

CONTACT COMMUNITY SERVICES, INC.

**Financial Statements as of
December 31, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

May 5, 2016

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, 2015, 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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Contact Community Services, Inc. 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the basic 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 5, 2016 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, 2015**

(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 431,095	\$ 357,933
Accounts receivable	1,350	1,350
Grants receivable	1,668,102	2,149,458
Prepaid expenses	<u>19,550</u>	<u>20,940</u>
Total current assets	<u>2,120,097</u>	<u>2,529,681</u>
PROPERTY AND EQUIPMENT:		
Building	1,105,204	1,105,204
Furniture and equipment	76,588	76,588
Leasehold improvements	<u>55,000</u>	<u>55,000</u>
Total	<u>1,236,792</u>	<u>1,236,792</u>
Less: Accumulated depreciation	<u>193,356</u>	<u>134,525</u>
Property and equipment - net	<u>1,043,436</u>	<u>1,102,267</u>
OTHER ASSETS:		
Investments	493,908	507,217
Financing costs, net	<u>71,026</u>	<u>73,749</u>
Total	<u>564,934</u>	<u>580,966</u>
Total assets	<u>\$ 3,728,467</u>	<u>\$ 4,212,914</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 75,540	\$ 111,124
Accrued expenses	71,240	49,607
Refundable advances	1,588,735	1,903,916
Long-term debt, current portion	<u>31,032</u>	<u>29,817</u>
Total current liabilities	<u>1,766,547</u>	<u>2,094,464</u>
LONG-TERM DEBT, net of current portion	<u>714,843</u>	<u>745,875</u>
Total liabilities	<u>2,481,390</u>	<u>2,840,339</u>
NET ASSETS:		
Unrestricted	1,247,077	1,372,270
Temporarily restricted	<u>-</u>	<u>305</u>
Total net assets	<u>1,247,077</u>	<u>1,372,575</u>
Total liabilities and net assets	<u>\$ 3,728,467</u>	<u>\$ 4,212,914</u>

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF ACTIVITIES
DECEMBER 31, 2015
 (With comparative totals for 2014)

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Direct contributions	\$ 39,471	\$ -	\$ 39,471	\$ 13,576	\$ -	\$ 13,576
Allocated by United Way of Central New York	190,746	-	190,746	194,373	-	194,373
Grants	4,577,128	-	4,577,128	4,448,294	-	4,448,294
Program service fees	55,138	-	55,138	53,077	-	53,077
Interest income	2,155	-	2,155	6,910	-	6,910
Investment income	8,599	-	8,599	3,119	-	3,119
Loss on sale of property and equipment	-	-	-	(13,358)	-	(13,358)
Other income	31	-	31	-	-	-
Unrealized gain (loss) on investments	(124)	-	(124)	16,082	-	16,082
Realized loss on investments	(15,969)	-	(15,969)	(9,971)	-	(9,971)
Net assets released from restriction	305	(305)	-	-	-	-
Total revenue	4,857,480	(305)	4,857,175	4,712,102	-	4,712,102
EXPENSES AND LOSSES:						
Program services -						
Telephone and web-based services	743,669	-	743,669	616,890	-	616,890
School services	1,245,283	-	1,245,283	1,127,833	-	1,127,833
Youth development services	2,246,360	-	2,246,360	2,355,515	-	2,355,515
Community based services	220,018	-	220,018	128,735	-	128,735
Total program services	4,455,330	-	4,455,330	4,228,973	-	4,228,973
Supporting services -						
Management and general	505,995	-	505,995	417,470	-	417,470
Fundraising	21,348	-	21,348	18,791	-	18,791
Total supporting services	527,343	-	527,343	436,261	-	436,261
Total expenses and losses	4,982,673	-	4,982,673	4,665,234	-	4,665,234
CHANGE IN NET ASSETS	(125,193)	(305)	(125,498)	46,868	-	46,868
NET ASSETS - beginning of year	1,372,270	305	1,372,575	1,325,402	305	1,325,707
NET ASSETS - end of year	\$ 1,247,077	\$ -	\$ 1,247,077	\$ 1,372,270	\$ 305	\$ 1,372,575

