CONTACT COMMUNITY SERVICES, INC.

Financial Statements as of
December 31, 2022
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 4, 2023

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

Report on the Audit of the Financial Statements

Opinion
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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Contact Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 2 to the financial statements, Contact Community Services, Inc. adopted Accounting Standards Codification 842, *Leases*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Contact Community Services, Inc.'s ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

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INDEPENDENT AUDITOR'S REPORT
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Auditor's Responsibility for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect material misstatements when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal controls relevant to the audit 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 Contact Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement there are conditions or events, considered in the aggregate, that raise substantial doubt about Contact Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance, regarding, among other matters, the planned score and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information
We have previously audited Contact Community Services, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Supplementary 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 schedule of expenditures of federal awards 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 4, 2023 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, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	$ 863,091	$ 672,664
Program service fee receivables	359,828	441,669
Grants receivable	458,469	382,215
Prepaid expenses	24,136	66,438
Total current assets	1,705,524	1,562,986
INVESTMENTS	645,645	740,764
PROPERTY AND EQUIPMENT, net	794,870	789,040
OPERATING LEASE RIGHT-OF-USE ASSETS	40,258	-
Total assets	$ 3,186,297	$ 3,092,790
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 82,319	$ 126,105
Accrued expenses	225,164	243,825
Refundable advances	134,061	102,044
Long-term debt, current portion	38,862	36,854
Current portion of operating lease liabilities	16,679	-
Total current liabilities	497,085	508,828
LONG-TERM DEBT, net current portion	434,245	468,449
OPERATING LEASE LIABILITIES, net current portion	23,579	-
Total liabilities	954,909	977,277
NET ASSETS:		
Without donor restrictions	2,231,388	2,115,513
Total net assets	2,231,388	2,115,513
Total liabilities and net assets	$ 3,186,297	$ 3,092,790

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)

	2022	2021
CHANGES IN NET ASSETS:		
Support and revenue -		
Grants	$ 3,995,244	$ 3,956,775
Prior year revenue	-	282,714
Allocated by United Way of Central New York	228,000	176,000
Program service fees	1,161,494	1,211,229
Direct contributions	29,882	40,844
Investment income (loss), net of fees	(90,858)	64,329
Other income	5,500	3,500
Total support and revenue	5,329,262	5,735,391
EXPENSES:		
Program services -		
Crisis intervention services	2,007,852	2,076,325
School services	2,458,657	2,804,820
Total program services	4,466,509	4,881,145
Supporting services -		
Management and general	728,540	681,901
Fundraising	18,338	10,059
Total supporting services	746,878	691,960
Total expenses	5,213,387	5,573,105
CHANGES IN NET ASSETS	115,875	162,286
NET ASSETS - beginning of year	2,115,513	1,953,227
NET ASSETS - end of year	$ 2,231,388	$ 2,115,513

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)

	Program Services			Supporting Services				
	Crisis Intervention Services	School Services	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	2022 Total Expenses	2021 Total Expenses
EXPENSES:								
Salaries and related expenses	$ 1,671,481	$ 2,225,510	$ 3,896,991	$ 541,407	$ 10,996	$ 552,403	$ 4,449,394	$ 4,553,944
Supplies	20,277	46,717	66,994	32,088	1,250	33,338	100,332	182,372
Professional fees and contracts	148,787	20,515	169,302	62,098	2,866	64,964	234,266	344,549
Conferences and meetings	3,379	76,178	79,557	8,987	-	8,987	88,544	133,526
Telephone and data expense	55,873	25,898	81,771	7,453	178	7,631	89,402	98,649
Occupancy	29,745	14,854	44,599	10,255	111	10,366	54,965	40,758
Repairs and maintenance - equipment	18,182	15,575	33,757	26,188	108	26,296	60,053	87,115
Staff travel and student transportation	355	1,632	1,987	845	18	863	2,850	801
Insurance	11,916	5,920	17,836	8,148	51	8,199	26,035	26,583
Program publicity and promotion	3,764	2,294	6,058	12,675	2,500	15,175	21,233	15,288
Dues and subscriptions	2,016	2,554	4,570	3,429	-	3,429	7,999	14,868
Postage	298	78	376	1,005	59	1,064	1,440	734
Total expenses before depreciation and interest	1,966,073	2,437,725	4,403,798	714,578	18,137	732,715	5,136,513	5,499,187
Depreciation	23,729	11,707	35,436	7,925	122	8,047	43,483	38,866
Interest	18,050	9,225	27,275	6,037	79	6,116	33,391	35,052
Total	$ 2,007,852	$ 2,458,657	$ 4,466,509	$ 728,540	$ 18,338	$ 746,878	$ 5,213,387	$ 5,573,105

