based program to support, ease, and make successful students’ transition from middle to high school (Peer Group Connection); an evidence-based school-based program to increase students’ responsible decision making about sexual health (Teen Prevention Education Program); a research-based school wide practice that provides all students with the support they need to feel attached to school and succeed in school (Student & Family Advisory); and a school-based prevention and intervention program that has been proven to reduce problem behaviors, improve academics, and reduce drug and alcohol use among at-risk students (Achievement Mentoring). The Center also leads an advocacy movement designed to encourage schools to become safer and more supportive, engaging, and inspiring, and provide them with the tools and resources to do so (Campaign Connect).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are those currently available at the discretion of the board for use in the Center’s operations and those resources invested in property, plant and equipment. Temporarily restricted amounts are those that are stipulated by donors for specific operating purposes. Permanently restricted amounts are those that are established by donor restricted gifts and bequests to provide a permanent endowment. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. The Center’s policy is to report as unrestricted support contributions with donor-imposed restrictions when these restrictions are met in the same year that the contributions are received.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue is derived principally from grants from government agencies, corporations, foundations and school districts for use in implementing training and leadership programs for students. Grants and other contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Certain grants require that the Center provide training programs to institutions in specific regions or school districts. Custom project income is recognized as the work associated with the project occurs.

Cash Equivalents

For the purpose of the statement of cash flows, the Center considers cash on hand, amounts deposited in banks and all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At June 30, 2013 and 2012 management has concluded that an allowance is not necessary.

Deferred Program Income

Center for Supportive Schools, Inc. records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue. The balance in deferred program income represents amounts received under contracts that will be expended in the next fiscal year in accordance with the grant/contract period.

Income Taxes

The Center is exempt from federal income taxes under the Internal Revenue Code, Section 501(c)(3) and New Jersey taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

The Center recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Center had no uncertain tax positions that require financial statement recognition or disclosure. The Center is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2010.

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

2. Summary of Significant Accounting Policies (continued)

Contributed Services and Gifts In-Kind

Contributed services and gifts in-kind are recorded as contributions at fair value as of the date of the donation. Contributed services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 9, 2013.

3. Pledges Receivable

Pledges receivable at June 30, 2013 are as follows:

<u>Fiscal Year in Which Collection is Expected</u>	<u>Future Value of Pledge</u>	<u>Discount</u>	<u>Present Value of Pledge</u>
2014	<u>\$ 9,250</u>	<u>\$ -</u>	<u>\$ 9,250</u>

Management believes that all pledges receivable will be collected in the scheduled time frame.

4. Property and Equipment, Net

Furniture, fixtures and equipment are stated at cost, or fair value with respect to donated items, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method based upon estimated assets lives of three to ten years. Gains and losses resulting from the retirement of furniture, fixtures, and equipment are included in the statement of activities.

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

4. Property and Equipment, Net *(continued)*

Furniture, fixtures and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Computer equipment	\$114,531	\$120,938	3
Office equipment	20,083	20,083	5
Leasehold Improvements	1,755	1,755	7
Furniture and fixtures	<u>33,955</u>	<u>28,353</u>	10
	170,324	171,129	
Less accumulated depreciation	<u>95,746</u>	<u>77,609</u>	
Property and Equipment, Net	<u>\$ 74,578</u>	<u>\$ 93,520</u>	

5. Lease Commitments

The Center leases office space under an operating lease which expired on February 28, 2013. The lease was extended for an additional year, commencing March 1, 2013 and expiring February 28, 2014. The Center also leases additional space in North Carolina which expired on December 31, 2012. The lease was extended for an additional two years, expiring December 31, 2014.

Future minimum lease payments are payable as follows at June 30, 2013:

<u>Year Ending June 30</u>	
2014	\$ 66,631
2015	<u>8,100</u>
Total	<u>\$ 74,731</u>

Total office rent expense for the years ended June 30, 2013 and 2012 amounted to \$92,546 and \$86,615. Equipment lease expense amounted to \$2,928 and \$2,988.

