Counseling in Schools, Inc.

Financial Statements
and Single Audit Reports and Schedules

June 30, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Counseling in Schools, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of Counseling in Schools, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Counseling in Schools, Inc. as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Counseling in Schools, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Counseling in Schools, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Counseling in Schools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Counseling in Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 30, 2023, on our consideration of the Organization'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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Counseling in Schools, Inc. as of June 30, 2021, were audited by other auditors whose report dated March 3, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

Armanino CPA LLP

Armanino CPA[LLP]
New York, New York

March 30, 2023

Counseling in Schools, Inc.
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash	$ 1,061,110	$ 1,226,487
Accounts receivable, net	4,377,059	3,424,848
Government grants receivable	129,614	-
Other assets	8,089	4,690
Property and equipment, net	65,105	-
Total assets	$ 5,640,977	$ 4,656,025
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued expenses	$ 218,941	$ 284,114
Accrued payroll, taxes and benefits	605,691	544,310
Agency liability	114,087	-
Notes payable	-	1,139,078
Total liabilities	938,719	1,967,502
Net assets		
Without donor restrictions	4,702,258	2,688,523
Total net assets	4,702,258	2,688,523
Total liabilities and net assets	$ 5,640,977	$ 4,656,025

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

Counseling in Schools, Inc.
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains, and other support				
Program service	$ 6,903,046	$ -	$ 6,903,046	$ 8,407,173
Government grants revenue	2,461,027	-	2,461,027	-
Contributions	359,471	-	359,471	664,901
In-kind donated services	46,498	-	46,498	71,731
Other revenue	6,567	-	6,567	-
Gain on extinguishment of notes payable	1,142,168	-	1,142,168	1,056,542
Total revenues, gains, and other support	10,918,777	-	10,918,777	10,200,347
Functional expenses				
Program services				
Community schools	3,839,548	-	3,839,548	3,603,222
General counseling	3,076,034	-	3,076,034	3,227,887
Student in temporary housing	607,411	-	607,411	600,538
Training and development	75,922	-	75,922	75,064
Total program services	7,598,915	-	7,598,915	7,506,711
Management and general	928,782	-	928,782	918,507
Fundraising	377,345	-	377,345	311,789
Total functional expenses	8,905,042	-	8,905,042	8,737,007
Change in net assets	2,013,735	-	2,013,735	1,463,340
Net assets, beginning of year	2,688,523	-	2,688,523	1,225,183
Net assets, end of year	$ 4,702,258	$ -	$ 4,702,258	$ 2,688,523

Counseling in Schools, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services					Support Services			
	Community Schools	General Counseling	Student in Temporary Housing	Training and Development	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Personnel expenses									
Salaries and wages	$ 2,735,123	$ 2,450,214	$ 455,854	$ 56,981	$ 5,698,172	$ 333,178	$ 121,909	$ 6,153,259	$ 6,119,242
Employee benefits and taxes	388,285	347,838	64,714	8,089	808,926	205,856	7,784	1,022,566	736,590
Total personnel expenses	3,123,408	2,798,052	520,568	65,070	6,507,098	539,034	129,693	7,175,825	6,855,832
Occupancy	-	-	-	-	-	104,778	1,058	105,836	107,542
Office expenses	1,955	1,753	326	42	4,076	93,109	940	98,125	74,632
Travel	2,629	876	307	36	3,848	135	-	3,983	1,218
Special events and other fundraising costs	-	-	-	-	-	30,646	166,043	196,689	115,976
Professional fees	149,280	45,052	17,084	2,136	213,552	11,709	-	225,261	515,992
In-kind donated services	-	-	-	-	-	46,498	-	46,498	71,731
Insurance	2,743	2,455	457	54	5,709	21,375	-	27,084	16,115
Supplies	316,795	107,151	37,270	4,658	465,874	-	-	465,874	353,673
Telephone and internet	27,279	24,438	4,547	568	56,832	65,196	659	122,687	170,025
Food	140,228	47,430	16,473	2,061	206,192	26	-	206,218	150,959
Program incentive	23,659	8,002	2,784	348	34,793	-	-	34,793	64,257
Stipend	6,000	-	-	-	6,000	-	-	6,000	11,644
Miscellaneous expenses	45,572	40,825	7,595	949	94,941	16,276	78,952	190,169	203,141
Interest expense	-	-	-	-	-	-	-	-	6,536
Bad debt expense	-	-	-	-	-	-	-	-	17,734
	$ 3,839,548	$ 3,076,034	$ 607,411	$ 75,922	$ 7,598,915	$ 928,782	$ 377,345	$ 8,905,042	$ 8,737,007

