

CONSOLIDATED FINANCIAL STATEMENTS

CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF
ONONDAGA COUNTY, INC.

DECEMBER 31, 2013 AND 2012

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF
ONONDAGA COUNTY, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Contact Community Services, Inc.
East Syracuse, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Contact Community Services, Inc. (a nonprofit organization) and Mental Health Association of Onondaga County, Inc. (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud

(Continued)

or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Contact Community Services, Inc. and Mental Health Association of Onondaga County, Inc. as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidating statements of financial position, activities, and functional expenses on pages 13 to 20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 1, 2014 on our consideration of Contact Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contact Community Services, Inc.'s internal control over financial reporting and compliance.

May 1, 2014
Syracuse, New York

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash	\$ 992,860	\$ 885,032
Accounts receivable	675	850
Grants receivable	1,857,966	660,822
Prepaid expenses	26,509	16,350
Total current assets	2,878,010	1,563,054
PROPERTY AND EQUIPMENT:		
Building	958,584	958,238
Furniture and equipment	62,066	118,122
Leasehold improvements	55,000	55,000
Construction in process	41,925	-
Total	1,117,575	1,131,360
Less accumulated depreciation	87,102	86,512
Property and equipment - net	1,030,473	1,044,848
FINANCING COSTS - NET	76,473	69,973
TOTAL	\$ 3,984,956	\$ 2,677,875
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 87,897	\$ 77,172
Accrued expenses	82,288	40,527
Refundable advances	1,684,355	520,617
Long-term debt, current portion	28,189	20,291
Total current liabilities	1,882,729	658,607
LONG-TERM DEBT, net of current portion	776,520	804,709
Total liabilities	2,659,249	1,463,316
NET ASSETS:		
Net assets - unrestricted	1,325,402	1,213,254
Net assets - temporarily restricted	305	1,305
Total net assets	1,325,707	1,214,559
TOTAL	\$ 3,984,956	\$ 2,677,875

See Accompanying Notes to Consolidated Financial Statements

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Direct contributions	\$ 18,118	\$ -	\$ 18,118	\$ 56,990	\$ 1,000	\$ 57,990
Allocated by United Way of Central New York	197,973	-	197,973	204,599	-	204,599
Grants	3,123,269	-	3,123,269	2,699,345	-	2,699,345
Program service fees	53,139	-	53,139	60,667	-	60,667
Interest income	2,813	-	2,813	493	-	493
Rental income	2,189	-	2,189	40,730	-	40,730
Loss on sale of property and equipment	-	-	-	(2,530)	-	(2,530)
Net assets released from restriction	1,000	(1,000)	-	-	-	-
Total revenue	<u>3,398,501</u>	<u>(1,000)</u>	<u>3,397,501</u>	<u>3,060,294</u>	<u>1,000</u>	<u>3,061,294</u>
EXPENSES AND LOSSES:						
Program services:						
Telephone and web-based services	579,870	-	579,870	515,592	-	515,592
School services	1,053,132	-	1,053,132	1,243,001	-	1,243,001
Youth development services	1,119,892	-	1,119,892	596,530	-	596,530
Community based services	121,794	-	121,794	122,931	-	122,931
Total program services	<u>2,874,688</u>	<u>-</u>	<u>2,874,688</u>	<u>2,478,054</u>	<u>-</u>	<u>2,478,054</u>
Supporting services:						
Management and general	410,548	-	410,548	490,932	-	490,932
Fundraising	21,811	-	21,811	23,275	-	23,275
Total supporting services	<u>432,359</u>	<u>-</u>	<u>432,359</u>	<u>514,207</u>	<u>-</u>	<u>514,207</u>
Fire loss on building	-	-	-	13,048	-	13,048
Total expenses and losses	<u>3,307,047</u>	<u>-</u>	<u>3,307,047</u>	<u>3,005,309</u>	<u>-</u>	<u>3,005,309</u>
OTHER INCOME:						
Insurance proceeds for lost rental income	20,694	-	20,694	-	-	-
CHANGE IN NET ASSETS	112,148	(1,000)	111,148	54,985	1,000	55,985
NET ASSETS - BEGINNING OF YEAR	<u>1,213,254</u>	<u>1,305</u>	<u>1,214,559</u>	<u>1,158,269</u>	<u>305</u>	<u>1,158,574</u>
NET ASSETS - END OF YEAR	<u>\$ 1,325,402</u>	<u>\$ 305</u>	<u>\$ 1,325,707</u>	<u>\$ 1,213,254</u>	<u>\$ 1,305</u>	<u>\$ 1,214,559</u>