6. Capital Leases

In 2009, the Center acquired office equipment under a capital lease arrangement. The aggregate capitalized cost of this equipment at June 30, 2013 and 2012 was \$20,083 less accumulated depreciation of \$17,407 and \$13,390 at June 30, 2013 and 2012. Depreciation expense on this equipment was \$4,017 in 2013 and 2012. The lease expires in February 2014 and is payable in monthly installments of \$379.

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

6. Capital Leases (continued)

Future minimum lease payments and the net present value of future minimum lease payments related to capital leases are payable as follows at June 30, 2013:

<u>Year Ending June 30,</u>	
2014	\$ 2,653
Total Future Minimum Lease Payments	2,653
Less amount representing interest	<u>44</u>
Present Value of Minimum Lease Payments	<u><u>\$ 2,609</u></u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2013 and 2012 are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
PGC Program	\$ 6,230	\$ -
Time restricted	<u>9,250</u>	<u>-</u>
Total	<u><u>\$ 15,480</u></u>	<u><u>\$ -</u></u>

Net assets released from restrictions during the year ended June 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
PGC Program	<u><u>\$ -</u></u>	<u><u>\$ 38,610</u></u>

8. In Kind Contributions

During the years ended June 30, the following in kind contributions were received by the Center.

	<u>2013</u>	<u>2012</u>
Donated gifts	\$ 1,758	\$ 3,377
Donated services	<u>19,608</u>	<u>1,040</u>
Total in kind contributions	<u><u>\$ 21,366</u></u>	<u><u>\$ 4,417</u></u>

Center for Supportive Schools, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

9. Concentration of Credit Risk

At June 30, 2013 and 2012, the Center's grants and accounts receivable were from private grantors, state agencies and school districts primarily in the Eastern United States. The Center does not believe that it is exposed to a significant concentration of credit risk with respect to its grants and accounts receivable.

The Center maintains cash balances at two financial institutions that at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. The Center has not experienced any losses on its cash deposits

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Center for Supportive Schools, Inc.

Federal Awards

Center for Supportive Schools, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA (1) Number	Grant Contract Number	Current Year Expenditures
U.S. Department of Health and Human Services:			
Teenage Pregnancy Prevention Program	93.297	6 TP2AH000018-02-01	\$ 260,608
Teenage Pregnancy Prevention Program	93.297	6 TP2AH000018-03-01	833,672
			1,094,280
Passed through the State of New Jersey			
Department of Health and Senior Services			
HIV Prevention Activities_Health Department Based	93.940	AIDS12HER039	177,428
HIV Prevention Activities_Health Department Based	93.940	AIDS13HER055	170,394
			347,822
Passed through the State of New Jersey			
Department of Health and Senior Services			
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	DFHS13RUR001	260,000
Passed through the State of New Jersey			
Department of Health and Senior Services			
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	DFHS12CTC007	120,000
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	DFHS13CTC008	16,093
			136,093
Passed through Center for Disease Control and Prevention			
Passed through Newark Board of Education			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	5U87D001240-05	5,000
Total Expenditures of Federal Awards			\$ 1,843,195

(1) Catalog of Federal Domestic Assistance number

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

Center for Supportive Schools, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Center for Supportive Schools, Inc. (the "Center") under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule only presents a selected portion of the operations, it is not intended to and does not present the financial position, changes in nets assets or cash flows of the Center.

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. The Center received no nonmonetary assistance for the year ended June 30, 2013.

2. Summary of Significant Account Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**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***

Independent Auditors' Report

**Board of Trustees
Center for Supportive Schools, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center for Supportive Schools, Inc., (the "Center") which comprise the statement of financial position as of June 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 October 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center for Supportive Schools, 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*.

