

2010
AUDIT
019 747

COMMUNITY SERVICE NETWORK, INC.

FINANCIAL STATEMENTS
AND
UNIFORM FINANCIAL REPORT
YEAR ENDED
DECEMBER 31, 2010
AND
INDEPENDENT AUDITOR'S REPORT

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WALSH & CO.
ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

2010
AUDIT

019747

Board of Directors
Community Service Network, Inc.

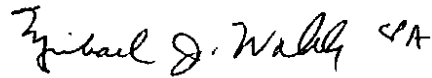
We have audited the accompanying statement of financial position of the Community Service Network, Inc. (a Massachusetts corporation, not-for-profit) as of December 31, 2010, and the related statements of activities and cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Community Service Network, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Community Service Network, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 1, 2011

Michael J. Walsh


Certified Public Accountant

STATEMENT OF FINANCIAL POSITION AS OF
(BALANCE SHEET)

12/31/2010

WITH COMPARATIVE TOTALS AS OF

12/31/2009

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
ASSETS						
1	Cash and Cash Equivalents	1,205,506			1,205,506	452,882
2	Accounts Receivable, Program Services	1,939,846			1,939,846	2,511,088
3	Allowance for Doubtful Accounts					
4	Net Accounts Receivable, Program Services	1,939,846			1,939,846	2,511,088
5	Contributions Receivable					
6	Notes Receivable					
7	Prepaid Expenses	3,463			3,463	
8	Other Accounts Receivable					
9	Other Current Assets	1,600			1,600	1,600
10	Short-Term Investments	585,185			585,185	573,818
11	TOTAL CURRENT ASSETS	3,735,600			3,735,600	3,539,388
12	Land, Buildings, and Equipment		144,528		144,528	144,528
13	Accumulated Depreciation		(142,994)		(142,994)	(136,302)
14	Net Land, Buildings and Equipment		1,534		1,534	8,226
15	Long-Term Investments					
16	Other Assets					
17	Due From Other Funds					
18	TOTAL ASSETS	3,735,600	1,534		3,737,134	3,547,614
LIABILITIES AND NET ASSETS						
19	Accounts Payable					
20	Subcontract Payable					
21	Accrued Expenses	1,210,685			1,210,685	978,929
22	Current Notes Payable					
23	Current Portion Long-Term Debt					
24	Deferred Revenue					
25	Other Current Liabilities					
26	TOTAL CURRENT LIABILITIES	1,210,685			1,210,685	978,929
27	Long-Term Notes & Mortgage Payable					
28	Other Liabilities					
29	Due to Other Funds					
30	TOTAL LIABILITIES	1,210,685			1,210,685	978,929
NET ASSETS						
31	Unrestricted	2,499,691	1,534		2,501,225	2,543,461
32	Temporarily Restricted	25,224			25,224	25,224
33	Permanently Restricted					
34	TOTAL NET ASSETS	2,524,915	1,534		2,526,449	2,568,685
35	TOTAL LIABILITIES AND NET ASSETS	3,735,600	1,534		3,737,134	3,547,614

