CONTACT COMMUNITY SERVICES, INC.

Financial Statements as of
December 31, 2016
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 8, 2017

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017 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.

Bonadio & Co., LLP

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash	$ 113,616	$ 431,095
Accounts receivable	29,900	1,350
Grants receivable	1,871,333	1,668,102
Prepaid expenses	10,009	19,550
Total current assets	2,024,858	2,120,097
PROPERTY AND EQUIPMENT:		
Building	1,105,204	1,105,204
Furniture and equipment	102,610	76,588
Leasehold improvements	55,000	55,000
Total	1,262,814	1,236,792
Less: Accumulated depreciation	257,563	193,356
Property and equipment - net	1,005,251	1,043,436
INVESTMENTS	522,550	493,908
Total assets	$ 3,552,659	$ 3,657,441
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 140,483	$ 75,540
Accrued expenses	72,435	71,240
Refundable advances	1,465,697	1,588,735
Long-term debt, current portion	32,296	31,032
Total current liabilities	1,710,911	1,766,547
LONG-TERM DEBT, net of current portion	614,244	643,817
Total liabilities	2,325,155	2,410,364
NET ASSETS:		
Unrestricted	1,227,504	1,247,077
Total net assets	1,227,504	1,247,077
Total liabilities and net assets	$ 3,552,659	$ 3,657,441

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF ACTIVITIES
DECEMBER 31, 2016
(With comparative totals for 2015)

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Direct contributions	$ 19,250	$ -	$ 19,250	$ 39,471	$ -	$ 39,471
Allocated by United Way of Central New York	190,746	-	190,746	190,746	-	190,746
Grants	4,131,537	-	4,131,537	4,577,128	-	4,577,128
Program service fees	84,673	-	84,673	55,138	-	55,138
Interest income	1,062	-	1,062	2,155	-	2,155
Investment income	10,035	-	10,035	8,599	-	8,599
Other income	4,097	-	4,097	31	-	31
Unrealized gain (loss) on investments	24,284	-	24,284	(124)	-	(124)
Realized gain (loss) on investments	429	-	429	(15,969)	-	(15,969)
Net assets released from restriction	-	-	-	305	(305)	-
Total revenue	4,466,113	-	4,466,113	4,857,480	(305)	4,857,175
EXPENSES AND LOSSES:						
Program services -						
Crisis intervention services	755,792	-	755,792	743,669	-	743,669
School services	1,189,329	-	1,189,329	1,245,283	-	1,245,283
Youth development services	1,906,901	-	1,906,901	2,246,360	-	2,246,360
Community based services	217,001	-	217,001	220,018	-	220,018
Total program services	4,069,023	-	4,069,023	4,455,330	-	4,455,330
Supporting services -						
Management and general	399,454	-	399,454	505,995	-	505,995
Fundraising	17,209	-	17,209	21,348	-	21,348
Total supporting services	416,663	-	416,663	527,343	-	527,343
Total expenses and losses	4,485,686	-	4,485,686	4,982,673	-	4,982,673
CHANGE IN NET ASSETS	(19,573)	-	(19,573)	(125,193)	(305)	(125,498)
NET ASSETS - beginning of year	1,247,077	-	1,247,077	1,372,270	305	1,372,575
NET ASSETS - end of year	$ 1,227,504	$ -	$ 1,227,504	$ 1,247,077	$ -	$ 1,247,077

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for December 31, 2015)