Purpose of this Report

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

O'Connor Davies, LLP

Paramus, New Jersey
October 9, 2013

**Report on Compliance for Each Major Program; Report on Internal Control Over
Compliance and Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditors' Report

**Board of Trustees
Center for Supportive Schools, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Center for Supportive Schools, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. Center for Supportive Schools, 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 Center for Supportive Schools, 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; 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 Center for Supportive Schools, 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 Center for Supportive Schools, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Center for Supportive Schools, 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 June 30, 2013.

Internal Control Over Compliance

Management of Center for Supportive Schools, 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 the Center'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 the Center's internal control over compliance.

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

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

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

O'Connor Davies, LLP

Paramus, New Jersey
October 9, 2013

Center for Supportive Schools, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported

Type of auditors' report issued on compliance for major programs Unmodified

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>CFDA Number(s)</u>	<u>Name of Federal/State Program or Cluster</u>
93.297	Teenage Pregnancy Prevention Program
93.940	HIV Prevention Activities_Health Department Based
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance

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

Auditee qualified as low-risk auditee? yes _____ no

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Center for Supportive Schools, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

None noted.

Center for Supportive Schools, Inc.

Supplementary Schedules

CENTER FOR SUPPORTIVE SCHOOLS, INC.
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
CONTRACT NO. AIDS12HER039
CONTRACT PERIOD: JANUARY 1, 2012 - DECEMBER 31, 2012
Year Ended June 30, 2013

<u>Budget Categories</u>	<u>Final Budget</u>	<u>Actual January 1 - June 30</u>	<u>Actual July 1 - December 31</u>	<u>Total</u>	<u>Variance Under (Over)</u>
Personnel Cost					
Salaries/Wages	\$ 150,404	\$ 75,002	\$ 75,454	\$ 150,456	\$ (52)
Fringe Benefits	34,593	17,251	17,354	34,605	(12)
Total	<u>184,997</u>	<u>92,253</u>	<u>92,808</u>	<u>185,061</u>	<u>(64)</u>
Consultants and Professional Services	<u>47,786</u>	<u>22,820</u>	<u>24,968</u>	<u>47,788</u>	<u>(2)</u>
Other Cost Categories					
Office expenses	4,688	2,336	2,352	4,688	-
Program expense	44,497	22,408	21,981	44,389	108
Travel, conferences and meetings	3,770	2,711	1,072	3,783	(13)
Facility cost	<u>9,472</u>	<u>4,736</u>	<u>4,735</u>	<u>9,471</u>	<u>1</u>
Total	<u>62,427</u>	<u>32,191</u>	<u>30,140</u>	<u>62,331</u>	<u>96</u>
Total Direct Cost	295,210	147,264	147,916	295,180	30
Total Indirect Cost	58,808	29,326	29,512	58,838	(30)
Less: Program income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost	<u>\$ 354,018</u>	<u>\$ 176,590</u>	<u>\$ 177,428</u>	<u>\$ 354,018</u>	<u>\$ -</u>

See independent auditors' report.

CENTER FOR SUPPORTIVE SCHOOLS, INC.
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
CONTRACT NO. AIDS13HER055
CONTRACT PERIOD: JANUARY 1, 2013 - DECEMBER 31, 2013
Year Ended June 30, 2013

<u>Budget Categories</u>	<u>Budget</u>	<u>Actual January 1- June 30</u>	<u>Variance Under (Over)</u>
Personnel Cost			
Salaries/Wages	\$ 156,000	\$ 77,104	\$ 78,896
Fringe Benefits	<u>35,880</u>	<u>17,701</u>	<u>18,179</u>
Total	<u>191,880</u>	<u>94,805</u>	<u>97,075</u>
Consultants and Professional Services	<u>41,898</u>	<u>20,950</u>	<u>20,948</u>
Other Cost Categories			
Office expenses	3,490	1,745	1,745
Program expense	37,028	20,399	16,629
Travel, conferences and meetings	2,200	2,223	(23)
Facility cost	<u>6,208</u>	<u>3,104</u>	<u>3,104</u>
Total	<u>48,926</u>	<u>27,471</u>	<u>21,455</u>
Total Direct Cost	282,704	143,226	139,478
Total Indirect Cost	55,068	27,168	27,900
Less: Program income	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost	<u>\$ 337,772</u>	<u>\$ 170,394</u>	<u>\$ 167,378</u>

See independent auditors' report.

