

**CONTACT COMMUNITY SERVICES, INC.**

**Financial Statements as of  
December 31, 2017  
Together with  
Independent Auditor's Report**

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

## INDEPENDENT AUDITOR'S REPORT

May 3, 2018

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

### **Report on the Financial Statements**

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, 2017, 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 AUDITOR'S 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, 2017, 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 Contact Community Services, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Contact Community Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contact Community Services, Inc.'s internal control over financial reporting and compliance.

# CONTACT COMMUNITY SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

(With Comparative Totals for 2016)

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 82,581	\$ 113,616
Accounts receivable	10,810	11,960
Grants receivable	487,275	427,065
Prepaid expenses	<u>13,326</u>	<u>10,009</u>
Total current assets	<u>593,992</u>	<u>562,650</u>
INVESTMENTS	<u>580,538</u>	<u>522,550</u>
PROPERTY AND EQUIPMENT, net	<u>941,614</u>	<u>1,005,251</u>
Total assets	<u>\$ 2,116,144</u>	<u>\$ 2,090,451</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 115,086	\$ 140,483
Accrued expenses	108,908	72,435
Refundable advances	46,072	3,489
Long-term debt, current portion	<u>33,612</u>	<u>32,296</u>
Total current liabilities	<u>303,678</u>	<u>248,703</u>
LONG-TERM DEBT, net	<u>583,355</u>	<u>614,244</u>
Total liabilities	<u>887,033</u>	<u>862,947</u>
NET ASSETS:		
Unrestricted	<u>1,229,111</u>	<u>1,227,504</u>
Total net assets	<u>1,229,111</u>	<u>1,227,504</u>
Total liabilities and net assets	<u>\$ 2,116,144</u>	<u>\$ 2,090,451</u>

The accompanying notes are an integral part of these statements.

# CONTACT COMMUNITY SERVICES, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017 (With Comparative Totals for 2016)

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	<u>2017</u>	<u>2016</u>
REVENUE:		
Grants	\$ 3,870,267	\$ 4,131,537
Allocated by United Way of Central New York	192,623	190,746
Program service fees	123,298	84,673
Direct contributions	12,858	19,250
Investment income	65,208	35,810
Other income	<u>9,469</u>	<u>4,097</u>
Total revenue	<u>4,273,723</u>	<u>4,466,113</u>
EXPENSES AND LOSSES:		
Program services -		
Crisis intervention services	705,603	755,792
School services	1,084,160	1,189,329
Youth development services	1,773,903	1,906,901
Community based services	<u>171,263</u>	<u>217,001</u>
Total program services	<u>3,734,929</u>	<u>4,069,023</u>
Supporting services -		
Management and general	519,234	399,454
Fundraising	<u>17,953</u>	<u>17,209</u>
Total supporting services	<u>537,187</u>	<u>416,663</u>
Total expenses and losses	<u>4,272,116</u>	<u>4,485,686</u>
CHANGE IN NET ASSETS	1,607	(19,573)
NET ASSETS - beginning of year	<u>1,227,504</u>	<u>1,247,077</u>
NET ASSETS - end of year	<u>\$ 1,229,111</u>	<u>\$ 1,227,504</u>

The accompanying notes are an integral part of these statements.

**CONTACT COMMUNITY SERVICES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

(With Comparative Totals for 2016)