	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	2016 Total Expenses	2015 Total Expenses
EXPENSES:										
Salaries and related expenses	$ 653,779	$ 1,041,497	$ 1,602,318	$ 181,665	$ 3,479,259	$ 287,917	$ 5,465	$ 293,382	$ 3,772,641	$ 3,949,934
Professional fees and contracts	11,836	42,091	16,577	200	70,704	52,046	-	52,046	122,750	261,487
Supplies	7,112	23,677	130,551	6,458	167,798	15,292	9,457	24,749	192,547	277,730
Telephone and data expense	18,484	5,699	13,469	2,203	39,855	3,112	29	3,141	42,996	46,942
Postage	387	201	527	313	1,428	1,302	238	1,540	2,968	3,653
Occupancy	10,947	13,089	12,793	3,846	40,675	7,058	214	7,272	47,947	33,723
Insurance	4,623	5,435	5,325	1,615	16,998	4,705	49	4,754	21,752	22,123
Program publicity and promotion	3,141	1,221	76	-	4,438	-	-	-	4,438	23,557
Staff travel and student transportation	4,775	4,028	67,404	2,693	78,900	1,178	-	1,178	80,078	107,886
Conferences and meetings	10,893	15,468	3,918	8,719	38,998	3,753	1,021	4,774	43,772	70,405
Dues and subscriptions	1,578	1,250	2,432	-	5,260	2,000	-	2,000	7,260	6,124
Repairs and maintenance - equipment	10,121	9,932	15,269	3,636	38,958	10,983	483	11,466	50,424	74,150
Expendable equipment	-	-	-	-	-	-	-	-	-	13,125
Total expenses before depreciation and interest	737,676	1,163,588	1,870,659	211,348	3,983,271	389,346	16,956	406,302	4,389,573	4,890,839
Depreciation	10,659	16,774	26,894	3,060	57,387	6,576	243	6,819	64,206	58,831
Interest	7,457	8,967	9,348	2,593	28,365	3,532	10	3,542	31,907	33,003
Total	$ 755,792	$ 1,189,329	$ 1,906,901	$ 217,001	$ 4,069,023	$ 399,454	$ 17,209	$ 416,663	$ 4,485,686	$ 4,982,673

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for December 31, 2015)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (19,573)	$ (125,498)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	64,206	58,831
Non-cash interest on debt issuance costs	2,723	2,723
Unrealized (gain) loss on investments	(24,284)	124
Realized (gain) loss on investments	(429)	15,969
Changes in:		
Accounts receivable	(28,550)	-
Grants receivable	(203,231)	481,356
Prepaid expenses	9,541	1,390
Accounts payable	64,943	(35,584)
Accrued expenses	1,195	21,633
Refundable advances	(123,038)	(315,181)
Net cash flow from operating activities	(256,497)	105,763
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(337,702)	(398,971)
Proceeds from sale of investments	333,773	396,187
Purchase of property and equipment	(26,021)	-
Net cash flow from investing activities	(29,950)	(2,784)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(31,032)	(29,817)
Net cash flow from financing activities	(31,032)	(29,817)
CHANGE IN CASH	(317,479)	73,162
CASH - beginning of year	431,095	357,933
CASH - end of year	$ 113,616	$ 431,095
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 29,184	$ 30,280

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 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, 2016 and 2015. 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 2016 and 2015, $0 and $13,125, 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, bonds, exchange traded funds, 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 bonds, exchange traded funds, 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 temporary or 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 $4,438 and $23,557 for the years ended December 31, 2016 and 2015, 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 $84,270 and $61,569 for the years ended December 31, 2016 and 2015, 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, 2015, from which the summarized information was derived.

Change in Accounting Principle

In 2016 the Organization adopted new FASB guidance regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of activities. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt and classification of amortization as interest expense.

Previously, the Organization reflected unamortized debt issuance costs as deferred charges in the statement of financial position, and has retroactively reclassified 2015 comparative amounts. The reclassifications reduced total assets and debt at December 31, 2015 by $71,026 with no effect on net assets.

Similarly, interest expense for 2015 has been increased and amortization expense has been decreased by $2,723, with no effect on previously reported change in net assets.

3. INVESTMENTS

Investments consisted of the following at December 31:

	2016	2015
Money market funds	$ 32,361	$ 86,572
Bonds	92,804	88,972
Exchange traded funds	155,075	-
Common stocks	242,310	294,754
Mutual funds	-	23,610
	$ 522,550	$ 493,908
Cost	$ 498,390	$ 477,950

4. 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.

