CONTACT COMMUNITY SERVICES, INC.

Financial Statements as of
December 31, 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 2, 2019

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, 2018, 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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(Continued)

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, 2018, 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.

Change in Accounting Principle
As described in Note 2 to the financial statements, Contact Community Services, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited Contact Community Services, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 2, 2019 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.

Bonadio & Co., LLP

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 124,553	$ 82,581
Accounts receivable	11,971	10,810
Grants receivable	539,026	487,275
Prepaid expenses	14,662	13,326
Total current assets	690,212	593,992
INVESTMENTS	534,042	580,538
PROPERTY AND EQUIPMENT, net	880,471	941,614
Total assets	$ 2,104,725	$ 2,116,144
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 116,810	$ 115,086
Accrued expenses	157,199	108,908
Deferred revenue	89,201	46,072
Long-term debt, current portion	31,428	33,612
Total current liabilities	394,638	303,678
LONG-TERM DEBT, net	559,420	583,355
Total liabilities	954,058	887,033
NET ASSETS:		
Without donor restrictions	1,150,667	1,229,111
Total net assets	1,150,667	1,229,111
Total liabilities and net assets	$ 2,104,725	$ 2,116,144

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
REVENUE WITHOUT DONOR RESTRICTIONS:		
Grants	$ 4,404,999	$ 3,870,267
Allocated by United Way of Central New York	191,062	192,623
Program service fees	118,167	123,298
Direct contributions	23,083	12,858
Investment (loss) income	(38,533)	65,208
Other income	5,317	9,469
Total revenue	4,704,095	4,273,723
EXPENSES:		
Program services -		
Crisis intervention services	894,321	705,603
School services	1,271,519	1,084,160
Youth development services	2,006,688	1,773,903
Community based services	9,192	171,263
Total program services	4,181,720	3,734,929
Supporting services -		
Management and general	579,019	519,234
Fundraising	21,800	17,953
Total supporting services	600,819	537,187
Total expenses	4,782,539	4,272,116
CHANGE IN NET ASSETS	(78,444)	1,607
NET ASSETS - beginning of year	1,229,111	1,227,504
NET ASSETS - end of year	$ 1,150,667	$ 1,229,111

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	Program Services					Supporting Services				
	Crisis Intervention Services	School Services	Youth Development Services	Community Based Services	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	2018 Total Expenses	2017 Total Expenses
EXPENSES:										
Salaries and related expenses	$ 771,889	$ 1,084,156	$ 1,664,178	$ 5,501	$ 3,525,724	$ 435,850	$ 11,250	$ 447,100	$ 3,972,824	$ 3,651,517
Supplies	15,935	45,782	240,531	1,711	303,959	19,096	4,269	23,365	327,324	157,632
Professional fees and contracts	13,146	34,947	8,954	-	57,047	50,386	2,732	53,118	110,165	128,191
Conferences and meetings	9,444	37,538	25,643	622	73,247	4,735	983	5,718	78,965	56,057
Telephone and data expense	15,699	6,600	14,184	126	36,609	4,740	119	4,859	41,468	44,668
Occupancy	13,748	12,943	11,498	521	38,710	9,032	506	9,538	48,248	42,107
Repairs and maintenance - equipment	12,419	9,987	10,380	198	32,984	25,729	541	26,270	59,254	46,246
Staff travel and student transportation	2,507	3,233	2,891	20	8,651	1,475	101	1,576	10,227	19,455
Insurance	5,023	4,703	4,158	147	14,031	5,702	109	5,811	19,842	18,840
Program publicity and promotion	3,143	3,295	2,200	-	8,638	80	-	80	8,718	5,228
Dues and subscriptions	1,030	1,350	-	-	2,380	2,000	-	2,000	4,380	4,835
Postage	345	161	231	15	752	1,007	473	1,480	2,232	3,047
Total expenses before depreciation and interest	864,328	1,244,695	1,984,848	8,861	4,102,732	559,832	21,083	580,915	4,683,647	4,177,823
Depreciation	18,848	16,539	12,997	85	48,469	12,008	666	12,674	61,143	63,637
Interest	11,145	10,285	8,843	246	30,519	7,179	51	7,230	37,749	30,656
Total	$ 894,321	$ 1,271,519	$ 2,006,688	$ 9,192	$ 4,181,720	$ 579,019	$ 21,800	$ 600,819	$ 4,782,539	$ 4,272,116