See Accompanying Notes to Consolidated Financial Statements

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012)**

	Program Services			
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services
EXPENSES:				
Salaries and related expenses	\$ 481,739	\$ 906,067	\$ 869,298	\$ 99,679
Professional fees and contracts	19,162	13,742	20,748	-
Supplies	10,188	24,203	88,170	6,817
Telephone and data expense	8,161	7,548	11,768	411
Postage	440	454	695	754
Occupancy	10,842	16,973	9,176	2,088
Insurance	4,065	6,363	3,550	778
Outside printing	-	694	695	-
Program publicity and promotion	4,500	483	5,761	2,515
Staff travel and student transportation	5,535	13,648	62,257	483
Conferences and meetings	5,541	5,158	3,577	2,465
Dues and subscriptions	2,141	200	-	-
Repairs and maintenance - equipment	9,695	14,289	10,555	2,203
Expendable equipment	-	12,972	8,261	-
 Total expenses before depreciation, amortization, and interest	 562,009	 1,022,794	 1,094,511	 118,193
 Depreciation and amortization	 9,541	 17,328	 18,426	 2,004
 Interest	 8,320	 13,010	 6,955	 1,597
 TOTAL	 <u>\$ 579,870</u>	 <u>\$ 1,053,132</u>	 <u>\$ 1,119,892</u>	 <u>\$ 121,794</u>

Total Program Services Expenses	Supporting Services		Total Supporting Services Expenses	2013 Total Expenses	2012 Total Expenses
	Management and General	Fundraising			
\$ 2,356,783	\$ 226,364	\$ 19,868	\$ 246,232	\$ 2,603,015	\$ 2,317,520
53,652	57,967	-	57,967	111,619	121,336
129,378	46,664	122	46,786	176,164	91,895
27,888	1,447	69	1,516	29,404	28,894
2,343	2,352	358	2,710	5,053	3,710
39,079	14,226	352	14,578	53,657	122,989
14,756	4,208	129	4,337	19,093	21,944
1,389	-	-	-	1,389	4,657
13,259	660	-	660	13,919	13,014
81,923	1,572	-	1,572	83,495	80,038
16,741	6,747	16	6,763	23,504	19,876
2,341	1,046	-	1,046	3,387	1,559
36,742	26,075	272	26,347	63,089	48,831
21,233	6,518	-	6,518	27,751	38,367
<u>2,797,507</u>	<u>395,846</u>	<u>21,186</u>	<u>417,032</u>	<u>3,214,539</u>	<u>2,914,630</u>
47,299	11,636	358	11,994	59,293	44,485
<u>29,882</u>	<u>3,066</u>	<u>267</u>	<u>3,333</u>	<u>33,215</u>	<u>33,146</u>
<u>\$ 2,874,688</u>	<u>\$ 410,548</u>	<u>\$ 21,811</u>	<u>\$ 432,359</u>	<u>\$ 3,307,047</u>	<u>\$ 2,992,261</u>

See Accompanying Notes to Consolidated Financial Statements

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 111,148	\$ 55,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,646	42,382
Amortization	2,647	2,103
Fire loss on building	-	13,048
Loss on sale of property and equipment	-	2,530
Changes in operating assets and liabilities:		
Accounts receivable	175	539
Grants receivable	(1,197,144)	(497,599)
Prepaid expenses	(10,159)	10,261
Accounts payable	10,725	24,146
Accrued expenses	(164)	7,101
Refundable advances	1,163,738	398,453
Net adjustments	26,464	2,964
Net cash provided by operating activities	137,612	58,949
CASH FLOWS FROM INVESTING ACTIVITIES:		
Insurance proceeds from fire loss on building	-	150,634
Proceeds from sale of property and equipment	-	1,500
Purchase of property and equipment	(346)	(444,775)
Net cash utilized in investing activities	(346)	(292,641)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Addition of financing costs	(9,147)	(16,185)
Proceeds on notes payable	-	218,051
Payments on notes payable	(20,291)	(93,051)
Net cash provided by (utilized in) financing activities	(29,438)	108,815
NET INCREASE (DECREASE) IN CASH	107,828	(124,877)
CASH - BEGINNING OF YEAR	885,032	1,009,909
CASH - END OF YEAR	\$ 992,860	\$ 885,032

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for interest	\$ 33,215	\$ 33,146
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SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

The Agencies incurred a liability of \$41,925 to acquire leasehold improvements that have not yet been placed in service at December 31, 2013.

See Accompanying Notes to Consolidated Financial Statements

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying consolidated financial statements include the accounts of Contact Community Services, Inc. and Mental Health Association of Onondaga County, Inc. (“the Agencies”). Both Agencies are not-for-profit corporations under the laws of New York State and are exempt from income tax under Internal Revenue Code Section 501(c)(3).

Contact Community Services, Inc. (“Contact”) helps individuals and organizations create positive personal and social change to improve the quality of lives in Central New York. Contact is a recognized leader in fostering healthy emotional development in the community. Contact offers resources and expertise that builds upon the strengths of the diverse individuals and organizations it serves.

Mental Health Association of Onondaga County, Inc. (“MHA”) promotes mental health in the community through advocacy, education, and access to mental health services.

As of May 15, 2009, the Agencies entered into an affiliation agreement and are led by one Executive Director. In addition, the Agencies utilize shared employees and office space. There are two distinct Boards of Directors having common membership. Costs are allocated to the party utilizing the services.

On June 28, 2012, the dissolution of MHA was approved by both the Contact and MHA Board of Directors. During 2013, MHA was formally dissolved and transferred \$206,514 of cash assets to Contact. Additionally, fully depreciated furniture and equipment with a cost basis of \$56,056 was disposed of as a result of the dissolution.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Accounts Receivable

The Agencies consider all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at December 31, 2013 and 2012. If accounts become non-collectible they will be charged to operations when that determination is made.

