

CONTACT COMMUNITY SERVICES, INC.

**Financial Statements as of
December 31, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 26, 2021

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, 2020, 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

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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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 26, 2021 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.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,493,111	\$ 118,189
Program service fee receivables	333,052	185,889
Grants receivable	227,029	417,486
Prepaid expenses	31,632	15,350
Total current assets	<u>2,084,824</u>	<u>736,914</u>
INVESTMENTS	<u>678,271</u>	<u>629,202</u>
PROPERTY AND EQUIPMENT, net	<u>809,896</u>	<u>846,262</u>
Total assets	<u>\$ 3,572,991</u>	<u>\$ 2,212,378</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 187,934	\$ 58,889
Accrued expenses	171,621	144,963
Refundable advances	724,616	33,350
Deferred revenue	-	11,603
Long-term debt, current portion	34,948	33,142
Total current liabilities	<u>1,119,119</u>	<u>281,947</u>
LONG-TERM DEBT, net	<u>500,645</u>	<u>530,936</u>
Total liabilities	<u>1,619,764</u>	<u>812,883</u>
NET ASSETS:		
Without donor restrictions	1,953,227	1,334,183
With donor restrictions	-	65,312
Total net assets	<u>1,953,227</u>	<u>1,399,495</u>
Total liabilities and net assets	<u>\$ 3,572,991</u>	<u>\$ 2,212,378</u>

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and revenue -		
Grants	\$ 3,243,798	\$ 3,442,156
Allocated by United Way of Central New York	93,812	216,126
Program service fees	998,411	1,386,841
Direct contributions	23,953	24,147
Investment income, net of fees	53,293	96,376
Paycheck protection program grant income	543,985	-
Other income	1,610	-
Net assets released from restrictions	<u>65,312</u>	<u>-</u>
Total support and revenue	<u>5,024,174</u>	<u>5,165,646</u>
EXPENSES:		
Program services -		
Crisis intervention services	1,423,282	1,081,048
School services	2,393,279	3,234,557
Community based services	<u>31,590</u>	<u>21,852</u>
Total program services	<u>3,848,151</u>	<u>4,337,457</u>
Supporting services -		
Management and general	544,730	610,901
Fundraising	<u>12,249</u>	<u>33,772</u>
Total supporting services	<u>556,979</u>	<u>644,673</u>
Total expenses	<u>4,405,130</u>	<u>4,982,130</u>
Changes in net assets without donor restrictions	<u>619,044</u>	<u>183,516</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	-	65,312
Net assets released from restrictions	<u>(65,312)</u>	<u>-</u>
Changes in net assets with donor restrictions	<u>(65,312)</u>	<u>65,312</u>
CHANGES IN NET ASSETS	553,732	248,828
NET ASSETS - beginning of year	<u>1,399,495</u>	<u>1,150,667</u>
NET ASSETS - end of year	<u>\$ 1,953,227</u>	<u>\$ 1,399,495</u>

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

(With Comparative Totals for 2019)

	Program Services				Supporting Services			2020 Total Expenses	2019 Total Expenses
	Crisis Intervention Services	School Services	Community Based Services	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses		
EXPENSES:									
Salaries and related expenses	\$ 1,166,199	\$ 2,152,159	\$ 6,527	\$ 3,324,885	\$ 400,749	\$ 7,221	\$ 407,970	\$ 3,732,855	\$ 4,330,618
Supplies	19,685	129,047	1,419	150,151	30,733	1,150	31,883	182,034	210,643
Professional fees and contracts	129,115	28,835	-	157,950	56,073	2,804	58,877	216,827	128,781
Conferences and meetings	1,839	4,027	-	5,866	2,557	125	2,682	8,548	35,780
Telephone and data expense	21,738	20,141	6,546	48,425	5,684	94	5,778	54,203	52,600
Occupancy	13,321	10,062	16,898	40,281	5,832	119	5,951	46,232	44,940
Repairs and maintenance - equipment	20,826	16,982	82	37,890	15,932	299	16,231	54,121	46,875
Staff travel and student transportation	171	2,023	88	2,282	186	8	194	2,476	10,828
Insurance	11,018	7,700	11	18,729	6,666	53	6,719	25,448	20,791
Program publicity and promotion	25	450	-	475	154	-	154	629	3,270
Dues and subscriptions	7,040	1,350	-	8,390	8,120	-	8,120	16,510	4,790
Postage	302	69	2	373	654	376	1,030	1,403	1,726
Total expenses before depreciation and interest	1,391,279	2,372,845	31,573	3,795,697	533,340	12,249	545,589	4,341,286	4,891,642
Depreciation	20,143	11,977	-	32,120	6,146	-	6,146	38,266	49,824
Interest	11,860	8,457	17	20,334	5,244	-	5,244	25,578	40,664
Total	\$ 1,423,282	\$ 2,393,279	\$ 31,590	\$ 3,848,151	\$ 544,730	\$ 12,249	\$ 556,979	\$ 4,405,130	\$ 4,982,130