	Program Services					Supporting Services			2017 Total Expenses	2016 Total Expenses
	Crisis Intervention 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	\$ 614,405	\$ 898,918	\$ 1,595,244	\$ 148,128	\$ 3,256,695	\$ 390,452	\$ 4,370	\$ 394,822	\$ 3,651,517	\$ 3,772,641
Supplies	5,779	45,440	74,920	7,308	133,447	14,536	9,649	24,185	157,632	192,547
Professional fees and contracts	10,985	34,223	26,221	-	71,429	54,996	1,766	56,762	128,191	122,750
Conferences and meetings	5,401	39,558	2,543	1,888	49,390	5,678	989	6,667	56,057	43,772
Telephone and data expense	20,187	5,485	14,117	928	40,717	3,911	40	3,951	44,668	42,996
Occupancy	9,968	11,232	10,880	2,895	34,975	6,949	183	7,132	42,107	47,947
Repairs and maintenance - equipment	5,275	8,401	11,445	2,395	27,516	18,324	406	18,730	46,246	50,424
Staff travel and student transportation	3,952	3,289	9,304	1,843	18,388	1,067	-	1,067	19,455	80,078
Insurance	3,999	4,456	4,285	1,141	13,881	4,915	44	4,959	18,840	21,752
Program publicity and promotion	867	3,828	150	-	4,845	383	-	383	5,228	4,438
Dues and subscriptions	1,400	1,350	-	85	2,835	2,000	-	2,000	4,835	7,260
Postage	332	224	526	258	1,340	1,369	338	1,707	3,047	2,968
Total expenses before depreciation and interest	682,550	1,056,404	1,749,635	166,869	3,655,458	504,580	17,785	522,365	4,177,823	4,389,573
Depreciation	15,644	19,520	16,246	2,373	53,783	9,693	161	9,854	63,637	64,206
Interest	7,409	8,236	8,022	2,021	25,688	4,961	7	4,968	30,656	31,907
Total	\$ 705,603	\$ 1,084,160	\$ 1,773,903	\$ 171,263	\$ 3,734,929	\$ 519,234	\$ 17,953	\$ 537,187	\$ 4,272,116	\$ 4,485,686

The accompanying notes are an integral part of these statements.

## CONTACT COMMUNITY SERVICES, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 (With Comparative Totals for 2016)

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	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,607	\$ (19,573)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	63,637	64,206
Non-cash interest on debt issuance costs	2,723	2,723
Unrealized gain on investments	(35,135)	(24,284)
Realized gain on investments	(18,647)	(429)
Changes in:		
Accounts receivable	1,150	(10,610)
Grants receivable	(60,210)	(347,698)
Prepaid expenses	(3,317)	9,541
Accounts payable	(25,397)	64,943
Accrued expenses	36,473	1,195
Refundable advances	42,583	3,489
	<u>5,467</u>	<u>(256,497)</u>
Net cash flow from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(31,904)	(337,702)
Proceeds from sale of investments	27,698	333,773
Purchase of property and equipment	<u>-</u>	<u>(26,021)</u>
	<u>(4,206)</u>	<u>(29,950)</u>
Net cash flow from investing activities		
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	<u>(32,296)</u>	<u>(31,032)</u>
	<u>(32,296)</u>	<u>(31,032)</u>
Net cash flow from financing activities		
CHANGE IN CASH	(31,035)	(317,479)
CASH - beginning of year	<u>113,616</u>	<u>431,095</u>
CASH - end of year	<u>\$ 82,581</u>	<u>\$ 113,616</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 27,933</u>	<u>\$ 29,184</u>

The accompanying notes are an integral part of these statements.

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

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**(With Comparative Totals for 2016)**

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#### **1. ORGANIZATION**

Contact Community Services, Inc. (the 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 in conformity with accounting principles generally accepted in the United States of America (GAAP).

##### **Comparative Information**

The financial statements include certain prior year summarized comparative information, but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was obtained.

##### **Classification of Net Assets**

At December 31, 2017 and 2016, the Organization's net assets were all unrestricted.

##### **Cash**

Cash includes demand deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash.

##### **Accounts Receivable**

The Organization provides services that are paid for by private and third-party payers. Accounts for which no payments have been received for several months are considered delinquent and the account is written-off when customary collection efforts are exhausted. The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at December 31, 2017 and 2016.

##### **Grants and Contracts**

The Organization receives grants to assist in carrying out its programs from federal, state, and local government agencies and other organizations. Grant revenue is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Refundable advances are recorded for amounts received from exchange transactions in which the related costs have not yet been incurred or services provided.