See Accompanying Notes to the Financial Statements

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 12/31/2010 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 12/31/2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
REVENUES, GAINS, AND OTHER SUPPORT					
1 Contributions, Gifts, Legacies, Bequests & Special Events	2,134			2,134	2,398
2 In-Kind Contributions	5,975			5,975	5,657
3 Grants	8,000			8,000	18,000
4 Program Service Fees	24,279,730			24,279,730	27,043,148
5 Federated Fundraising Organization Allocation					
6 Investment Revenue	16,721			16,721	18,427
7 Revenue from Commercial Products & Services					
8 Other	12,694			12,694	9,794
9 Net Assets Released From Restrictions:					
10 Satisfaction of Program Restrictions					
11 Satisfaction of Equipment Acquisition Restrictions					
12 Expiration of Time Restrictions					
13 TOTAL REVENUE, GAINS, AND OTHER SUPPORT	24,325,254			24,325,254	27,097,424
EXPENSES AND LOSSES					
14 Administration (Management & General)	10,700			10,700	10,000
15 Fundraising					
16 Total Program Services	24,356,790			24,356,790	27,167,168
17 TOTAL EXPENSES	24,367,490			24,367,490	27,177,168
18 Losses					
19 TOTAL EXPENSES AND LOSSES	24,367,490			24,367,490	27,177,168
CHANGES IN NET ASSETS:					
20 Property & Equipment Acquisitions from Unrestricted Funds					
21 Transfer of Realized Endowment Fund Appreciation					
22 Return to Donor					
23 Other Increases (Decreases)					
24 TOTAL CHANGES IN NET ASSETS	(42,236)			(42,236)	(79,744)
25 NET ASSETS AT BEGINNING OF YEAR	2,568,685			2,568,685	2,648,429
26 NET ASSETS AT END OF YEAR	2,526,449			2,526,449	2,568,685

See Accompanying Notes to Financial Statements

ORGANIZATION : Community Service Network, Inc.

FEIN: 222621963

STATEMENT OF CASH FLOWS for the YEAR ENDED 12/31/2010

INDIRECT METHOD

	TOTAL
Cash Flows from Operating Activities:	
1 Changes in Net Assets	(42,236)
Adjustments to Reconcile Change In Net Assets to Net	
Cash provided by/(used in) Operating Activities:	
2 Depreciation	6,692
3 Losses	
4 Increase/Decrease in Net Accounts Receivable	571,242
5 Increase/Decrease in Prepaid Expenses	(3,463)
6 Increase/Decrease in Contributions Receivable	
7 Increase/Decrease in Accounts Payable	
8 Increase/Decrease in Accrued Expenses	231,756
9 Increase/Decrease in Deferred Revenue	
10 Increase/Decrease in Subcontract Payable	
11 Contributions Restricted for Long-Term Investment	
12 Net Unrealized and Realized Gains on Long-Term Investments	
13 Other Cash Used in/Provided by Operating Activities	
14 Net Cash Provided by/(used in) Operating Activities	763,991
Cash Flows from Investing Activities:	
15 Insurance Proceeds	
16 Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	
17 Proceeds from Sale(s) of Investments	
18 Purchase(s) of Investments	(11,367)
19 Purchase(s) of Assets Restricted To Long-Term Investment	
20 Other Investing Activities	
21 Net Cash Provided by/(used in) Investing Activities	(11,367)
Cash from Financing Activities:	
Proceeds from Contributions Restricted For:	
22 Investment in Endowment	
23 Investment in Term Endowment	
24 Investment in Plant (Land Bldgs. & Equip.)	
Other Financing Activities:	
25 Contributions Restricted for Long-Term Investment	
26 Interest and Dividends Restricted for Reinvestment	
27 Payments on Notes Payable	
28 Payments on Long-Term Debt	
29 Other Finance Payments/Receipts	
30 Net Cash Provided by/(used in) Financing Activities	

See Accompanying Notes to the Financial Statements

ORGANIZATION : Community Service Network, Inc.

FEIN: 222621963

STATEMENT OF CASH FLOWS for the YEAR ENDED 12/31/2010

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	752,624
32	Cash and Cash Equivalents at Beginning of Year	<u>452,882</u>
33	Cash and Cash Equivalents at End of Year	<u><u>1,205,506</u></u>

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	_____
35	Cash Paid During the Year for Taxes/Other	_____

Supplemental Data for Noncash Investing and Financing Activities:

36	Gifts of Equipment	_____
37	Other Noncash Investing and Financing Activities	_____
38	_____	_____
39	_____	_____
40	_____	_____