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 553,732	\$ 248,828
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	38,266	49,824
Amortization of debt issuance costs	4,656	4,656
Unrealized gain on investments	(56,605)	(80,163)
Realized loss (gain) on investments	11,140	(7,465)
Changes in:		
Program service fee receivables	(147,163)	(14,555)
Grants receivable	190,457	(37,823)
Prepaid expenses	(16,282)	(688)
Accounts payable	129,045	(72,336)
Accrued expenses	26,658	(12,236)
Refundable advances	691,266	19,731
Deferred revenue	(11,603)	(63,979)
Net cash flow from operating activities	<u>1,413,567</u>	<u>33,794</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(535,759)	(64,622)
Proceeds from sale of investments	532,155	57,090
Purchase of property and equipment	(1,900)	(1,200)
Net cash flow from investing activities	<u>(5,504)</u>	<u>(8,732)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(33,141)	(31,426)
Net cash flow from financing activities	<u>(33,141)</u>	<u>(31,426)</u>
CHANGE IN CASH	1,374,922	(6,364)
CASH - beginning of year	<u>118,189</u>	<u>124,553</u>
CASH - end of year	<u>\$ 1,493,111</u>	<u>\$ 118,189</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 20,922</u>	<u>\$ 36,008</u>

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Comparative Totals for 2019)

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, 2019, 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, 2020. There were \$65,312 of net assets with donor restrictions as of December 31, 2019.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fee Receivables and Revenue

ASC 606 outlines a five-step framework for recognizing revenue from exchange transactions. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Organization's accounting policies related to revenues subject to ASC 606 as set forth below.

Program Service Fee Receivables

The Organization reviews individual contracts, at the time of performance, in order to determine estimated uncollectible amounts due from customers and records these implicit price concessions as a direct reduction to revenue. Based on this, the Organization determined there are no implicit price concessions.

Program Service Fees Revenue

Program service fees revenue is related to fee for service contracts with customers to provide training, consultation services and educational programs. Program service fees are set by contracts established with customers. Program service fees revenue is recognized at the point in time the program is provided for short-term programs and over time for long-term programs.

Deferred Revenue

Deferred revenue, a contract liability, is recorded for program service fees revenue received from exchange transactions in which performance obligations have not been met.

Grants Receivable and Revenue

The Organization receives grants to assist in carrying out its programs from federal, state, and local government grants. Unconditional grants are recognized as revenues in the period received or promised. Conditional grants are not recognized as revenues until the conditions on which they depend are substantially met. The Organization has adopted a policy whereby all government and other contracts be recorded as without donor restrictions if the restriction expires in the same reporting period as received.

Conditional grants were received with the following conditions as of December 31:

	<u>2020</u>	<u>2019</u>
Meeting requirements as required by OMB		
<i>Compliance Supplement</i>	\$ 1,327,027	\$ 1,548,618
Operating 2-1-1 program	<u>-</u>	<u>80,196</u>
	<u>\$ 1,327,027</u>	<u>\$ 1,628,814</u>

Grants receivable represent amounts due to the Organization under grant agreements where conditions were substantially met at year end. Receivables are stated at the amount management expects to collect from outstanding balances. The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at December 31, 2020 and 2019. If amounts become uncollectable, they will be charged to bad debt expense when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due.