(Continued)

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Expendable Equipment

As the grantors have a reversionary interest in the underlying assets and ownership is not with the Agencies, furniture and equipment purchased with grant funds are charged to expense when incurred. During 2013 and 2012, \$27,751 and \$38,367, respectively, of furniture and equipment purchased with grant funds was expensed.

Property and Equipment

Property and equipment is recorded at cost if purchased or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities. The Agencies capitalize items over \$1,000. Expenses for repairs and maintenance are charged to expense as incurred.

In 2012, there was a fire in the warehouse that the Agencies were leasing to a third party. The net book value of the property damaged was \$163,682. The Agencies received insurance proceeds of \$150,634 and recognized a net loss of \$13,048 due to the fire. In 2013, the Agencies received an additional \$20,694 from the insurance company for lost rental income as a result of the fire.

Support and Revenue

Support and revenue are classified into unrestricted net assets, temporarily restricted net assets and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions. The Agencies have adopted a policy requiring that all support and revenue be recorded as unrestricted net assets if the restriction expires in the same reporting period. Temporarily restricted net assets include assets for which donor-imposed restrictions have not yet been met. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Agencies.

Contributed Services

Contributions of services are recognized as revenues when they create or enhance non-financial assets, or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The Agencies receive services from volunteers within the community. However, no amounts have been recognized in the accompanying consolidated statements of activities for contributed services because the criteria for recognition of such volunteer efforts have not been satisfied.

(Continued)

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Advertising

The Agencies charge the costs of advertising to expense as incurred. Advertising expenses were \$13,619 and \$10,658 for the years ended December 31, 2013 and 2012, respectively, and are included in program publicity and promotion expense in the consolidated statements of functional expenses.

Retirement Plan

The Agencies sponsor a defined contribution retirement plan covering all employees. The plan includes a salary deferral provision as defined by Internal Revenue Code Section 401(k). The employees electing to participate may defer a percentage of their annual salary not to exceed the statutory limit. For employees who are at least 21 years old and have completed one year of service, the Agencies provide a match based upon management's discretion. Contributions to the plan for the years ended December 31, 2013 and 2012, included in payroll taxes and fringe benefits expense (net of plan forfeitures), were \$36,854 and \$42,537, respectively.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For purposes of functional analysis, direct expenses are charged to the applicable function. Indirect expenses are allocated based on management's estimate of square footage, utilization, time spent or usage.

Tax Status

The Agencies are New York not-for-profit corporations, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, have made no provision for federal income taxes in the accompanying consolidated financial statements. However, income from activities not directly related to the Agencies' tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Agencies have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a) of the Internal Revenue Code.

The income tax returns of the Agencies for 2010 and subsequent years are subject to examination by the Internal Revenue Service, generally for three years after filing.

(Continued)

**CONTACT COMMUNITY SERVICES, INC. AND
 MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of 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 for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Subsequent Events

Subsequent events have been evaluated through May 1, 2014, the date the consolidated financial statements were available to be issued.

2. FINANCING COSTS

Financing expenses associated with long-term debt are amortized over the term of each loan on the straight-line basis. Financing costs at December 31 are:

	<u>2013</u>	<u>2012</u>
Gross amount	\$ 81,693	\$ 72,546
Less: accumulated amortization	<u>5,220</u>	<u>2,573</u>
Net amount	<u>\$ 76,473</u>	<u>\$ 69,973</u>

Amortization expense for the remaining asset life is estimated to be as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2014	\$ 2,723
2015	2,723
2016	2,723
2017	2,723
2018	2,723
2019 and thereafter	<u>62,858</u>
TOTAL	<u>\$ 76,473</u>

3. REFUNDABLE ADVANCES

Refundable advances consist of funds received that will be earned in a year subsequent to the year of receipt.

(Continued)

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

4. NET ASSETS

Unrestricted - Unrestricted net assets have no donor restrictions for use.

Temporarily Restricted - Temporarily restricted net assets include assets for which donor-imposed restrictions have not yet been met. The assets are reclassified when the specified use of the funds is fulfilled. Temporarily restricted net assets include funds designated by donors for the Stanley Scholarship.

5. LEASE COMMITMENTS

The Agencies lease certain office equipment with non-cancellable lease terms through 2017. Additionally, the Agencies rented office space under a lease that was terminated in 2012. Total rent expense is \$15,740 and \$43,597 in 2013 and 2012, respectively.

Future minimum lease payments are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2014	\$ 21,269
2015	19,859
2016	17,709
2017	<u>7,318</u>
TOTAL	<u>\$ 66,155</u>

As part of the purchase of their office building, the Agencies were assigned a lease which was terminated in January 2013. The associated rental income included in the consolidated financial statements was \$2,189 for 2013 and \$40,730 for 2012.

6. SHORT-TERM BANK BORROWINGS

The Agencies have available a line of credit of \$150,000 with a financial institution. The line accrues interest at prime plus .5%. There were no outstanding balances as of December 31, 2013 and 2012.

7. CONSTRUCTION COMMITMENT

During 2013, Contact entered into two separate agreements totaling \$146,621 with contractors for work to be completed in 2014. At December 31, 2013, \$41,925 is recorded in accrued expenses and construction in process for work performed in 2013. The remaining work is expected to be completed during 2014.