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

### **Fair Value Measurement**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about how market participants would price the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

There were no changes in valuation techniques in 2017 or 2016.

### **Investments**

Investments are recorded at fair value based on quoted market prices, except for money market funds which are recorded at cost. Investment income (including realized and unrealized gains on investments and interest) is included in the change in net assets.

Investment securities are exposed to various risks, such as interest rate, market economic conditions, world affairs and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Organization.

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

### **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 2017 and 2016, there were no furniture and equipment purchased with grant funds.

### **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 (5) to thirty (30) 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.

### **Debt Issuance Costs**

Debt issuance costs, which represent the cost of obtaining certain financing, are being amortized using the straight-line method over the term of the mortgage, which approximates the effective interest method. Debt issuance costs are presented net with the long-term portion of mortgage payable on the statement of financial position. Amortization totaled \$2,723 for the years ended December 31, 2017 and 2016 and is included as a component of interest expense on the statement of functional expenses.

### **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.

### **Income Tax Status**

The Organization is a not-for-profit tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as not a private foundation.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

### **Reclassification**

Certain amounts have been reclassified from the 2016 financial statements to conform with the current year presentation.

### 3. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Government	\$ 247,286	\$ 342,546
Non-government	<u>239,989</u>	<u>84,519</u>
	<u>\$ 487,275</u>	<u>\$ 427,065</u>

### 4. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 94,154	\$ 32,361
Exchange traded funds	206,298	155,075
Common stocks	243,206	242,310
Bonds	<u>36,880</u>	<u>92,804</u>
	<u>\$ 580,538</u>	<u>\$ 522,550</u>

### 5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 206,298	\$ -	\$ -	\$ 206,298
Common stocks	243,206	-	-	243,206
Bonds	<u>-</u>	<u>36,880</u>	<u>-</u>	<u>36,880</u>
Total	<u>\$ 449,504</u>	<u>\$ 36,880</u>	<u>\$ -</u>	<u>\$ 486,384</u>

The following are measured at fair value on a recurring basis at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 155,075	-	-	\$ 155,075
Common stock	242,310	-	-	242,310
Bonds	<u>-</u>	<u>92,804</u>	<u>-</u>	<u>92,804</u>
Total	<u>\$ 397,385</u>	<u>\$ 92,804</u>	<u>\$ -</u>	<u>\$ 490,189</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Building	\$ 1,105,204	\$ 1,105,204
Furniture and equipment	102,610	102,610
Leasehold improvements	<u>55,000</u>	<u>55,000</u>
	1,262,814	1,262,814
Less: Accumulated depreciation	<u>(321,200)</u>	<u>(257,563)</u>
Total	<u>\$ 941,614</u>	<u>\$ 1,005,251</u>

## 7. LINE OF CREDIT

At December 31, 2017 and 2016, the Organization had an available a line of credit of \$250,000 and \$150,000, respectively. The line of credit has a zero balance, is payable on demand at prime plus .5% (5.0% at December 31, 2017 and 4.25% at December 31, 2016) and contains a financial covenant that was met for the year ended December 31, 2017. The line of credit is secured by substantially all assets of the Organization.

## 8. 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 interest rate adjusted on March 27, 2018 to current FHLB rate plus 2.25%. On March 27, 2023 and March 27, 2028, the interest rate will adjust to the then FHLB rate plus 2.25%. The outstanding principal balance of the loan at December 31, 2017 was \$682,547, net of unamortized debt issuance costs of \$65,580. The outstanding principal balance of the loan at December 31, 2016 was \$714,843, net of unamortized debt issuance costs of \$68,303.

As a condition of the long-term debt, the Organization is required to maintain a debt service coverage ratio of 1.25 to 1. At December 31, 2017, the Organization was in compliance with its required financial covenant.

The loan is secured by the building with a net book value of \$905,271 and \$942,496 at December 31, 2017 and 2016, respectively.