The accompanying notes are an integral part of these statements.

CONTACT COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 115,875	$ 162,286
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	43,483	38,866
Amortization of debt issuance costs	4,656	4,656
Unrealized loss on investments	78,966	34,200
Realized (gain) loss on investments	21,474	(96,696)
Changes in:		
Program service fee receivables	81,841	(108,617)
Grants receivable	(76,254)	(155,186)
Prepaid expenses	42,302	(34,806)
Accounts payable	(43,786)	(61,829)
Accrued expenses	(18,661)	72,204
Refundable advances	32,017	(622,572)
Net cash flow from operating activities	281,913	(767,494)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(938,963)	(709,699)
Proceeds from sale of investments	933,642	709,702
Purchase of property and equipment	(49,313)	(18,010)
Net cash flow from investing activities	(54,634)	(18,007)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(36,852)	(34,946)
Net cash flow from financing activities	(36,852)	(34,946)
CHANGE IN CASH	190,427	(820,447)
CASH - beginning of year	672,664	1,493,111
CASH - end of year	$ 863,091	$ 672,664
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 28,735	$ 30,396

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, 2021, from which the summarized information was obtained.

Recently Adopted Accounting Guidance
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, Leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 using the modified retrospective approach and summarized comparative financial information has not been restated. In addition, lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for the existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance (Continued)
As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 an operating lease liability of $56,773, and an operating lease right-of-use asset of $56,773. The standard did not have an impact on the statement of income or cash flows.

The Organization adopted FASB Accounting Standards Update (ASU) 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" for the year ended December 31, 2022. This ASU enhances presentation and disclosures relating to nonfinancial assets. The standard is effective for annual periods beginning after June 15, 2021. The adoption of this guidance did not have an impact on the financial statements.

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, 2022 and December 31, 2021.

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.

Program Service Fee Receivables and Revenue
<u>Program Service Fee Receivables</u>
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 fee receivables amounted to $359,828 and $441,669 at December 31, 2022 and 2021, respectively.

<u>Program Service Fees Revenue</u>
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable and Revenue

The Organization receives grants to assist in carrying out its programs from federal, state, and local government agencies and other organizations. 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:

		2022		2021
Meeting requirements as required by *OMB Compliance Supplement*	$	251,187	$	1,729,573
Operating 2-1-1 program		175,192		93,993
	$	426,379	$	1,823,566

A receivable is recognized to the extent support exceeds cash advances. Amounts received in advance of related costs being incurred and the related services provided are recorded as refundable advances in the accompanying statement of financial position. 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, 2022 and 2021. 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.

Prior Year Revenue

During 2021, the Organization received notification from the New York State Office of Addiction Services and Supports (OASAS) that federal Novel Coronavirus (COVID-19) funds received would not be considered a source of revenue on OASAS contracts. As a result, the Organization recognized grant receivable and prior year revenue in the amount of $282,714 as of December 31, 2021.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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 2022 or 2021.