(Continued)

**CONTACT COMMUNITY SERVICES, INC. AND
 MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012**

8. LONG-TERM DEBT

During October 2011, the Agencies entered into a \$700,000 construction loan with a bank for the purpose of purchasing an office building. The agreement provided that the Agencies may borrow an additional \$100,000 for the subsequent improvement of the building. During 2012, the construction loan matured however due to the fire as discussed in Note 1, the permanent mortgage closing was delayed. The bank committed to providing the Agencies with a final mortgage totaling \$825,000. This mortgage loan closed in January 2013. During 2012, the Agencies made interest only payments and were required to pay down a portion of the outstanding principal balance with insurance proceeds received from the warehouse fire. The mortgage requires the Agencies to make interest only payments through March 2013 and principal and interest payments of \$5,025 thereafter through March 2033. Interest is payable at a fixed rate of 4.0% for the first five years and then the rate is variable, calculated as the Federal Home Loan Bank (“FHLB”) rate plus 2.25%, never to be less than 4%. The loan is secured by the building with a net book value of \$926,278 at December 31, 2013. The outstanding principal balance of the loan at December 31, 2013 and December 31, 2012 was \$804,709 and \$825,000, respectively. The amount of principal payments is as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2014	\$ 28,189
2015	29,353
2016	30,481
2017	31,825
2018	33,140
Thereafter	<u>651,721</u>
TOTAL	<u>\$ 804,709</u>

9. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agencies to credit risk consist principally of unsecured grants receivable.

A significant portion of the Agencies’ revenue is generated through Federal, New York State and County grants that are renewed annually, without which there would be an impact on the Agencies’ level of service and operation.

The Agencies maintain their cash balances at various financial institutions. At times, deposit amounts may be in excess of the insurance limits established by the Federal Deposit Insurance Corporation (“FDIC”). Uninsured cash amounted to approximately \$750,000 and \$437,000 at December 31, 2013 and 2012, respectively.

(Concluded)

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013**

	Contact Community Services, Inc.	Mental Health Association of Onondaga County, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 992,860	\$ -	\$ -	\$ 992,860
Accounts receivable	675	-	-	675
Grants receivable	1,857,966	-	-	1,857,966
Prepaid expenses	26,509	-	-	26,509
Total current assets	<u>2,878,010</u>	<u>-</u>	<u>-</u>	<u>2,878,010</u>
PROPERTY AND EQUIPMENT:				
Building	958,584	-	-	958,584
Furniture and equipment	62,066	-	-	62,066
Leasehold improvements	55,000	-	-	55,000
Construction in process	41,925	-	-	41,925
Total	1,117,575	-	-	1,117,575
Less accumulated depreciation	87,102	-	-	87,102
Property and equipment - net	<u>1,030,473</u>	<u>-</u>	<u>-</u>	<u>1,030,473</u>
FINANCING COSTS - NET	<u>76,473</u>	<u>-</u>	<u>-</u>	<u>76,473</u>
TOTAL	<u>\$ 3,984,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,984,956</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable	\$ 87,897	\$ -	\$ -	\$ 87,897
Accrued expenses	82,288	-	-	82,288
Refundable advances	1,684,355	-	-	1,684,355
Long-term debt, current portion	28,189	-	-	28,189
Total current liabilities	<u>1,882,729</u>	<u>-</u>	<u>-</u>	<u>1,882,729</u>
LONG-TERM DEBT, net of current portion	<u>776,520</u>	<u>-</u>	<u>-</u>	<u>776,520</u>
Total liabilities	<u>2,659,249</u>	<u>-</u>	<u>-</u>	<u>2,659,249</u>
NET ASSETS:				
Net assets - unrestricted	1,325,402	-	-	1,325,402
Net assets - temporarily restricted	305	-	-	305
Total net assets	<u>1,325,707</u>	<u>-</u>	<u>-</u>	<u>1,325,707</u>
TOTAL	<u>\$ 3,984,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,984,956</u>

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012**

	Contact Community Services, Inc.	Mental Health Association of Onondaga County, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 675,178	\$ 209,854	\$ -	\$ 885,032
Accounts receivable	850	-	-	850
Grants receivable	660,822	-	-	660,822
Prepaid expenses	16,350	-	-	16,350
Total current assets	<u>1,353,200</u>	<u>209,854</u>	<u>-</u>	<u>1,563,054</u>
PROPERTY AND EQUIPMENT:				
Building	958,238	-	-	958,238
Furniture and equipment	62,066	56,056	-	118,122
Leasehold improvements	55,000	-	-	55,000
Total	1,075,304	56,056	-	1,131,360
Less accumulated depreciation	35,427	51,085	-	86,512
Property and equipment - net	<u>1,039,877</u>	<u>4,971</u>	<u>-</u>	<u>1,044,848</u>
FINANCING COSTS - NET	<u>69,973</u>	<u>-</u>	<u>-</u>	<u>69,973</u>
TOTAL	<u>\$ 2,463,050</u>	<u>\$ 214,825</u>	<u>\$ -</u>	<u>\$ 2,677,875</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable	\$ 74,172	\$ 3,000	\$ -	\$ 77,172
Accrued expenses	40,527	-	-	40,527
Refundable advances	520,617	-	-	520,617
Long-term debt, current portion	20,291	-	-	20,291
Total current liabilities	<u>655,607</u>	<u>3,000</u>	<u>-</u>	<u>658,607</u>
LONG-TERM DEBT, net of current portion	<u>804,709</u>	<u>-</u>	<u>-</u>	<u>804,709</u>
Total liabilities	<u>1,460,316</u>	<u>3,000</u>	<u>-</u>	<u>1,463,316</u>
NET ASSETS:				
Net assets - unrestricted	1,001,429	211,825	-	1,213,254
Net assets - temporarily restricted	1,305	-	-	1,305
Total net assets	<u>1,002,734</u>	<u>211,825</u>	<u>-</u>	<u>1,214,559</u>
TOTAL	<u>\$ 2,463,050</u>	<u>\$ 214,825</u>	<u>\$ -</u>	<u>\$ 2,677,875</u>