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**
(With comparative totals for December 31, 2014)

	Program Services				Supporting Services				2015 Total Expenses	2014 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	\$ 612,171	\$ 1,066,723	\$ 1,792,485	\$ 171,881	\$ 3,643,260	\$ 287,350	\$ 19,324	\$ 306,674	\$ 3,949,934	\$ 3,557,120
Professional fees and contracts	33,195	46,667	55,333	1,110	136,305	125,182	-	125,182	261,487	168,076
Supplies	12,622	34,378	192,518	14,991	254,509	22,618	603	23,221	277,730	418,941
Telephone and data expense	19,685	6,544	15,984	2,226	44,439	2,435	68	2,503	46,942	37,050
Postage	787	339	1,016	300	2,442	995	216	1,211	3,653	5,480
Occupancy	6,470	8,895	10,532	2,081	27,978	5,340	405	5,745	33,723	37,825
Insurance	4,000	5,448	6,401	1,298	17,147	4,840	136	4,976	22,123	20,546
Outside printing	-	-	-	-	-	-	-	-	-	95
Program publicity and promotion	5,371	5,883	1,937	9,135	22,326	1,231	-	1,231	23,557	15,066
Staff travel and student transportation	7,976	6,478	88,878	3,137	106,469	1,417	-	1,417	107,886	141,917
Conferences and meetings	12,078	18,154	27,235	6,017	63,484	6,921	-	6,921	70,405	72,985
Dues and subscriptions	2,810	1,340	-	-	4,150	1,974	-	1,974	6,124	4,025
Repairs and maintenance - equipment	8,673	9,971	16,360	3,028	38,032	35,783	335	36,118	74,150	70,673
Expendable equipment	2,460	10,665	-	-	13,125	-	-	-	13,125	25,317
Total expenses before depreciation, amortization, and interest	728,298	1,221,485	2,208,679	215,204	4,373,666	496,086	21,087	517,173	4,890,839	4,575,116
Depreciation and amortization	9,075	15,128	27,414	2,754	54,371	6,922	261	7,183	61,554	59,229
Interest	6,296	8,670	10,267	2,060	27,293	2,987	-	2,987	30,280	30,889
Total	\$ 743,669	\$ 1,245,283	\$ 2,246,360	\$ 220,018	\$ 4,455,330	\$ 505,995	\$ 21,348	\$ 527,343	\$ 4,982,673	\$ 4,665,234

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (With comparative totals for December 31, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (125,498)	\$ 46,868
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	58,831	56,505
Amortization	2,723	2,724
Unrealized (gain) loss on investments	124	(16,082)
Realized loss on investments	15,969	9,971
Loss on sale of property and equipment	-	13,358
Changes in:		
Accounts receivable	-	(675)
Grants receivable	481,356	(291,492)
Prepaid expenses	1,390	5,569
Accounts payable	(35,584)	23,227
Accrued expenses	21,633	(32,681)
Refundable advances	<u>(315,181)</u>	<u>219,561</u>
Net cash flow from operating activities	<u>105,763</u>	<u>36,853</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(398,971)	(604,676)
Proceeds from sale of investments	396,187	103,570
Purchase of property and equipment	<u>-</u>	<u>(141,657)</u>
Net cash flow from investing activities	<u>(2,784)</u>	<u>(642,763)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	<u>(29,817)</u>	<u>(29,017)</u>
Net cash flow from financing activities	<u>(29,817)</u>	<u>(29,017)</u>
CHANGE IN CASH	73,162	(634,927)
CASH - beginning of year	<u>357,933</u>	<u>992,860</u>
CASH - end of year	<u>\$ 431,095</u>	<u>\$ 357,933</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 30,280</u>	<u>\$ 30,889</u>

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. ORGANIZATION

Contact Community Services, Inc. (Organization) helps individuals and organizations create positive personal and social change to improve the quality of lives in Central New York. The Organization is a recognized leader in fostering healthy emotional development in the community. The Organization 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 Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at December 31, 2015 and 2014. 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 Organization, furniture and equipment purchased with grant funds are charged to expense when incurred. During 2015 and 2014, \$13,125 and \$25,317, 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, 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 Organization 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.