4. 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, 2016			
	Level 1	Level 2	Level 3	Total
Bonds				
Corporate	$ 6,017	$ -	$ -	$ 6,017
US Treasury	86,787	-	-	86,787
Total bonds	92,804	-	-	92,804
Exchange traded funds	155,075	-	-	155,075
Common Stocks:				
Mid core	4,797	-	-	4,797
Mid growth	7,091	-	-	7,091
Large core	51,969	-	-	51,969
Large growth	51,228	-	-	51,228
Large value	52,488	-	-	52,488
Municipal funds	42,730	-	-	42,730
Bond fund	25,526	-	-	25,526
Limited partnership	6,481	-	-	6,481
Total common stocks	242,310	-	-	242,310
Total Fair Value	$ 490,189	$ -	$ -	$ 490,189

	Fair value measurement as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
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	$ 407,336	$ -	$ -	$ 407,336

5. 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.

6. LEASE COMMITMENTS

The Organization leases certain office equipment with non-cancellable lease terms through 2019. Total rent expense was $24,566 and $21,269 in 2016 and 2015, respectively.

Future minimum lease payments are as follows:

2017	$ 26,301
2018	17,624
2019	12,686
2020	11,981
2021	8,986
Total	$ 77,578

7. 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% (4.25% at December 31, 2016). There were no outstanding balances as of December 31, 2016 and 2015.

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 loan is secured by the building with a net book value of $942,496 and $979,721 at December 31, 2016 and 2015, respectively. The outstanding principal balance of the loan at December 31, 2016 was $714,843, net of unamortized debt issuance costs of $68,303. The outstanding principal balance of the loan at December 31, 2015 was $745,875, net of unamortized debt issuance costs of $71,026.

8. LONG-TERM DEBT (Continued)

Future maturities of long-term debt at December 31:

2017	$ 32,296
2018	33,612
2019	34,981
2020	36,407
2021	36,520
Thereafter	541,027
	714,843
Less: Unamortized debt issuance costs	(68,303)
	$ 646,540

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, 2016, the Organization was not in compliance with its required financial covenants; however, management received a waiver for the violation.

9. 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, 2016, there were no uninsured deposits. At December 31, 2015, the Organization had approximately $207,000 in uninsured deposits.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 8, 2017, 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 8, 2017

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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2017.

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 8, 2017

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, 2016. 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, 2016.

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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
DECEMBER 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
U.S. Department of Education:					
Pass-through from:					
The New York State Education Department:					
21st Century Community Learning Centers	84.287	7/1/16 - 6/30/17	C402087	$ 622,436	$ 355,770
		7/1/15 - 6/30/16	C402087	622,436	259,676
		7/1/16 - 6/30/17	C402088	577,474	296,336
		7/1/15 - 6/30/16	C402088	577,474	245,304
Syracuse City School District:					
21st Century Community Learning Centers	84.287	7/1/16 - 6/30/17	HW Smith	240,000	132,019
		7/1/15 - 6/30/16	HW Smith	165,000	145,819
				2,804,820	1,434,924
Subtotal - U.S. Department of Education				2,804,820	1,434,924
U.S. Department of Health and Human Services:					
Direct:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	7/1/15-6/30/16	SM061337	60,000	31,086
	93.243	7/1/16-9/30/16	SM061337	13,592	13,592
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	16,763
		10/1/15-9/30/16	NSPL	55,555	43,593
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	54,156	52,764
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	35,283
				285,419	193,081
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	25,644
	93.558	11/15/15 - 11/14/16	C026684	238,542	118,110
				477,084	143,754
Onondaga County Department of Mental Health:					
Substance Abuse Prevention and Treatment SAPT Block Grant	93.959	1/1/16 - 12/31/16	08413	382,463	382,463
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	56,121
	93.994	11/1/15 - 10/31/16	SICD	68,000	11,787
				136,000	67,908
Subtotal - U.S. Department of Health and Human Services				1,280,966	787,206
Total				$ 4,085,786	$ 2,222,130

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, 2016

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, 2016

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	Program Title
84.287	21st 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 PROGRAMS

None

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No prior year findings.