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Contact Community Services, Inc.		Mental Health Association of Onondaga County, Inc.	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUE:				
Direct contributions	\$ 18,071	\$ -	\$ 47	\$ -
Allocated by United Way of Central New York	197,973	-	-	-
Grants	3,123,269	-	-	-
Program service fees	53,139	-	-	-
Interest income	2,718	-	95	-
Rental income	2,189	-	-	-
Donation from related party	206,514	-	-	-
Net assets released from restriction	1,000	(1,000)	-	-
Total revenue	<u>3,604,873</u>	<u>(1,000)</u>	<u>142</u>	<u>-</u>
EXPENSES AND LOSSES:				
Program services:				
Telephone and web-based services	579,870	-	-	-
School services	1,053,132	-	-	-
Youth development services	1,119,892	-	-	-
Community based services	121,794	-	-	-
Total program services	<u>2,874,688</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supporting services:				
Management and general	405,095	-	5,453	-
Fundraising	21,811	-	-	-
Total supporting services	<u>426,906</u>	<u>-</u>	<u>5,453</u>	<u>-</u>
Donation expense	-	-	206,514	-
Total expenses and losses	<u>3,301,594</u>	<u>-</u>	<u>211,967</u>	<u>-</u>
OTHER INCOME:				
Insurance proceeds for lost rental income	20,694	-	-	-
CHANGE IN NET ASSETS	323,973	(1,000)	(211,825)	-
NET ASSETS - BEGINNING OF YEAR	<u>1,001,429</u>	<u>1,305</u>	<u>211,825</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 1,325,402</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ -</u>

Eliminations		Consolidated Total		
Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
\$ -	\$ -	\$ 18,118	\$ -	\$ 18,118
-	-	197,973	-	197,973
-	-	3,123,269	-	3,123,269
-	-	53,139	-	53,139
-	-	2,813	-	2,813
-	-	2,189	-	2,189
(206,514)	-	-	-	-
-	-	1,000	(1,000)	-
<u>(206,514)</u>	<u>-</u>	<u>3,398,501</u>	<u>(1,000)</u>	<u>3,397,501</u>
-	-	579,870	-	579,870
-	-	1,053,132	-	1,053,132
-	-	1,119,892	-	1,119,892
-	-	121,794	-	121,794
-	-	<u>2,874,688</u>	-	<u>2,874,688</u>
-	-	410,548	-	410,548
-	-	<u>21,811</u>	-	<u>21,811</u>
-	-	<u>432,359</u>	-	<u>432,359</u>
(206,514)	-	-	-	-
<u>(206,514)</u>	<u>-</u>	<u>3,307,047</u>	<u>-</u>	<u>3,307,047</u>
-	-	<u>20,694</u>	-	<u>20,694</u>
-	-	112,148	(1,000)	111,148
-	-	<u>1,213,254</u>	<u>1,305</u>	<u>1,214,559</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,402</u>	<u>\$ 305</u>	<u>\$ 1,325,707</u>

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Contact Community Services, Inc.		Mental Health Association of Onondaga County, Inc.	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUE:				
Direct contributions	\$ 56,273	\$ 1,000	\$ 717	\$ -
Allocated by United Way of Central New York	204,599	-	-	-
Grants	2,699,345	-	-	-
Program service fees	60,667	-	-	-
Interest income	383	-	110	-
Rental income	40,730	-	-	-
Loss on sale of property and equipment	(2,530)	-	-	-
In-kind contributions	-	-	-	-
Total revenue	<u>3,059,467</u>	<u>1,000</u>	<u>827</u>	<u>-</u>
EXPENSES AND LOSSES:				
Program services:				
Telephone and web-based services	515,592	-	-	-
School services	1,243,001	-	-	-
Youth development services	596,530	-	-	-
Community based services	122,931	-	-	-
Total program services	<u>2,478,054</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supporting services:				
Management and general	475,787	-	15,145	-
Fundraising	23,275	-	-	-
Total supporting services	<u>499,062</u>	<u>-</u>	<u>15,145</u>	<u>-</u>
Fire loss on building	13,048	-	-	-
Total expenses	<u>2,990,164</u>	<u>-</u>	<u>15,145</u>	<u>-</u>
CHANGE IN NET ASSETS	69,303	1,000	(14,318)	-
NET ASSETS - BEGINNING OF YEAR	<u>932,126</u>	<u>305</u>	<u>226,143</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 1,001,429</u>	<u>\$ 1,305</u>	<u>\$ 211,825</u>	<u>\$ -</u>

