

**CONTACT COMMUNITY SERVICES, INC.**

**Financial Statements as of  
December 31, 2014  
(With Comparative Consolidated Totals for 2013)  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

May 8, 2015

To the Board of Directors of  
Contact Community Services, Inc.:

We have audited the accompanying financial statements of Contact Community Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Contact Community Services, Inc. as of December 31, 2014, 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.

### **Prior Period Financial Statements**

The prior year summarized comparative information has been derived from Contact Community Services, Inc. and Mental Health Association of Onondaga County, Inc.'s consolidated 2013 financial statements, that were audited by Testone, Marshall & Discenza, LLP whose report on such information stated that it was fairly stated in all material respects with the 2013 consolidated financial statements from which it was derived.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 May 8, 2015 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.

# CONTACT COMMUNITY SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014

(with comparative consolidated information as of December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 357,933	\$ 992,860
Accounts receivable	1,350	675
Grants receivable	2,149,458	1,857,966
Prepaid expenses	<u>20,940</u>	<u>26,509</u>
Total current assets	<u>2,529,681</u>	<u>2,878,010</u>
PROPERTY AND EQUIPMENT:		
Building	1,105,204	958,584
Furniture and equipment	76,588	62,066
Leasehold improvements	55,000	55,000
Construction in process	<u>-</u>	<u>41,925</u>
Total	<u>1,236,792</u>	<u>1,117,575</u>
Less: Accumulated depreciation	<u>134,525</u>	<u>87,102</u>
Property and equipment - net	<u>1,102,267</u>	<u>1,030,473</u>
OTHER ASSETS:		
Investments	507,217	-
Financing costs, net	<u>73,749</u>	<u>76,473</u>
Total	<u>580,966</u>	<u>76,473</u>
Total assets	<u>\$ 4,212,914</u>	<u>\$ 3,984,956</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 111,124	\$ 87,897
Accrued expenses	49,607	82,288
Refundable advances	1,903,916	1,684,355
Long-term debt, current portion	<u>29,817</u>	<u>28,189</u>
Total current liabilities	<u>2,094,464</u>	<u>1,882,729</u>
LONG-TERM DEBT, net of current portion	<u>745,875</u>	<u>776,520</u>
Total liabilities	<u>2,840,339</u>	<u>2,659,249</u>
NET ASSETS:		
Unrestricted	1,372,270	1,325,402
Temporarily restricted	<u>305</u>	<u>305</u>
Total net assets	<u>1,372,575</u>	<u>1,325,707</u>
Total liabilities and net assets	<u>\$ 4,212,914</u>	<u>\$ 3,984,956</u>

The accompanying notes are an integral part of these statements.

**CONTACT COMMUNITY SERVICES, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

(with comparative consolidated information as of December 31, 2013)