CENTER FOR SUPPORTIVE SCHOOLS, INC.
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
CONTRACT NO. DFHS13RUR001
CONTRACT PERIOD: JULY 1, 2012 - JUNE 30, 2013
Year Ended June 30, 2013

<u>Budget Categories</u>	<u>Budget</u>	<u>Actual July 1- June 30</u>	<u>Variance Under (Over)</u>
Personnel Cost			
Salaries/Wages	\$ 151,516	\$ 151,531	\$ (15)
Fringe Benefits	<u>34,849</u>	<u>34,847</u>	<u>2</u>
	<u>186,365</u>	<u>186,378</u>	<u>(13)</u>
Consultants/Professional Services	<u>-</u>	<u>-</u>	<u>-</u>
Other Cost Categories			
Office expense and Related Cost	4,252	4,252	-
Program expense and Related Cost	3,802	3,981	(179)
Travel, Conferences and Meetings	3,515	3,325	190
Facility cost	<u>8,581</u>	<u>8,581</u>	<u>-</u>
	<u>20,150</u>	<u>20,139</u>	<u>11</u>
Total Direct Cost	206,515	206,517	(2)
Total Indirect Cost	53,485	53,483	2
Less: Program income	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ -</u>

See independent auditors' report

CENTER FOR SUPPORTIVE SCHOOLS, INC.
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
CONTRACT NO. DFHS12CTC007
CONTRACT PERIOD: JULY 1, 2012 - JUNE 30, 2013
Year Ended June 30, 2013

<u>Budget Categories</u>	<u>Budget</u>	<u>Actual July 1- June 30</u>	<u>Variance Under (Over)</u>
Personnel Cost			
Salaries/Wages	\$ 70,469	\$ 70,471	\$ (2)
Fringe Benefits	16,208	16,208	-
	<u>86,677</u>	<u>86,679</u>	<u>(2)</u>
Consultants/Professional Services	<u>-</u>	<u>-</u>	<u>-</u>
Other Cost Categories			
Office expense and Related Cost	2,190	2,189	1
Program expense and Related Cost	1,800	1,800	-
Travel, Conferences and Meetings	162	184	(22)
Facility cost	4,321	4,319	2
	<u>8,473</u>	<u>8,492</u>	<u>(19)</u>
Total Direct Cost	95,150	95,171	(21)
Total Indirect Cost	24,850	24,829	21
Less: Program income	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ -</u>

See independent auditors' report

CENTER FOR SUPPORTIVE SCHOOLS, INC.
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
CONTRACT NO. DFHS13CTC008
CONTRACT PERIOD: MARCH 29, 2013 - MARCH 28, 2014
Year Ended June 30, 2013

<u>Budget Categories</u>	<u>Budget</u>	<u>Actual July 1- June 30</u>	<u>Variance Under (Over)</u>
Personnel Cost			
Salaries/Wages	\$ 38,001	\$ 9,541	\$ 28,460
Fringe Benefits	<u>8,740</u>	<u>2,194</u>	<u>6,546</u>
	<u>46,741</u>	<u>11,735</u>	<u>35,006</u>
Consultants/Professional Services	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Other Cost Categories			
Office expense and Related Cost	1,127	282	845
Program expense and Related Cost	3,900	82	3,818
Travel, Conferences and Meetings	358	131	227
Facility cost	<u>1,979</u>	<u>495</u>	<u>1,484</u>
	<u>7,364</u>	<u>990</u>	<u>6,374</u>
Total Direct Cost	56,605	12,725	43,880
Total Indirect Cost	13,395	3,368	10,027
Less: Program income	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Cost	<u>\$ 70,000</u>	<u>\$ 16,093</u>	<u>\$ 53,907</u>

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