See Accompanying Notes to the Financial Statements

ORGANIZATION : Community Service Network, Inc. FEIN: 222621963

Statement of Functional Expenses for the Year Ended: 12/31/2010

	TOTALS	SUPPORTING SERVICES		PROGRAM SERVICES
		ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	255,609			255,609
2. Occupancy	11,561			11,561
3. Other Program / Operating Expense	24,054,259			24,054,259
4. Subcontract Expense				
5. Direct Administrative Expense	36,820	10,700		26,120
6. Other Expenses	2,549			2,549
7. Depreciation of Buildings and Equipment	6,692			6,692
8. TOTAL EXPENSES	24,367,490	10,700		24,356,790

See Accompanying Notes to Financial Statements

ORGANIZATION : Community Service Network, Inc. FEIN: 222621963

Statement of Functional Expenses for the Year Ended: 12/31/10

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	<u>1</u>	<u>2</u>	<u> </u>	<u> </u>	<u> </u>
1. Employee Compensation & Related Expenses	<u>144,471</u>	<u>111,138</u>	<u> </u>	<u> </u>	<u> </u>
2. Occupancy	<u>10,995</u>	<u>566</u>	<u> </u>	<u> </u>	<u> </u>
3. Other Program / Operating Expense	<u>24,053,970</u>	<u>289</u>	<u> </u>	<u> </u>	<u> </u>
4. Subcontract Expense	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5. Direct Administrative Expense	<u>22,897</u>	<u>3,223</u>	<u> </u>	<u> </u>	<u> </u>
6. Other Expenses	<u>2,070</u>	<u>479</u>	<u> </u>	<u> </u>	<u> </u>
7. Depreciation of Buildings and Equipment	<u> </u>	<u>6,692</u>	<u> </u>	<u> </u>	<u> </u>
8. TOTAL EXPENSES	<u>24,234,403</u>	<u>122,387</u>	<u> </u>	<u> </u>	<u> </u>

See Accompanying Notes to Financial Statements

UFR/SFE 12/31/10

COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

NATURE OF ACTIVITIES

Community Service Network, Inc. (The Agency) is a nonprofit organization established in 1985. The Agency provides assistance to needy families through a variety of community service programs. Services are provided in Stoneham, Woburn and surrounding towns in Massachusetts. The Agency was awarded a contract from the Commonwealth of Massachusetts to provide emergency shelter to Department of Transitional Assistance/Housing and Community Development eligible homeless families in licensed facilities across the Commonwealth of Massachusetts.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)3 of the Internal Revenue Code. Donors may deduct contributions made to the Agency within the Internal Revenue Code regulations.

BASIS OF ACCOUNTING

The Agency's policy is to prepare its financial statements on the accrual basis of accounting.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Accounting Standards Codification financial statements of not-for-profit organizations. The Agency is required to report information regarding its financial position and revenues and expenses according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Income Taxes

The Agency is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Agency has no unrelated business income.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of several checking and saving accounts.

Buildings and Equipment and Depreciation

Building and equipment consist of office equipment.

The Agency's policy is to capitalize purchases greater than or equal to \$1,000. Office equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of three to ten years. All significant costs for fixed assets are capitalized.

In-kind Contributions

In-kind contributions consist primarily of food items. These are reflected as in-kind contributions in the accompanying financial statements at their estimated values at the date of receipt. A number of volunteers donate time in support of the Agency's program services. These services are not recognized as contributions in the statement of activities.

Revenue Recognition and Expense Allocation

Contract service revenue is recorded as services are provided and costs are incurred. Revenues from unrestricted grants and contributions are recorded as unrestricted revenue and net assets when received or unconditionally committed. Donor designated grants and contributions are recorded as temporarily restricted revenues and net assets if they are received with donor stipulations that limit the use of the net assets. Transfers are made to unrestricted revenue and net assets when donor stipulations expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished.

Interest income is recognized when earned.