Eliminations		Consolidated Total		
Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
\$ -	\$ -	\$ 56,990	\$ 1,000	\$ 57,990
-	-	204,599	-	204,599
-	-	2,699,345	-	2,699,345
-	-	60,667	-	60,667
-	-	493	-	493
-	-	40,730	-	40,730
-	-	(2,530)	-	(2,530)
-	-	-	-	-
-	-	<u>3,060,294</u>	<u>1,000</u>	<u>3,061,294</u>
-	-	515,592	-	515,592
-	-	1,243,001	-	1,243,001
-	-	596,530	-	596,530
-	-	<u>122,931</u>	-	<u>122,931</u>
-	-	<u>2,478,054</u>	-	<u>2,478,054</u>
-	-	490,932	-	490,932
-	-	<u>23,275</u>	-	<u>23,275</u>
-	-	<u>514,207</u>	-	<u>514,207</u>
-	-	13,048	-	13,048
-	-	<u>3,005,309</u>	-	<u>3,005,309</u>
-	-	54,985	1,000	55,985
-	-	<u>1,158,269</u>	<u>305</u>	<u>1,158,574</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,213,254</u>	<u>\$ 1,305</u>	<u>\$ 1,214,559</u>

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - CONTACT COMMUNITY SERVICES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services			
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services
EXPENSES:				
Salaries and related expenses	\$ 481,739	\$ 906,067	\$ 869,298	\$ 99,679
Professional fees and contracts	19,162	13,742	20,748	-
Supplies	10,188	24,203	88,170	6,817
Telephone and data expense	8,161	7,548	11,768	411
Postage	440	454	695	754
Occupancy	10,842	16,973	9,176	2,088
Insurance	4,065	6,363	3,550	778
Outside printing	-	694	695	-
Program publicity and promotion	4,500	483	5,761	2,515
Staff travel and student transportation	5,535	13,648	62,257	483
Conferences and meetings	5,541	5,158	3,577	2,465
Dues and subscriptions	2,141	200	-	-
Repairs and maintenance - equipment	9,695	14,289	10,555	2,203
Expendable equipment	-	12,972	8,261	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation, amortization and interest	562,009	1,022,794	1,094,511	118,193
Depreciation and amortization	9,541	17,328	18,426	2,004
Interest	<hr/>	<hr/>	<hr/>	<hr/>
	8,320	13,010	6,955	1,597
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 579,870</u>	<u>\$ 1,053,132</u>	<u>\$ 1,119,892</u>	<u>\$ 121,794</u>

Total Program Services Expenses	Supporting Services		Total Supporting Services Expenses	Total Expenses
	Management and General	Fundraising		
\$ 2,356,783	\$ 226,364	\$ 19,868	\$ 246,232	\$ 2,603,015
53,652	57,967	-	57,967	111,619
129,378	46,182	122	46,304	175,682
27,888	1,447	69	1,516	29,404
2,343	2,352	358	2,710	5,053
39,079	14,226	352	14,578	53,657
14,756	4,208	129	4,337	19,093
1,389	-	-	-	1,389
13,259	660	-	660	13,919
81,923	1,572	-	1,572	83,495
16,741	6,747	16	6,763	23,504
2,341	1,046	-	1,046	3,387
36,742	26,075	272	26,347	63,089
<u>21,233</u>	<u>6,518</u>	<u>-</u>	<u>6,518</u>	<u>27,751</u>
2,797,507	395,364	21,186	416,550	3,214,057
47,299	6,665	358	7,023	54,322
<u>29,882</u>	<u>3,066</u>	<u>267</u>	<u>3,333</u>	<u>33,215</u>
<u>\$ 2,874,688</u>	<u>\$ 405,095</u>	<u>\$ 21,811</u>	<u>\$ 426,906</u>	<u>\$ 3,301,594</u>

**CONTACT COMMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - CONTACT COMMUNITY SERVICES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Services			
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services
EXPENSES:				
Salaries and related expenses	\$ 420,315	\$ 1,104,512	\$ 437,126	\$ 100,540
Professional fees and contracts	19,962	10,170	28,273	-
Supplies	10,096	20,170	25,815	8,129
Telephone and data expense	8,044	10,011	6,604	477
Postage	347	632	635	318
Occupancy	22,496	36,547	15,292	4,801
Insurance	3,283	5,353	2,153	709
Outside printing	948	242	-	28
Program publicity and promotion	5,357	2,873	839	-
Staff travel and student transportation	2,226	16,042	60,047	483
Conferences and meetings	3,660	4,015	4,865	2,476
Dues and subscriptions	1,354	30	-	-
Repairs and maintenance - equipment	6,585	13,608	6,387	2,992
Expendable equipment	<u>2,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenses before depreciation, amortization and interest	 507,055	 1,224,205	 588,036	 120,953
 Depreciation and amortization	 6,079	 14,655	 7,032	 1,449
 Interest	 <u>2,458</u>	 <u>4,141</u>	 <u>1,462</u>	 <u>529</u>
 TOTAL	 <u>\$ 515,592</u>	 <u>\$ 1,243,001</u>	 <u>\$ 596,530</u>	 <u>\$ 122,931</u>