Investments

The fair value of exchange traded funds, common stocks, mutual funds and U.S. Treasury bonds are based on quoted prices in an open market. The fair value of corporate bonds are determined by entering standard inputs into a pricing model. Money market funds and certificates of deposit are recorded at cost plus accrued interest. Investment (loss) income (including realized and unrealized gain (loss) on investments and interest) is included in changes 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

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 2022 and 2021, there was no furniture and equipment purchased with grant funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Leases Policy

The Organization determines if an arrangement is a lease at inception. Right-of-use (“ROU”) assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Organization is reasonably certain to exercise these options.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Organization elected for all classes of underlying assets, to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable.

The Organization elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Certain lease agreements include rental payments based on usage. Variable lease costs are excluded from the measurement of the right-of-use asset and lease liability and are expensed in the period incurred.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. LIQUIDITY

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

	2022	2021
Cash	$ 863,091	$ 672,664
Program service fee receivables	359,828	441,669
Grants receivable	458,469	382,215
Investments	645,645	740,764
	$ 2,327,033	$ 2,237,312

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:

	2022	2021
Money market funds	$ 65,790	$ 72,009
Exchange traded funds	317,223	328,399
Common stocks	140,588	192,939
Mutual funds	17,152	10,586
Corporate bonds	15,202	-
U.S. Treasury bonds	19,752	90,522
Certificates of deposit	69,938	46,309
	$ 645,645	$ 740,764

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 317,223	$ -	$ -	$ 317,223
Common stocks	140,588	-	-	140,588
Mutual funds	17,152	-	-	17,152
Corporate bonds	-	15,202	-	15,202
U.S. Treasury bonds	19,752	-	-	19,752
	$ 494,175	$ 15,202	$ -	$ 509,917

The following are measured at fair value on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 328,399	$ -	$ -	$ 328,399
Common stocks	192,939	-	-	192,939
Mutual funds	10,586	-	-	10,586
U.S. Treasury bonds	90,522	-	-	90,522
	$ 622,446	$ -	$ -	$ 622,446

6. PROPERTY AND EQUIPMENT

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

	2022	2021
Building	$ 1,151,399	$ 1,107,104
Furniture and equipment	125,638	120,620
Building improvements	70,615	70,615
	1,347,652	1,298,339
Less: Accumulated depreciation	(552,782)	(509,299))
	$ 794,870	$ 789,040

7. LEASES

The Organization leases certain office equipment with non-cancellable lease terms through 2025 which have been classified as operating leases.

Leases (ASC 842)
The components of total lease cost for the year ended December 31, are as follows:

	2022
Operating lease cost	$ 16,995
Short-term lease costs	1,908

Variable lease costs paid to or on behalf of the lessor, consist of maintenance, services, and supplies.

Supplemental cash flow information related to leases for the year ended December 31, are as follows:

	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 16,995
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	56,773

Other information related to leases as of December 31 is as follows:

	2022
Weighted-average remaining lease term:	
Operating leases	3.6 years
Weighted-average discount rate:	
Operating leases	1.13%

7. LEASES (Continued)

Leases (ASC 842) (Continued)
Maturities of lease liabilities is as follows at December 31:

2023	$ 16,995
2024	16,995
2025	5,196
2026	1,263
2027	316
	40,765
Less: Interest	(507)
Total present value of lease liabilities	40,258
Less: Current portion	(16,679)
Long-term portion of lease liabilities	$ 23,579

Leases (ASC 840)
Future minimum lease payments required under the terms of these leases for the year ended December 31, 2021, were as follows:

2022	$ 18,552
2023	16,437
2024	15,732
2025	3,933
	$ 54,654

Total rent expense was $18,552 in 2022.

8. LINE OF CREDIT

At December 31, 2022 and 2021, 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% (8.00% at December 31, 2022 and 3.75% at December 31, 2021) and contains a financial covenant that was met for the year ended December 31, 2022 and 2021.

9. 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, 2022 was $515,407 net of unamortized debt issuance costs of $42,300. The outstanding principal balance of the loan at December 31, 2021 was $552,259, net of unamortized debt issuance costs of $46,956.

9. LONG-TERM DEBT (Continued)

As a condition of the long-term debt, the Organization is required to maintain a financial covenant. At December 31, 2022 and 2021, the Organization was in compliance with its required financial covenant.