Refundable advances

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

Investments

Investments are comprised of money market funds, corporate bonds, mutual funds, and common stocks and are reported at fair value with realized and unrealized gains and losses included in the accompanying statement of activities. The carrying value of money market funds approximates fair value. The fair value of corporate bonds, mutual funds and common stocks is determined primarily by reference to quoted market prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organization 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 Organization. The Organization 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 Organization 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 Organization charges the costs of advertising to expense as incurred. Advertising expenses were \$23,557 and \$15,066 for the years ended December 31, 2015 and 2014, respectively, and are included in program publicity and promotion expense in the statements of functional expenses.

Retirement Plan

The Organization 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 Organization provides a contribution based upon management's discretion. Contributions to the plan, net of plan forfeitures, were \$61,569 and \$49,097 for the years ended December 31, 2015 and 2014, respectively, and are included in salaries and related expense on the statements of functional expenses.

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 Organization is a New York not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

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 Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organization's financial statements for the year ended December 31, 2014, 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>2015</u>	<u>2014</u>
Gross amount	\$ 81,693	\$ 81,693
Less: Accumulated amortization	<u>(10,667)</u>	<u>(7,944)</u>
Net amount	<u>\$ 71,026</u>	<u>\$ 73,749</u>

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

2016	\$ 2,723
2017	2,723
2018	2,723
2019	2,723
2020	2,723
Thereafter	<u>57,411</u>
Total	<u>\$ 71,026</u>

4. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 86,572	\$ 176,707
Corporate bonds	88,972	15,011
Mutual funds	23,610	19,593
Common stocks	<u>294,754</u>	<u>295,906</u>
	<u>\$ 493,908</u>	<u>\$ 507,217</u>
Cost	<u>\$ 477,950</u>	<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 Organization 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.

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, 2015:

<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

5. FAIR VALUE MEASUREMENTS (Continued)

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

	Fair value measurement as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 86,572	\$ -	\$ -	\$ 86,572
Corporate bonds/domestic	88,972	-	-	88,972
Mutual funds/fixed income	23,610	-	-	23,610
Common Stocks:				
Small core	8,556	-	-	8,556
Mid core	5,443	-	-	5,443
Mid value	13,659	-	-	13,659
Mid growth	21,709	-	-	21,709
Large core	55,550	-	-	55,550
Large growth	80,461	-	-	80,461
Large value	56,336	-	-	56,336
Municipal funds	35,703	-	-	35,703
ETF Bonds	12,415	-	-	12,415
Treasury funds	4,922	-	-	4,922
Total common stocks	294,754	-	-	294,754
Total Fair Value	\$ 493,908	\$ -	\$ -	\$ 493,908
	Fair value measurement as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
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. During 2015, the restrictions were met and the amount of \$305 was released from restriction

7. LEASE COMMITMENTS

The Organization leases certain office equipment with non-cancellable lease terms through 2019. Total rent expense was \$21,269 and \$14,008 in 2015 and 2014, respectively.

Future minimum lease payments are as follows:

2016	\$	20,529
2017		10,138
2018		2,820
2019		<u>705</u>
Total	\$	<u>34,192</u>

8. SHORT-TERM BANK BORROWINGS

The Organization have available a line of credit of \$150,000 with a financial institution. The line accrues interest at prime plus .5% (3.5% at December 31, 2015). There were no outstanding balances as of December 31, 2015 and 2014.

9. LONG-TERM DEBT

The Organization 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 \$979,721 and \$1,016,946 at December 31, 2015 and 2014, respectively. The outstanding principal balance of the loan at December 31, 2015 and 2014 was \$745,875 and \$775,692, respectively.

Future maturities of long-term debt at December 31:

2016	\$	31,032
2017		32,404
2018		33,724
2019		35,098
2020		36,520
Thereafter		<u>577,097</u>
Total	\$	<u>745,875</u>

9. LONG-TERM DEBT (Continued)

As a condition of financing for the short-term bank borrowings and the long-term debt, the Organization is required to maintain certain financial covenants that must be fulfilled on an annual basis. At December 31, 2015, the Organization was not in compliance with its required financial covenants; however, management received a waiver for the violation.