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (78,444)	$ 1,607
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	61,143	63,637
Amortization of debt issuance costs	4,656	2,723
Unrealized loss (gain) on investments	57,748	(35,135)
Realized gain on investments	(6,073)	(18,647)
Changes in:		
Accounts receivable	(1,161)	1,150
Grants receivable	(51,751)	(60,210)
Prepaid expenses	(1,336)	(3,317)
Accounts payable	1,724	(25,397)
Accrued expenses	48,291	36,473
Deferred revenue	43,129	42,583
Net cash flow from operating activities	77,926	5,467
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(123,386)	(31,904)
Proceeds from sale of investments	118,207	27,698
Net cash flow from investing activities	(5,179)	(4,206)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(30,775)	(32,296)
Net cash flow from financing activities	(30,775)	(32,296)
CHANGE IN CASH	41,972	(31,035)
CASH - beginning of year	82,581	113,616
CASH - end of year	$ 124,553	$ 82,581
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 35,026	$ 27,933

The accompanying notes are an integral part of these statements.

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 accordance 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 accordance with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was obtained.

Financial Reporting
The Organization reports its activities and the related net assets using the following categories:

- **Net Assets Without Donor Restrictions**
  Net assets without donor restrictions include resources that are available for the support of the Organization's operating activities.

- **Net Assets With Donor Restrictions**
  Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. The satisfaction of these restrictions is reflected as net assets released from restrictions in the statement of activities. There were no net assets with donor restrictions as of December 31, 2018 and 2017.

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, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Deferred revenue are recorded for amounts received from exchange transactions in which the related costs have not yet been incurred or services provided.

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 2018 or 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments
The fair value of exchange traded funds and common stock are based on quoted prices in an open market. The fair value of bonds are determined by entering standard inputs into a pricing model. Money market funds are recorded at cost. Investment income (including realized and unrealized (loss) 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.

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 2018 and 2017, there was 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 debt on the statement of financial position. The costs are recognized as 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 statement of activities for contributed services because the criteria for recognition of such volunteer efforts have not been satisfied.

Allocation of Certain Expenses
The costs of providing the various programs have been summarized on a functional basis in the statement of functional expenses. The costs are functionalized on a direct basis, where possible. Certain categories of expenses are attributable to one or more program or supporting functions. Those expenses include payroll and benefits, depreciation and occupancy related costs. Payroll and benefits are allocated based on time spent in the various programs in accordance with time and effort reports completed by employees. Depreciation and occupancy related expenses are allocated based on square footage used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accordance 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.

Change in Accounting Principle
August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-for-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);

- Requiring the presentation of expenses in both natural and functional classifications;

- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;

- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources; and

- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Organization's year ending December 31, 2018 and was applied retrospectively with the exception of the disclosure regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets.

3. LIQUIDITY

The Organization has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has a $500,000 committed line of credit which could be drawn upon in the event of an unanticipated liquidity need.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2018
Cash	$ 124,553
Accounts receivable	11,971
Grants receivable	539,026
Investments	534,042
Total financial assets available within one year	$ 1,209,592

4. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	2018	2017
Government	$ 298,004	$ 247,286
Non-government	241,022	239,989
	$ 539,026	$ 487,275

5. INVESTMENTS

Investments consisted of the following at December 31:

	2018	2017
Money market funds	$ 116,785	$ 94,154
Exchange traded funds	153,572	206,298
Common stocks	190,630	243,206
Bonds	73,055	36,880
	$ 534,042	$ 580,538

6. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 153,572	$ -	$ -	$ 153,572
Common stocks	190,630	-	-	190,630
Bonds	-	73,055	-	73,055
Total	$ 344,202	$ 73,055	$ -	$ 417,257

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

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

7. PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following at December 31:

	2018	2017
Building	$ 1,105,204	$ 1,105,204
Furniture and equipment	102,610	102,610
Building improvements	55,000	55,000
	1,262,814	1,262,814
Less: Accumulated depreciation	(382,343)	(321,200)
Total	$ 880,471	$ 941,614

8. LINE OF CREDIT

At December 31, 2018 and 2017, the Organization had an available a line of credit of $500,000 and $250,000, respectively. The line of credit has a zero balance, is payable on demand at prime plus .5% (6.0% at December 31, 2018 and 5.0% at December 31, 2017) and contains a financial covenant that was not met for the year ended December 31, 2018. The Organization has obtained a waiver from the bank for the violation. The financial covenant was met for the year ended December 31, 2017. The line of credit is secured by substantially all assets of the Organization.

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 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, 2018 was $651,772, net of unamortized debt issuance costs of $60,924. The outstanding principal balance of the loan at December 31, 2017 was $682,547, net of unamortized debt issuance costs of $65,580.

As a condition of the long-term debt, the Organization is required to maintain a financial covenant. At December 31, 2018, the Organization was not in compliance with its required financial covenant and has obtained a waiver from the bank for the violation. At December 31, 2017, the Organization was in compliance with its required covenant.

The loan is secured by a building with a net book value of $868,046 and $905,271 at December 31, 2018 and 2017, respectively.

9. LONG-TERM DEBT (Continued)

Future maturities of long-term debt at December 31:

2019	$ 31,428
2020	36,520
2021	38,017
2022	39,565
2023	41,177
Thereafter	465,065
	651,772
Less: Unamortized debt issuance costs	(60,924)
	$ 590,848

10. 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 $46,084 and $42,551 for the years ended December 31, 2018 and 2017, respectively, and are included in salaries and related expense on the statements of functional expenses.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization leases certain office equipment with non-cancellable lease terms through 2021. Total rent expense was $17,977 and $26,301 in 2018 and 2017, respectively.

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

2019	$ 12,686
2020	11,981
2021	8,986
Total	$ 33,653

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.

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.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 2, 2019, the date the financial statements were available to be issued.

Bonadio & Co., LLP
Certified Public Accountants

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 2, 2019

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, 2018, 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 2, 2019.

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.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

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

May 2, 2019

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, 2018. 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, 2018.

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(Continued)

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.

Bonadio & Co., LLP

CONTACT COMMUNITY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
U.S. Department of Education:					
Pass-through from:					
Liverpool Central School District:					
Twenty-First Century Community Learning Centers	84.287	7/1/17-6/30/18	LCSD-21 Century	$ 940,884	$ 507,008
Twenty-First Century Community Learning Centers	84.287	7/1/18-6/30/19	LCSD-21 Century	940,884	442,530
Subtotal - U.S. Department of Education				1,881,768	949,538
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	10/1/17-9/30/18	NSPL	70,000	98,389
	93.243	10/1/18-12/31/18	NSPL	17,500	30,724
				87,500	129,113
Onondaga County Department of Mental Health:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1/1/18 - 12/31/18	CON180004	428,571	428,571
Research Foundation for Mental Hygiene, Inc.:					
Opioid STR	93.788	5/1/18 - 4/30/19	26655	53,000	17,539
Subtotal - U.S. Department of Health and Human Services				569,071	575,223
Total				$ 2,450,839	$ 1,524,761

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, 2018

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, 2018

A. SUMMARY OF AUDIT 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	Program Title
84.287	Twenty-First 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

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

CONTACT COMMUNITY SERVICES, INC.

CORRECTIVE ACTION PLAN
DECEMBER 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

None