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE:</b>						
Direct contributions	\$ 13,576	\$ -	\$ 13,576	\$ 18,118	\$ -	\$ 18,118
Allocated by United Way of Central New York	194,373	-	194,373	197,973	-	197,973
Grants	4,448,294	-	4,448,294	3,123,269	-	3,123,269
Program service fees	53,077	-	53,077	53,139	-	53,139
Interest income	6,910	-	6,910	2,813	-	2,813
Investment income	3,119	-	3,119	-	-	-
Rental income	-	-	-	2,189	-	2,189
Loss on sale of property and equipment	(13,358)	-	(13,358)	-	-	-
Unrealized gain on investments	16,082	-	16,082	-	-	-
Realized loss on investments	(9,971)	-	(9,971)	-	-	-
Net assets released from restriction	-	-	-	1,000	(1,000)	-
<b>Total revenue</b>	<b>4,712,102</b>	<b>-</b>	<b>4,712,102</b>	<b>3,398,501</b>	<b>(1,000)</b>	<b>3,397,501</b>
<b>EXPENSES AND LOSSES:</b>						
Program services -						
Telephone and web-based services	616,890	-	616,890	579,870	-	579,870
School services	1,127,833	-	1,127,833	1,053,132	-	1,053,132
Youth development services	2,355,515	-	2,355,515	1,119,892	-	1,119,892
Community based services	128,735	-	128,735	121,794	-	121,794
<b>Total program services</b>	<b>4,228,973</b>	<b>-</b>	<b>4,228,973</b>	<b>2,874,688</b>	<b>-</b>	<b>2,874,688</b>
Supporting services -						
Management and general	417,470	-	417,470	410,548	-	410,548
Fundraising	18,791	-	18,791	21,811	-	21,811
<b>Total supporting services</b>	<b>436,261</b>	<b>-</b>	<b>436,261</b>	<b>432,359</b>	<b>-</b>	<b>432,359</b>
<b>Total expenses and losses</b>	<b>4,665,234</b>	<b>-</b>	<b>4,665,234</b>	<b>3,307,047</b>	<b>-</b>	<b>3,307,047</b>
<b>OTHER INCOME:</b>						
Insurance proceeds for lost rental income	-	-	-	20,694	-	20,694
<b>CHANGE IN NET ASSETS</b>	<b>46,868</b>	<b>-</b>	<b>46,868</b>	<b>112,148</b>	<b>(1,000)</b>	<b>111,148</b>
<b>NET ASSETS - beginning of year</b>	<b>1,325,402</b>	<b>305</b>	<b>1,325,707</b>	<b>1,213,254</b>	<b>1,305</b>	<b>1,214,559</b>
<b>NET ASSETS - end of year</b>	<b>\$ 1,372,270</b>	<b>\$ 305</b>	<b>\$ 1,372,575</b>	<b>\$ 1,325,402</b>	<b>\$ 305</b>	<b>\$ 1,325,707</b>

The accompanying notes are an integral part of these statements.

## CONTACT COMMUNITY SERVICES, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014

(with comparative consolidated information as of December 31, 2013)

	Program Services				Supporting Services			2014 Total Expenses	2013 Total Expenses	
	Telephone and Web-Based Services	School Services	Youth Development Services	Community Based Services	Total Program Services Expenses	Management and General	Fundraising			Total Supporting Services Expenses
EXPENSES:										
Salaries and related expenses	\$ 493,847	\$ 977,913	\$ 1,721,074	\$ 103,238	\$ 3,296,072	\$ 243,871	\$ 17,177	\$ 261,048	\$ 3,557,120	\$ 2,603,015
Professional fees and contracts	41,072	28,184	34,211	100	103,567	64,509	-	64,509	168,076	111,619
Supplies	5,579	21,576	348,017	5,050	380,222	38,611	108	38,719	418,941	176,164
Telephone and data expense	8,598	6,374	18,934	333	34,239	2,761	50	2,811	37,050	29,404
Postage	795	404	2,135	216	3,550	1,691	239	1,930	5,480	5,053
Occupancy	5,721	12,000	12,192	1,302	31,215	6,012	598	6,610	37,825	53,657
Insurance	2,866	6,112	6,583	656	16,217	4,225	104	4,329	20,546	19,093
Outside printing	-	-	95	-	95	-	-	-	95	1,389
Program publicity and promotion	3,852	1,674	4,987	3,903	14,416	650	-	650	15,066	13,919
Staff travel and student transportation	7,124	11,998	120,310	1,351	140,783	1,134	-	1,134	141,917	83,495
Conferences and meetings	9,512	21,449	23,145	8,277	62,383	10,602	-	10,602	72,985	23,504
Dues and subscriptions	2,425	1,100	-	-	3,525	500	-	500	4,025	3,387
Repairs and maintenance - equipment	8,226	9,933	22,756	1,548	42,463	27,931	279	28,210	70,673	63,089
Expendable equipment	14,565	4,284	-	-	18,849	6,468	-	6,468	25,317	27,751
Total expenses before depreciation, amortization, and interest	604,182	1,103,001	2,314,439	125,974	4,147,596	408,965	18,555	427,520	4,575,116	3,214,539
Depreciation and amortization	7,734	14,140	29,530	1,614	53,018	5,975	236	6,211	59,229	59,293
Interest	4,974	10,692	11,546	1,147	28,359	2,530	-	2,530	30,889	33,215
Total	\$ 616,890	\$ 1,127,833	\$ 2,355,515	\$ 128,735	\$ 4,228,973	\$ 417,470	\$ 18,791	\$ 436,261	\$ 4,665,234	\$ 3,307,047

The accompanying notes are an integral part of these statements.