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 2020 or 2019.

Investments

The fair value of exchange traded funds, common stock and mutual funds 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. Certificates of deposit are stated at cost plus accrued interest. Investment income (including realized and unrealized gain (loss) 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 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 2020 and 2019, 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 charged 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.

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 as defined in Section 509(a) of the Internal Revenue Code.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The future impact of this situation on the Organization and its results and financial position is not presently determinable.

3. LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,493,111	\$ 118,189
Program service fee receivables	333,052	185,889
Grants receivable	227,029	417,486
Investments	<u>678,271</u>	<u>629,202</u>
Financial assets, at year end	2,731,463	1,350,766
Less those unavailable for general expenditures within one year, due to:		
Purpose restricted grants	<u>-</u>	<u>(65,312)</u>
Total amounts available for general expenditures within one year	<u>\$ 2,731,463</u>	<u>\$ 1,285,454</u>

The Organization has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's ability to meet its cash needs is dependent on timely collection of its grants and program service fee receivables. 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.

4. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 30,917	\$ 113,553
Exchange traded funds	295,914	255,670
Common stocks	243,483	216,448
Mutual funds	41,902	9,510
Bonds	18,925	34,021
Certificates of deposit	<u>47,130</u>	<u>-</u>
	<u>\$ 678,271</u>	<u>\$ 629,202</u>

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 295,914	\$ -	\$ -	\$ 295,914
Common stocks	243,483	-	-	243,483
Mutual funds	41,902	-	-	41,902
Bonds	<u>-</u>	<u>18,925</u>	<u>-</u>	<u>18,925</u>
Total	<u>\$ 581,299</u>	<u>\$ 18,925</u>	<u>\$ -</u>	<u>\$ 600,224</u>

The following are measured at fair value on a recurring basis at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 255,670	\$ -	\$ -	\$ 255,670
Common stocks	216,446	-	-	216,446
Mutual funds	9,510	-	-	9,510
Bonds	<u>-</u>	<u>34,021</u>	<u>-</u>	<u>34,021</u>
Total	<u>\$ 481,626</u>	<u>\$ 34,021</u>	<u>\$ -</u>	<u>\$ 515,647</u>

6. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Building	\$ 1,107,104	\$ 1,105,204
Furniture and equipment	102,610	102,610
Building improvements	<u>70,615</u>	<u>70,615</u>
	1,280,329	1,278,429
Less: Accumulated depreciation	<u>(470,433)</u>	<u>(432,167)</u>
Total	<u>\$ 809,896</u>	<u>\$ 846,262</u>

7. LINE OF CREDIT

At December 31, 2020 and 2019, the Organization has an available a line of credit of \$500,000. The line of credit has a zero balance, is payable on demand at prime plus .5% (3.75% and 5.25% at December 31, 2020 and 2019, respectively) and contains a financial covenant that was met for the year ended December 31, 2020.

8. LONG-TERM DEBT

The Organization is indebted for a mortgage payable in principal and interest payments of \$5,445 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, 2020 was \$587,205 net of unamortized debt issuance costs of \$51,612. The outstanding principal balance of the loan at December 31, 2019 was \$620,346, net of unamortized debt issuance costs of \$56,268.

As a condition of the long-term debt, the Organization is required to maintain a financial covenant. At December 31, 2020 and 2019, the Organization was in compliance with its required financial covenant.

The loan is secured by a building with a net book value of \$809,896 and \$830,473 at December 31, 2020 and 2019, respectively.

Future maturities of long-term debt at December 31:

2021	\$	34,948
2022		36,869
2023		38,878
2024		40,998
2025		43,233
Thereafter		<u>392,279</u>
		587,205
Less: Unamortized debt issuance costs		<u>(51,612)</u>
	\$	<u>535,593</u>

9. PAYCHECK PROTECTION PROGRAM ARRANGEMENT

In May 2020, the Organization entered into an arrangement with a bank under the Paycheck Protection Program (PPP) and received \$889,600. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Organization’s use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements in accordance with the requirements of the PPP program.