10. CONCENTRATIONS OF CREDIT RISK

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

A significant portion of the Organization'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 Organization's level of service and operation.

The Organization 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. The Federal Deposit Insurance Corporation (FDIC) insures deposits at each financial institution up to \$250,000. At December 31, 2015 and 2014, the Organization had approximately \$207,000 and \$111,000, respectively, in uninsured deposits. The Organization has not experienced losses in these accounts and does not believe it is exposed to significant risk.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 5, 2016, 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 5, 2016

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, 2015, 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 5, 2016.

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 THE UNIFORM GUIDANCE

May 5, 2016

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Major Federal Program

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 major federal programs for the year ended December 31, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly this report is not suitable for any other purpose.

CONTACT COMMUNITY SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

<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	7/1/15 - 6/30/16	C402087	\$ 622,436	\$ 356,614
		7/1/14 - 6/30/15	C402087	622,436	315,047
		7/1/15 - 6/30/16	C402088	577,474	330,491
		7/1/14 - 6/30/15	C402088	577,474	286,620
Syracuse City School District:					
21st Century Community Learning Centers	84.287	7/1/15 - 6/30/16	HW Smith	165,000	88,921
		7/1/14 - 6/30/15	Lincoln	<u>387,905</u>	<u>198,659</u>
				<u>2,952,725</u>	<u>1,576,352</u>
Syracuse City School District:					
High School Graduation Initiative	84.360	7/1/14 - 9/30/15	HSGI	<u>513,745</u>	<u>288,747</u>
School Improvement Grants	84.388	5/1/14 - 6/30/15	SAP	<u>195,000</u>	<u>82,219</u>
Subtotal - U.S. Department of Education				<u>3,661,470</u>	<u>1,947,318</u>
U.S. Department of Health and Human Services:					
Direct:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	92.243	7/1/15 - 6/30/16	SM061337	60,000	32,947
	93.243	7/1/14 - 6/30/15	SM061337	60,000	31,721
Pass-through from:					
Syracuse City School District:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	9/1/15 - 8/31/16	PAX GBG	54,162	1,392
	93.243	10/1/14 - 9/30/15	PAX GBG	100,000	77,250
Syracuse City School District:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	9/30/15 - 9/29/16	Project Aware	42,116	7,508
	93.243	9/30/14 - 9/29/15	Project Aware	<u>42,116</u>	<u>27,819</u>
				<u>358,394</u>	<u>178,637</u>
New York State Office of Children and Family Services:					
Temporary Assistance for Needy Families	93.558	11/15/15 - 11/14/16	C026684	238,542	22,025
	93.558	11/15/14 - 11/14/15	C026684	<u>238,542</u>	<u>109,665</u>
				<u>477,084</u>	<u>131,690</u>
Onondaga County Department of Mental Health:					
Substance Abuse Prevention and Treatment SAPT Block Grant	93.959	1/1/15 - 12/31/15	OASAS 2015	<u>378,691</u>	<u>360,485</u>
Sudden Infant and Child Death (SICD) Resource Center:					
Maternal and Child Health Services Block Grant	93.994	11/1/15 - 10/31/16	SICD	68,000	11,879
	93.994	2/1/15 - 10/31/15	SICD	<u>51,000</u>	<u>51,000</u>
				<u>119,000</u>	<u>62,879</u>
Subtotal - U.S. Department of Health and Human Services				<u>1,333,169</u>	<u>733,691</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		<u>31,724</u>	<u>9,979</u>
Subtotal - U.S. Department of Housing and Urban Development				<u>31,724</u>	<u>9,979</u>
Total				<u>\$ 5,026,363</u>	<u>\$ 2,690,988</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, 2015

1. BASIS OF PRESENTATION

The information in this accompanying schedule of expenditures of federal awards (the Schedule) is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CONTACT COMMUNITY SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

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 reported
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 reported
Type of auditor's report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
84.287	21 st Century Community Learning Centers
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
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

No prior year findings.