# CONTACT COMMUNITY SERVICES, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

(with comparative consolidated information as of December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 46,868	\$ 111,148
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	56,505	56,646
Amortization	2,724	2,647
Unrealized gain on investments	(16,082)	-
Realized loss on investments	9,971	-
Loss on sale of property and equipment	13,358	-
Changes in:		
Accounts receivable	(675)	175
Grants receivable	(291,492)	(1,197,144)
Prepaid expenses	5,569	(10,159)
Accounts payable	23,227	10,725
Accrued expenses	(32,681)	(164)
Refundable advances	<u>219,561</u>	<u>1,163,738</u>
Net cash flow from operating activities	<u>36,853</u>	<u>137,612</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(604,676)	-
Proceeds from sale of investments	103,570	-
Purchase of property and equipment	<u>(141,657)</u>	<u>(346)</u>
Net cash flow from investing activities	<u>(642,763)</u>	<u>(346)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Addition of financing costs	-	(9,147)
Payments on long-term debt	<u>(29,017)</u>	<u>(20,291)</u>
Net cash flow from financing activities	<u>(29,017)</u>	<u>(29,438)</u>
CHANGE IN CASH	(634,927)	107,828
CASH - beginning of year	<u>992,860</u>	<u>885,032</u>
CASH - end of year	<u>\$ 357,933</u>	<u>\$ 992,860</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 30,889</u>	<u>\$ 33,215</u>

The accompanying notes are an integral part of these statements.

# CONTACT COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 1. ORGANIZATION

The accompanying financial statements at December 31, 2014, include the accounts of Contact Community Services, Inc.

The accompanying consolidated financial statements at December 31, 2013, include the accounts of Contact Community Services, Inc. (the "Agency") and Mental Health Association of Onondaga County, Inc. ("MHA").

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

The Agency helps individuals and organizations create positive personal and social change to improve the quality of lives in Central New York. The Agency is a recognized leader in fostering healthy emotional development in the community. The Agency offers resources and expertise that builds upon the strengths of the diverse individuals and organizations it serves.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

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

#### **Accounts Receivable**

The Agency considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at December 31, 2014 and 2013. If accounts become non-collectible they will be charged to operations when that determination is made.

#### **Expendable Equipment**

As the grantors have a reversionary interest in the underlying assets and ownership is not with the Agency, furniture and equipment purchased with grant funds are charged to expense when incurred. During 2014 and 2013, \$25,317 and \$27,751, respectively, of furniture and equipment purchased with grant funds was expensed.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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, generally five to thirty years. 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 Agency capitalizes items over \$1,000 and have a useful life of greater than one year. Expenses for repairs and maintenance are charged to expense as incurred.

In 2013, the Agency received an additional \$20,694 from an insurance company for lost rental income as a result of a warehouse fire in 2012.

### **Refundable advances**

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

### **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 Agency has 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 Agency. The Agency does not have any permanently restricted net assets.

### **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 Agency receives services from volunteers within the community. However, no amounts have been recognized in the accompanying statements of activities for contributed services because the criteria for recognition of such volunteer efforts have not been satisfied.

### **Advertising**

The Agency charges the costs of advertising to expense as incurred. Advertising expenses were \$15,066 and \$13,919 for the years ended December 31, 2014 and 2013, respectively, and are included in program publicity and promotion expense in the consolidated statements of functional expenses.