The Organization has elected to account for the PPP arrangement as a conditional contribution, and revenue is recorded as the conditions meeting the requirements for forgiveness are met. The final outcome of whether this arrangement will be forgiven has not been determined as of the date these financial statements were available to be issued. The Organization expects this determination to be made during its year ending December 31, 2021.

9. PAYCHECK PROTECTION PROGRAM ARRANGEMENT (Continued)

Through December 31, 2020, the Organization determined that it administered the proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness for \$543,985 of the balance received under the PPP arrangement. This amount is recorded as Paycheck protection program grant income on the accompanying statement of activities. The remaining balance of \$345,615 is recorded as part of refundable advances in the accompanying statement of financial position as of December 31, 2020. These estimates, while considered reasonable as of the date the financial statements were available to be issued, are subject to change based on the Organization's administration of its PPP arrangement and future review.

Under the terms of the PPP loan agreement, any balance related to this arrangement that is not ultimately forgiven will be repayable in twenty-four monthly installments of \$14,752 including interest at 1%.

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 \$53,248 and \$50,495 for the years ended December 31, 2020 and 2019, respectively, and are included in salaries and related expense on the statement of functional expenses.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization leases certain office equipment with non-cancellable lease terms through 2025. Total rent expense was \$18,552 and \$14,801 in 2020 and 2019, respectively.

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

2021	\$	18,552
2022		18,552
2023		16,437
2024		15,732
2025		<u>3,933</u>
Total	\$	<u>73,206</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.

11. 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 may incur related to such matters.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 26, 2021, 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 26, 2021

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, 2020, 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 26, 2021.

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) as a basis for designing 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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(Continued)

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Contact Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 organization'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 26, 2021

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, 2020. 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, 2020.

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, 2020**

<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:					
Liverpool Central School District:					
Twenty-First Century Community Learning Centers	84.287	7/1/20-6/30/21	LCSD-21 Century	\$ 940,684	\$ 324,548
Twenty-First Century Community Learning Centers	84.287	7/1/19-6/30/20	LCSD-21 Century	<u>884,830</u>	<u>358,471</u>
Subtotal - U.S. Department of Education				<u>1,825,514</u>	<u>683,019</u>
U.S. Department of Health and Human Services:					
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19					
	93.665	7/31/20-11/30/21	FG000423	<u>799,561</u>	<u>62,614</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	5/31/20 - 5/31/21	SM082086	366,192	221,762
	93.243	5/31/19 - 5/31/20	SM082087	366,192	151,211
Pass-through from:					
Mental Health Association of NYS:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	9/30/19 - 9/29/20	Zero Suicide -Adult	50,000	50,000
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	9/30/20 - 9/29/21	Zero Suicide -Adult	50,000	19,493
Research Foundation for Mental Hygiene, Inc.:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	6/30/19 - 6/29/20	Zero Suicide -Child	25,000	25,000
Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
	93.243	6/30/20 - 6/29/21	Zero Suicide -Child	<u>50,000</u>	<u>4,279</u>
				<u>907,384</u>	<u>471,745</u>
Onondaga County Department of Mental Health:					
Block Grants for Prevention and Treatment of Substance Abuse					
	93.959	1/01/20 - 12/31/20	CON200006	<u>439,782</u>	<u>266,034</u>
Research Foundation for Mental Hygiene, Inc.:					
Opioid STR					
	93.788	9/30/19 - 9/29/20	27052	<u>251,833</u>	<u>175,592</u>
Subtotal - U.S. Department of Health and Human Services				<u>2,398,560</u>	<u>975,985</u>
Total				<u>\$ 4,224,074</u>	<u>\$ 1,659,004</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, 2020

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.

4. SUBRECIPIENTS

The Organization does not have any subrecipients of federal awards.

CONTACT COMMUNITY SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

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:

<u>CFDA Number</u>	<u>Program Title</u>
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, 2020**

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

None