## 8. LONG-TERM DEBT (Continued)

Future maturities of long-term debt at December 31:

2018	\$	33,612
2019		35,098
2020		36,520
2021		38,017
2022		39,565
Thereafter		<u>499,735</u>
		682,547
Less: Unamortized debt issuance costs		<u>(65,580)</u>
	\$	<u>616,967</u>

## 9. 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 \$42,551 and \$84,270 for the years ended December 31, 2017 and 2016, respectively, and are included in salaries and related expense on the statements of functional expenses.

## 10. COMMITMENTS AND CONTINGENCIES

### Commitments

The Organization leases certain office equipment with non-cancellable lease terms through 2019. Total rent expense was \$26,301 and \$24,566 in 2017 and 2016, respectively.

Future minimum lease payments required under the terms of these non-cancelable leases are as follows for the year ended December 31:

2018	\$	17,977
2019		12,686
2020		11,891
2021		<u>8,986</u>
Total	\$	<u>51,540</u>

### Third-Party Payers

Third-party payers, especially governmental funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulation compliance, etc. The stated purpose for these reviews is to recover reimbursements that the payers believe may have been inappropriate.

**10. COMMITMENTS AND CONTINGENCIES (Continued)**

**Third-Party Payers (Continued)**

The Organization has reviewed its internal records and policies with respect to such matters. However, due to the nature of these matters, it is difficult to estimate the ultimate liability, if any, which it may incur related to such matters.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 3, 2018, 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 3, 2018

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, 2017, 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 3, 2018.

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

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

(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 FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

May 3, 2018

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, 2017. 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 its major federal program for the year ended December 31, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<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	7/1/16 - 6/30/17	C402087	\$ 617,652	\$ 261,881
		7/1/16 - 6/30/17	C402088	577,474	235,990
Syracuse City School District:					
21st Century Community Learning Centers	84.287	7/1/16 - 6/30/17	HW Smith	240,000	151,473
Liverpool Central School District:					
21st Century Community Learning Centers	84.287	7/1/16 - 6/30/17	LCSD-21 Century	940,884	433,678
Subtotal - U.S. Department of Education				<u>2,376,010</u>	<u>1,083,022</u>
U.S. Department of Health and Human Services:					
Pass-through from:					
National Suicide Prevention Lifeline					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	10/1/16-9/30/17	NSPL	60,000	43,026
		10/1/17-9/30/18	NSPL	70,000	15,639
				<u>130,000</u>	<u>58,665</u>
New York State Office of Children and Family Services:					
Temporary Assistance for Needy Families					
	93.558	11/15/16 - 11/14/17	C026684	238,542	136,621
	93.558	11/15/17 - 11/14/18	C026684	178,907	37,456
				<u>417,449</u>	<u>174,077</u>
Onondaga County Department of Mental Health:					
Substance Abuse Prevention and Treatment SAPT Block Grant					
	93.959	1/1/17 - 12/31/17	08413	417,877	417,877
Sudden Infant and Child Death (SICD) Resource Center:					
Maternal and Child Health Services Block Grant					
	93.994	11/1/16 - 10/31/17	SICD	68,000	61,213
Subtotal - U.S. Department of Health and Human Services				<u>1,033,326</u>	<u>711,832</u>
Total				<u>\$ 3,409,336</u>	<u>\$ 1,794,854</u>

The accompanying notes are an integral part of this schedule.

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

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017**

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#### **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 GAAP. Such expenditures are recognized following 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.

#### **3. INDIRECT COST**

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, 2017**

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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 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:

**CFDA Number**  
84.287

**Program Title**  
21<sup>st</sup> Century Community Learning Centers

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 PROGRAM AUDIT**

None

**CONTACT COMMUNITY SERVICES, INC.**

**SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND  
RECOMMENDATIONS  
DECEMBER 31, 2017**

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None

**CONTACT COMMUNITY SERVICES, INC.**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2017**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**FINDINGS - FEDERAL AWARD PROGRAMS AUDIT**

None