### **Retirement Plan**

The Agency sponsors 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 Agency provides a contribution based upon management's discretion. Contributions to the plan, net of plan forfeitures, were \$49,097 and \$36,854 for the years ended December 31, 2014 and 2013, respectively, and are included in salaries and related expense on the statements of functional expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the 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 Agency is a not-for-profit corporation and is exempt from income taxes as an entity under section 501(c)(3) of the Internal Revenue Code. The Agency has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2014, the Agency does not have a liability for unrecognized tax benefits. The Agency files income tax returns in the U.S. federal jurisdiction and New York State. The Agency is generally no longer subject to U.S. federal and state income examinations by tax authorities for years through 2011.

### Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near-term could materially affect the net assets of the Agency.

### 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.

### Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived

## 3. 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>2014</u>	<u>2013</u>
Gross amount	\$ 81,693	\$ 81,693
Less: Accumulated amortization	<u>(7,944)</u>	<u>(5,220)</u>
Net amount	<u>\$ 73,749</u>	<u>\$ 76,473</u>

### 3. FINANCING COSTS (CONTINUED)

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

2015	\$	2,723
2016		2,723
2017		2,723
2018		2,723
2019		2,723
Thereafter		<u>60,134</u>
Total	\$	<u>73,749</u>

### 4. INVESTMENTS

Investments consisted of the following at December 31, 2014:

Money market funds	\$	176,707
Corporate bonds		15,011
Mutual funds		19,593
Common stocks		<u>295,906</u>
	\$	<u>507,217</u>
Cost	\$	<u>491,135</u>

### 5. FAIR VALUE MEASUREMENTS

*Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

*Level 2* - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value for December 31, 2014:

<i>Money market funds:</i>	valued at cost plus accrued interest, which approximates fair value
<i>Corporate bonds:</i>	valued at quoted prices in active markets.
<i>Mutual funds:</i>	valued at the net asset value of shares held at year end based on active markets
<i>Common stocks:</i>	valued at quoted prices in active markets

The following table sets forth the level, within the fair value hierarchy, of the Agency's fair value measurements at December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 176,707	\$ -	\$ -	\$ 176,707
Corporate bonds/domestic	15,011	-	-	15,011
Mutual funds/fixed income	19,593	-	-	19,593
Common Stocks:				
Mid core	19,705	-	-	19,705
Mid value	20,093	-	-	20,093
Mid growth	7,053	-	-	7,053
Large core	32,346	-	-	32,346
Large growth	111,400	-	-	111,400
Large value	73,933	-	-	73,933
Municipal funds	11,129	-	-	11,129
ETF Bonds	12,556	-	-	12,556
Fixed Income	2,686	-	-	2,686
Treasury funds	5,005	-	-	5,005
Total common stocks	295,906	-	-	295,906
Total Fair Value	\$ 507,217	\$ -	\$ -	\$ 507,217

## 6. 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.

## 7. LEASE COMMITMENTS

The Agency leases certain office equipment with non-cancellable lease terms through 2017. Total rent expense is \$14,008 and \$15,740 in 2014 and 2013, respectively.

Future minimum lease payments are as follows:

2015	\$	19,859
2016		17,709
2017		<u>7,318</u>
Total	\$	<u>44,886</u>

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

## 8. SHORT-TERM BANK BORROWINGS

The Agency 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, 2014 and 2013.

## 9. LONG-TERM DEBT

The Agency is indebted for a mortgage payable in principal and interest payments of \$5,025 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 \$1,016,946 at December 31, 2014. The outstanding principal balance of the loan at December 31, 2014 and December 31, 2013 was \$775,692 and \$804,709, respectively.

Future maturities of long – term debt at December 31:

2015	\$	29,817
2016		31,135
2017		32,404
2018		33,724
2019		35,098
Thereafter		<u>613,514</u>
Total	\$	<u>775,692</u>

As a condition of financing, the Agency is required to maintain certain financial covenants that must be fulfilled annually on a consolidated basis. At December 31, 2014, the Agency was in compliance with the required covenants.

## 10. CONCENTRATIONS OF CREDIT RISK

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

**10. CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

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

The Agency maintains their cash balances at various financial institutions, and at times, has cash on deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At December 31, 2014 and 2013, the Agency had approximately \$111,000 and \$750,000, respectively, in uninsured deposits.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 8, 2015, the date the financial statements were available to be issued.