Total Program Services Expenses	Supporting Services			Total Supporting Services Expenses	Total Expenses
	Management and General	Fundraising			
\$ 2,062,493	\$ 234,660	\$ 20,367	\$ 255,027	\$ 2,317,520	
58,405	56,931	-	56,931	115,336	
64,210	27,490	16	27,506	91,716	
25,136	3,676	82	3,758	28,894	
1,932	1,606	172	1,778	3,710	
79,136	42,297	1,556	43,853	122,989	
11,498	10,242	204	10,446	21,944	
1,218	3,439	-	3,439	4,657	
9,069	3,902	43	3,945	13,014	
78,798	1,240	-	1,240	80,038	
15,016	4,860	-	4,860	19,876	
1,384	175	-	175	1,559	
29,572	18,700	559	19,259	48,831	
2,382	35,985	-	35,985	38,367	
<u>2,440,249</u>	<u>445,203</u>	<u>22,999</u>	<u>468,202</u>	<u>2,908,451</u>	
29,215	6,028	276	6,304	35,519	
<u>8,590</u>	<u>24,556</u>	<u>-</u>	<u>24,556</u>	<u>33,146</u>	
<u><u>\$ 2,478,054</u></u>	<u><u>\$ 475,787</u></u>	<u><u>\$ 23,275</u></u>	<u><u>\$ 499,062</u></u>	<u><u>\$ 2,977,116</u></u>	

**CONTACT COMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - MENTAL HEALTH ASSOCIATION OF
ONONDAGA COUNTY, INC.
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services			
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services
EXPENSES:				
Salaries and related expenses	\$ -	\$ -	\$ -	\$ -
Professional fees and contracts	-	-	-	-
Supplies	-	-	-	-
Telephone and data expense	-	-	-	-
Postage	-	-	-	-
Occupancy	-	-	-	-
Insurance	-	-	-	-
Outside printing	-	-	-	-
Program publicity and promotion	-	-	-	-
Staff travel and student transportation	-	-	-	-
Conferences and meetings	-	-	-	-
Dues and subscriptions	-	-	-	-
Repairs and maintenance - equipment	-	-	-	-
Expendable equipment	-	-	-	-
 Total expenses before depreciation	 -	 -	 -	 -
Depreciation	-	-	-	-
 TOTAL	 \$ -	 \$ -	 \$ -	 \$ -

**CONTACT COMUNITY SERVICES, INC. AND
MENTAL HEALTH ASSOCIATION OF ONONDAGA COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - MENTAL HEALTH ASSOCIATION OF
ONONDAGA COUNTY, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Services			
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services
EXPENSES:				
Salaries and related expenses	\$ -	\$ -	\$ -	\$ -
Professional fees and contracts	-	-	-	-
Supplies	-	-	-	-
Telephone and data expense	-	-	-	-
Postage	-	-	-	-
Occupancy	-	-	-	-
Insurance	-	-	-	-
Outside printing	-	-	-	-
Program publicity and promotion	-	-	-	-
Staff travel and student transportation	-	-	-	-
Conferences and meetings	-	-	-	-
Dues and subscriptions	-	-	-	-
Repairs and maintenance - equipment	-	-	-	-
Expendable equipment	-	-	-	-
Total expenses before depreciation	-	-	-	-
Depreciation	-	-	-	-
TOTAL	\$ -	\$ -	\$ -	\$ -



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HELPING OUR CLIENTS'
VISIONS ADD UP

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 of
Contact Community Services, Inc.
East Syracuse, 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 Contact Community Services, Inc. (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Contact Community Services, Inc.'s (the "Agency") 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 Contact Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Contact Community Services, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

(Continued)

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. We consider the deficiency described as 2013-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

Compliance and Other Matters

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

Contact Community Services, Inc. Response to Findings

Contact Community Services, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Contact Community Services, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 1, 2014
Syracuse, New York



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

To the Board of Directors of
Contact Community Services, Inc.
East Syracuse, New York

Report on Compliance for Each Major Federal Program

We have audited Contact Community Services, 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 Contact Community Services, Inc.'s major federal programs for the year ended December 31, 2013. Contact Community Services, Inc.'s major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Contact Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Contact Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

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 Contact Community Services, Inc.'s compliance.

Basis for Qualified Opinion on Substance Abuse Prevention and Treatment SAPT Block Grant

As described in the accompanying schedule of findings and questioned costs, Contact Community Services, Inc. did not comply with requirements regarding CFDA 93.959 Substance Abuse Prevention and Treatment SAPT Block Grant as described in finding number 2013-2 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for Contact Community Services, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Substance Abuse Prevention and Treatment SAPT Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Contact Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Substance Abuse Prevention and Treatment SAPT Block Grant for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Contact Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Contact Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Contact Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Contact Community Services, Inc.'s internal control over compliance.