Expenses related directly to a program are distributed to that program, and other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SHORT-TERM INVESTMENTS

The Agency has a certificate of deposit as of December 31, 2010 with a bank which is included in short-term investments as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
February 28, 2011	1.54%	<u>\$ 585,185</u>

NOTE 3 - FUNDING

The Agency receives a significant portion of its funding from the Commonwealth of Massachusetts under negotiated unit/accommodations rate contracts. Payments to the Agency are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of December 31, 2010 or on the changes in net assets for the year then ended, and all such funding has been expended for its designated purpose.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Rent

The Agency entered into a lease for office space at 136 Elm Street, Stoneham, Massachusetts in April 2007 which has expired. Rent expense for the office space in 2010 was \$10,428. The Agency is a tenant-at-will.

Litigation

In accordance with Accounting Standards Board Codification, certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending with the Agency. In the opinion of management, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Agency if disposed of unfavorably.

NOTE 5 - RELATED PARTY TRANSACTIONS

By its very nature, the Agency facilitates and coordinates numerous social and human services within the community. Members of government housing, welfare and social service agencies, as well as members of nonprofit organizations serve on the Agency's Board of Directors. On occasion, the Agency will refer their clients to the agencies that the members of the Board of Directors work for.

NOTE 6 - SURPLUS/DEFICIT REVENUE RETENTION

The Commonwealth of Massachusetts, Executive Office of Human Services, maintains a fiscal procurement resolution policy. This policy relates to all state and federal funds obligated through the Division of Purchased Services. It provides that if public revenues exceed actual expenses for publicly-purchased services by more than 5%, the Division will make a determination as to whether or not a surplus exists and will consider any surplus in negotiations with the provider for future class rate determinations. If the surplus is less than 5%, the provider will be able to retain such balance and no adjustment will be considered for future class rate determinations. On a cumulative basis the Agency is allowed to retain up to 20% of the prior year's Commonwealth of Massachusetts revenue. The cumulative amount allowable as of December 31, 2010 was \$24,926. The allowed amount is greater than the deficit, therefore, no liability has been recorded.

The following is a schedule of the Agency's surplus (deficit) revenue retention:

Prior to 2007	(105,232)
2007	21,223
2008	202,928
2009	(37,588)
2010	<u>(24,926)</u>
Total cumulative (deficit) revenue retention	<u>\$ 56,405</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Agency's financial instruments that may be subject to concentrations of credit risk consist of cash, certificates of deposit and accounts receivable.

The Federal Deposit Insurance Corporation (FDIC) insures unlimited non-interest bearing accounts and interest bearing account balances up to \$250,000. In addition, one of the institutions has the Depositor's Insurance Fund (DIF) and one has Share Insurance Fund (SIF) which insures all deposit amounts above the FDIC limits. At certain times during the year, cash balances exceed the federally insured FDIC amounts. Management monitors on a regular basis, their balances and the financial condition of each of the financial institutions.

Approximately ninety-nine percent of the Agency's accounts receivable at December 31, 2010 represents amounts due from one Massachusetts' governmental agency.

Approximately ninety-nine percent of the Agency's revenues for the year ended December 31, 2010, in the amount of \$24,325,254, are from one Massachusetts' governmental agency program.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization uses fair value measurements to determine fair value disclosures. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Organization in estimating fair value disclosures for financial instruments:

Fair Value Hierarchy

In accordance with FASB ASC 820, the Organization groups its financial assets generally measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value.

Short Term Investments

The carrying amounts of short term investments approximate their fair value.

Accounts Receivable

The carrying amounts of accounts receivable approximate their fair value.

Summary of Fair Values of Financial Instruments

The estimated fair values for the Organization's financial instruments are as follows:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
			<u>(In Thousands)</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Financial assets:				
Cash and cash equivalents	\$ 1,206	\$ 1,206	\$ 453	\$ 453
Short term investments	585	585	574	574
Accounts and contracts receivable	1,940	1,940	2,511	2,511

NOTE 9 - SUBSEQUENT EVENTS

The Agency has evaluated all subsequent events through April 1, 2011, the date the financial statements were available to be issued. There were no subsequent events that require adjustment or disclosure in the financial statements.