**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**

May 8, 2015

To the Board of Directors of  
Contact Community Services, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Contact Community Services, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2014, 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 May 8, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Contact Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

*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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

**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***

(Continued)

**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*.

**Purpose of this Report**

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



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

May 8, 2015

To the Board of Directors of  
Contact Community Services, Inc.:

**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, 2014. 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.

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.

**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 for the year ended December 31, 2014.

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(Continued)

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

**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.

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

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

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

**CONTACT COMMUNITY SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014**

<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>
U.S. Department of Education:					
Pass-through from:					
The New York State Education Department:					
21st Century Community Learning Centers	84.287	7/1/14 - 6/30/15	C402087	\$ 622,436	\$ 306,373
		7/1/13 - 6/30/14	C402087	622,436	424,541
		7/1/14 - 6/30/15	C402088	577,474	285,758
		7/1/13 - 6/30/14	C402088	577,474	304,997
Syracuse City School District:					
21st Century Community Learning Centers	84.287	7/1/14 - 6/30/15	LINCOLN	387,905	141,021
		9/1/13 - 6/30/14	ADV AFTER SCHOOL	90,620	66,494
				<u>2,878,345</u>	<u>1,529,184</u>
Syracuse City School District:					
High School Graduation Initiative	84.360	7/1/14 - 9/30/15	HSGI	513,745	179,268
		7/1/13 - 6/30/14	HSGI	316,563	115,996
				<u>830,308</u>	<u>295,264</u>
: School Improvement Grants					
	84.388	7/1/14 - 6/30/15	SAP	195,000	112,781
		7/1/13 - 6/30/14	SAP	169,169	56,388
				<u>364,169</u>	<u>169,169</u>
School Improvement Grants					
	84.377	7/1/14 - 6/30/15	LINCOLN	14,856	14,856
Subtotal - U.S. Department of Education				<u>4,087,678</u>	<u>2,008,473</u>
U.S. Department of Health and Human Services:					
Direct:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	92.243	7/1/14 - 6/30/15	SM061337	60,000	34,279
	93.243	7/1/13 - 6/30/14	SM061337	60,000	22,626
Pass-through from:					
Syracuse City School District:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	7/1/14 - 6/30/15	PAX GBG	108,828	77,764
	93.243	7/1/13 - 6/30/14	PAX GBG	108,828	62,909
				<u>337,656</u>	<u>197,578</u>
New York State Office of Children and Family Services:					
Temporary Assistance for Needy Families	93.558	11/15/14 - 11/14/15	C026684	238,542	19,478
	93.558	11/15/13 - 11/14/14	C026684	238,542	203,024
				<u>477,084</u>	<u>222,502</u>
Onondaga County Department of Mental Health:					
Substance Abuse Prevention and Treatment SAPT Block Grant	93.959	1/1/14 - 12/31/14	08413	371,159	362,829
Subtotal - U.S. Department of Health and Human Services				<u>1,185,899</u>	<u>782,909</u>
U.S. Department of Housing and Urban Development:					
Pass-through from:					
City of Syracuse:					
Homeless Prevention and Rapid Re-Housing Program	14.257	6/1/14 - 5/31/15		31,724	21,745
Emergency Solutions Grant	14.321	5/1/13 - 4/30/14		10,000	3,981
Subtotal - U.S. Department of Housing and Urban Development				<u>41,724</u>	<u>25,726</u>
Total				<u>\$ 5,315,301</u>	<u>\$ 2,817,108</u>

The accompanying notes are an integral part of these statements.

## **CONTACT COMMUNITY SERVICES, INC.**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014**

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#### **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, 2014**

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**A. SUMMARY OF AUDIT RESULTS**

**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiencies identified?  yes  none  
Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiencies identified?  yes  none  
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 Section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
84.287	21 <sup>st</sup> Century Community Learning Centers

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

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

None.

**D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Reference Number: 2013-2

Status:

Management has taken corrective action.