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

Counseling in Schools, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 2,013,735	$ 1,463,340
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	-	17,734
Gain on extinguishment of notes payable	(1,139,078)	-
Changes in operating assets and liabilities		
Accounts receivable, net	(952,211)	(657,838)
Government grants receivable	(129,614)	-
Other assets	(3,399)	(2,190)
Accounts payable and other accrued expenses	(65,173)	(46,879)
Accrued payroll, taxes and benefits	61,381	185,471
Agency liability	114,087	-
Net cash provided by (used in) operating activities	(100,272)	959,638
Cash flows from investing activities		
Purchases of property and equipment	(65,105)	-
Net cash provided by (used in) investing activities	(65,105)	-
Cash flows from financing activities		
Proceeds from notes payable	-	2,057,078
Payments on notes payable	-	(1,974,542)
Net cash provided by financing activities	-	82,536
Net increase (decrease) in cash	(165,377)	1,042,174
Cash, beginning of year	1,226,487	184,313
Cash, end of year	$ 1,061,110	$ 1,226,487

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ -	$ 6,536

Supplemental schedule of noncash investing and financing activities

In-kind donated services	$ 46,498	$ 71,731

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

1. NATURE OF OPERATIONS

Counseling in Schools, Inc. (the "Organization") was incorporated on October 15, 1986 in the State of New York as a non-for-profit corporation. Its mission is to provide quality counseling services to children, families and individuals in their local school and community settings. The Organization's services strive to promote growth opportunities in all areas of life-social, emotional, intellectual and vocational - by delivering direct services, school counseling, individual counseling, group counseling, family counseling and creative arts therapy to students, families and schools in need. The Organization offers professional development opportunities to education professionals and counseling to children, their families, and staff members in the New York City area. The Organization operates administrative offices in New York, New York and is supported primarily through program service and grant revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Organization's net assets are classified and reported based upon the existence or absence of donor-imposed restrictions as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors or may be limited by contractual agreements with outside parties.

- *Net assets with donor restrictions* - Net assets that have donor-imposed restrictions such as fulfilling a specified purpose and/or the passage of a specified amount of time. Other donor-imposed restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets with donor restrictions as of June 30, 2022.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Contributions with donor-imposed restrictions whose restrictions are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

The Organization maintains cash with major financial institutions. Periodically, cash on deposit may be in excess of federally insured limits. The Organization believes that it mitigates this risk by maintaining deposits with high credit quality institutions.

Accounts receivable

The Organization's accounts receivable are recorded at amounts billed and presented on the statement of financial position net of an allowance of doubtful accounts. The allowance is determined by a variety of factors, including the age of the receivable, current economic conditions, historical losses and other information management obtains regarding the financial condition of its clients. The policy for determining the past due status of receivables is based on how recently payments have been received. Receivables are charged off when they are considered uncollectible, which may arise when clients are deemed unable to pay the amounts owed. At June 30, 2022, the allowance for doubtful accounts was approximately $45,000. As of June 30, 2022, there was no bad debt expense incurred.

Property and equipment

The Organization capitalizes all computer purchases and other property and equipment purchased for more than $10,000 and that provides future benefit to the Organization beyond one year. Property and equipment is carried at cost, net of accumulated depreciation, or, if donated, at the estimated fair value on the date of the contribution. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Software	3 - 5 years
Leasehold improvements	3 - 5 years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Organization will record impairment losses when determined. No indicators of impairment existed at June 30, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency fund

Within the "Cash" asset account and the liability account "Agency liability" in the statement of financial position are funds received by the Organization on behalf of the agency it serves. The Organization's policy is to recognize the funds received and an offsetting liability until the funds are distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books.

Revenue recognition

Program service revenue is primarily from contracts with the City of New York Department of Education and offered in two ways: line item based program contracts and unit based program contracts. Line item based program contracts are granted for an amount that is negotiated based on anticipated expenses that the Organization will incur for compensation and other operating expenses. Unit based program contracts are granted for hourly services and cover the compensation and other operating expenses incurred. The performance obligation of program service revenue is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the program.

Government grants and grants receivable

Government grant revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization. Government grants receivable represent these pending reimbursements of allowable expenditures incurred as of June 30, 2022 and expected to be received from funding sources in the subsequent year. Management considers such receivables at June 30, 2022 to be fully collectible. Accordingly, no allowance for government grants receivable was recorded in the accompanying financial statements.

During the year ended June 30, 2022, the Organization recognized $1,265,567 in employee retention credits ("ERC") within government grants revenue on the accompanying statement of activities. ERCs were authorized under the Coronavirus Aid, Relief, and Economic Security Act ("CARES") and Consolidated Appropriations Act and represent a refundable credit that businesses can claim on qualified wages paid to employees during the calendar years 2020 and 2021, as eligible. Employers qualify for ERCs based on experience with either a full or partial suspension during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or significant declines in gross receipts. Accordingly, the Organization has determined eligible ERCs of $532,248 for calendar year 2020 and $733,319 in ERCs for calendar year 2021 based governmental closures, respectively. The Organization claimed the ERCs during the year ended June 30, 2022, through amended Form 941 tax returns and has received all credits from the Internal Revenue Service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable

Contributions received are reported as net assets with or without donor restrictions, depending upon the presence or absence of any donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. As of June 30, 2022, there were no contributions receivable outstanding.

Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are substantially overcome, and there is no longer a right of return of the asset or right of release from the liability. As of June 30, 2022, there were no conditional promises to give.