The loan is secured by a building with a net book value of $761,855 and $755,841 at December 31, 2022 and 2021, respectively.

Future maturities of long-term debt at December 31:

2023	$ 38,862
2024	40,998
2025	43,233
2026	45,590
2027	48,075
Thereafter	298,649
	515,407
Less: Unamortized debt issuance costs	(42,300)
	$ 473,107

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 $42,665 and $49,883 for the years ended December 31, 2022 and 2021, respectively, and are included in salaries and related expense on the statement of functional expenses.

11. COMMITMENTS AND CONTINGENCIES

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 may incur related to such matters.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 4, 2023, 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 4, 2023

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) (the Organization), which comprise the statement of financial position as of December 31, 2022, 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 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that have not been identified.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

(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)

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization'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 organization'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 4, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Contact Community Services, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

(Continued)

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on 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.

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 (Continued)
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 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, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
U.S. Department of Education:					
Pass-through from:					
New York State Department of Education					
Twenty-First Century Community Learning Centers	84.287	7/01/21 - 6/30/22	LCSD-21 Century	$ 940,684	$ 341,167
Twenty-First Century Community Learning Centers	84.287	7/01/22 - 6/30/23	NSCSD-21 Century	75,000	14,634
Pass-through from:					
Fayetteville-Manilus School District					
COVID-19 - American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund - Education Stablization Fund	84.425U	8/01/22 - 7/31/23	FM SSIS	92,702	38,404
Total - U.S. Department of Education				1,108,386	394,205
U.S. Department of Health and Human Services:					
Pass-through from:					
Substance Abuse and Mental Health Services Administration:					
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	12/01/21 - 11/30/22	H79FG000423	799,561	245,687
Pass-through from:					
Substance Abuse and Mental Health Services Administration:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5/31/21 - 5/31/22	SM82086	366,192	213,605
Pass-through from:					
Research Foundation for Mental Hygiene, Inc.:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	9/30/21 - 8/29/22	Zero Suicide -Adult	46,193	25,464
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	7/01/21 - 6/30/22	Zero Suicide -Child	52,400	12,786
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	7/01/22 - 6/30/23	Zero Suicide -Child	35,000	7,420
				499,785	259,275
Pass-through from:					
Onondaga County Department of Children and Family Services:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1/01/22 - 12/31/22	CON220006	489,489	489,489
Pass-through from:					
New York State Office of Addicition Services and Supports:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3/15/21 - 6/14/23	CFA0098-T	38,012	12,953
				527,501	502,442
Pass-through from:					
New York State Office of Mental Health:					
Block Grants for Community Mental Health Services	93.958	10/01/21 - 09/30/22	C21503GG	141,750	108,801
Block Grants for Community Mental Health Services	93.958	7/01/21 - 12/31/22	PO21445	10,000	9,999
Block Grants for Community Mental Health Services	93.958	10/01/21 - 09/30/22	C21503GG	480,000	400,446
				631,750	519,246
Total - U.S. Department of Health and Human Services				2,458,597	1,526,650
U.S. Department of Treasury:					
Pass-through from:					
Onondaga County Department of Children and Family Services:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	01/01/22 - 12/31/22	911 Co-Location Pilot	75,000	51,332
				75,000	51,332
Total - U.S. Department of Treasury					
				$ 3,641,983	$ 1,972,187

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, 2022

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes federal grant activity of Contact Community Services, Inc. (the Organization), and is presented on the accrual basis of accounting. The information in 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* (Uniform Guidance). 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Amounts included in the Schedule are actual expenditures for the year ended December 31, 2022. Differences between amounts included in the Schedule and amounts reported to funding agencies for these programs result from report timing.

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, 2022

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:

Assistance Listing Number	Program Title
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee	☒ yes ☐ no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

CONTACT COMMUNITY SERVICES, INC.

CORRECTIVE ACTION PLAN
DECEMBER 31, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

None