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

(Continued)

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. We consider the deficiency described in 2013-2 in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 1, 2014
Syracuse, New York

(Concluded)

CONTACT COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
U.S. Department of Education:					
Pass-through from:					
The New York State Education Department:					
21st Century Community Learning Centers	84.287	7/1/12 - 6/30/13	C401181	\$ 307,508	\$ 198,583
		7/1/13 - 6/30/14	C402087	622,436	194,619
		7/1/13 - 6/30/14	C402088	577,474	136,761
Syracuse City School District:					
21st Century Community Learning Centers	84.287	9/1/13 - 6/30/14	ADV AFTER SCHOOL	77,696	24,127
Total 21st Century Community Learning Centers				<u>1,585,114</u>	<u>554,090</u>
Syracuse City School District:					
High School Graduation Initiative	84.360	7/1/13 - 9/30/15	HSGI	189,938	86,525
Student Assistance Program	84.388	7/1/13 - 9/30/14	SAP	169,170	84,582
Subtotal - U.S. Department of Education				<u>1,944,222</u>	<u>725,197</u>
U.S. Department of Health and Human Services:					
Pass-through from:					
New York State Office of Children and Family Services:					
Temporary Assistance for Needy Families	93.558	10/1/12 - 9/30/13	C025920	50,067	32,797
		10/1/13 - 9/30/14	C025920	50,067	16,081
Advantage After School Program	93.558	11/15/12 - 11/14/13	C026684	238,542	167,411
	93.558	11/15/13 - 11/14/14	C026684	238,542	32,616
Total Temporary Assistance for Needy Families				<u>577,218</u>	<u>248,905</u>

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditure</u>
Pass-through from:					
Department of Health and Human Services:					
Crisis Center Follow Up	93.243	7/1/13 - 6/30/16	SM061337	60,000	11,942
Syracuse City School District:					
PAX Good Behavior Games	93.243	7/1/13 - 6/30/14	PAX GBG	<u>108,828</u>	<u>43,803</u>
Total Substance Abuse and Mental Health Services				<u>168,828</u>	<u>55,745</u>
Onondaga County Department of Mental Health:					
Substance Abuse Prevention and Treatment SAPT Block Grant	93.959	1/1/13 - 12/31/13	08413	<u>371,159</u>	<u>347,841</u>
Subtotal - U.S. Department of Health and Human Services				<u>1,117,205</u>	<u>652,491</u>
U.S. Department of Housing and Urban Development:					
Pass-through from:					
City of Syracuse:					
Emergency Solutions Grant	14.321	5/1/12 - 4/30/13		40,720	40,720
	14.321	5/1/13 - 4/30/14		<u>10,000</u>	<u>5,095</u>
Subtotal - U.S. Department of Housing and Urban Development				<u>50,720</u>	<u>45,815</u>
Total				<u>\$ 3,112,147</u>	<u>\$ 1,423,503</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CONTACT COMMUNITY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the Agency.

2. EXPENDITURES OF FEDERAL REVENUE

The amounts reported as expenditures are those of federal revenue and were obtained from the accounting records utilized to record activity for the applicable program and periods. These accounting records are periodically reconciled to the appropriate federal financial reports for each program. The federal expenditures are recorded on an accrual basis.

CONTACT COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? X yes ___ no
Significant deficiencies identified not considered to be
material weaknesses? ___ yes X none reported
Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? X yes ___ no
Significant deficiencies identified not considered to be
material weaknesses? ___ yes X none reported
Type of auditors' report issued on compliance for major
programs: Unqualified - 21st Century Community
Learning Centers
Qualified - Substance Abuse Prevention and
Treatment SAPT Block Grant
Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? X yes ___ no

Major program:

84.287 21st Century Community Learning Centers
93.959 Substance Abuse Prevention and Treatment SAPT Block Grant

Dollar threshold used to distinguish between Type A and
Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? ___ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number: 2013-1

Condition and Criteria:

The audit identified an instance in which payroll expenses were reported as expenses under two federal grants. As a result, an adjustment was required to adjust grants receivable and revenue to the proper amount for 2013. Procedures should be implemented to ensure that expenses charged under each grant are properly identified.

(Continued)

**CONTACT COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

Reference Number: 2013-1 (Cont'd)

Cause:

To ensure proper compliance with grant agreements, grant expenses must be properly identified.

Effect:

Income and grants receivable were overstated by \$23,318 at December 31, 2013.

Recommendation:

The Agency should ensure that each grant received is reported in separate general ledger accounts for easy identification.

Views of Responsible Officials and Planned Corrective Actions:

Contact Community Services, Inc. agrees with the finding and the recommended procedures have been implemented. These expenses have been reimbursed under one grant contract but not on the other grant. These expenses will be adjusted accordingly on the final reimbursement request.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number: 2013-2

**U.S. Department of Health and Human Services; Onondaga County Department of Mental Health
Substance Abuse Prevention and Treatment SAPT Block Grant 93.959 – Program Year 2013
08413**

See reference number 2013-1 in Section II.

Criteria:

Costs incurred under the grant are in accordance with the principles and standards for determining allowable direct and indirect costs obtain in OMB Circular A-122, “Cost Principles for Non-profit Organizations” (2 CFR Part 230).

Questioned Costs:

\$23,318 based upon actual unallowable payroll expense reported.

**CONTACT COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

SECTION IV – STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number: 2012-3

Status:

Management has taken corrective action