Contributed goods and in-kind donated services

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. In-kind donated services are reflected in the financial statements at the fair value of the services received. In-kind donation of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During June 30, 2022, the Organization received $46,498 in in-kind donations for general legal counsel for pro-bono professional fees that met the criteria described above.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employees' estimated time spent by function. Expenses that are attributable to a program or supporting service category are directly charged and those that benefit multiple cost centers are included in a cost pool, which is then allocated using direct salaries as a base.

Income tax

The Organization is a qualified organization exempt from federal income and New York franchise taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and 1116 of the New York Revenue and Taxation Code, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be considered necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Uses of estimates include, but are not limited to, accounting for the allowances for doubtful accounts, the estimated useful of lives of property and equipment and the allocation of expenses by function. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events through March 30, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE

The Organization monitors its liquidity in order to meet operating needs and other contractual commitments while maintaining sufficient resources to meet donor restrictions placed on contributed financial assets.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization also has a $900,000 business line of credit, as described in Note 5, which it could draw upon in the event of a liquidity need

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following quantitative disclosure describes assets that are available or expected to be available within one year of June 30, 2022 to fund general expenditures and obligations as they become due:

Financial assets:	
Cash	$ 1,061,110
Accounts receivable, net	4,377,059
Government grants receivable	129,614
	5,567,783
Less amounts unavailable for general expenditure within one year:	
Cash held within an agency fund	(114,087)
	(114,087)
	$ 5,453,696

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Office equipment	$ 44,522
Computer equipment	42,847
Software	61,112
Leasehold improvements	21,287
	169,768
Less: accumulated depreciation and amortization	(104,663)
	$ 65,105

For the year ended June 30, 2022, there was no depreciation and amortization expense incurred.

5. NOTES PAYABLE

On January 31, 2018, the Organization entered into a commercial demand note and business line of credit agreement (the "Note") with a financial institution which expired and April 30, 2021 and was extended to April 30, 2023. The original Note limit was $750,000 and through the extension process was increased to $900,000. The Note bears interest at Eurodollar rate plus 2.75% per annum. The effective interest was 2.85% as of June 30, 2022. There was no outstanding balance on the Note as of June 30, 2022. The Note is secured by all of the assets of the Organization.

As part of the Note's agreement, there are certain debt covenant requirements the Organization must meet. As of June 30, 2022, management evaluated debt covenants and determined the Organization to be in compliance.

5. NOTES PAYABLE (continued)

On March 22, 2021, the Organization received loan proceeds of $1,139,078 from a promissory note issued by a financial institution under the Paycheck Protection Program ("PPP") which was established under the CARES Act and is administered by the U.S. Small Business Administration ("SBA"). The Organization elected to record this loan under *Accounting Standards Codification 470 Debt*, in which any subsequent forgiveness of the debt would result in a gain on extinguishment in the period when the Organization is legally released from the obligations of the debt. In August 2021, the PPP loan was forgiven in full by the SBA. Forgiveness of the loan totaled $1,142,168, which included $3,090 of accrued interest. The forgiveness of the loan is included as a gain on extinguishment of notes payable in the statement of activities for the year ended June 30, 2022.

6. COMMITMENTS AND CONTINGENCIES

Future minimum lease obligations

The Organization entered into a five-year lease on April 1, 2017 for office space, which expired in March 2022. The Organization renewed that lease for a seven-year and five month term on April 1, 2022, which expires in September 2029. Under the terms of the lease, rent obligations consist of base rent as defined in the lease as $6,962 per month, with a 2.5% annual escalator. In addition to the base rent, the agreement requires additional rent to be paid for other amounts and obligations as outlined in the agreement. Rent expense amounted to approximately $101,000 for the year ended June 30, 2022.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2023	$ 85,104
2024	87,232
2025	67,471
2026	91,648
2027	101,310
Thereafter	189,172
	$ 621,937

SINGLE AUDIT REPORTS AND SCHEDULES

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Counseling in Schools, Inc.
New York, New York

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 Counseling in Schools, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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.

Armanino CPA LLP

Armanino CPA LLP
New York, New York

March 30, 2023

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

To the Board of Directors
Counseling in Schools, Inc.
New York, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Counseling in Schools, Inc. (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Armanino CPA LLP

Armanino CPA LLP
New York, New York

March 30, 2023

Counseling in Schools, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Expenditures of Federal Awards				
U.S. Department of Health and Human Services				
Pass-through The Research Foundation for Mental Hygiene, Inc.:				
Mental Health Disaster Assistance and Emergency Mental Health	93.982	1H07SM083766-01	$ 1,195,460	$ -
Total U.S. Department of Health and Human Services			1,195,460	-
Total Expenditures of Federal Awards			$ 1,195,460	$ -

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Counseling in Schools, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Counseling in Schools, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Counseling in Schools, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	AL Number
Mental Health Disaster Assistance and Emergency Mental Health	93.982

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Counseling in Schools, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Counseling in Schools, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no prior year findings.