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05747
2012
Audit

COMMUNITY SERVICE NETWORK, INC.

**FINANCIAL STATEMENTS
AND
FILING COPY OF
UNIFORM FINANCIAL REPORT
YEAR ENDED
DECEMBER 31, 2012
AND
INDEPENDENT AUDITOR'S REPORT**

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WALSH & CO.

ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

Board of Directors
Community Service Network, Inc.

We have audited the accompanying statement of financial position of Community Service Network, Inc. (a Massachusetts corporation, not-for-profit), which comprise the financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses 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. 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 organization'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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Service Network, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the Community Service Network, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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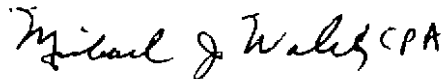
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The supplementary information included in Schedules A and B is presented for purposes of additional analysis and is not a required part of the financial statements or uniform financial statements. Such information is the representation of the Community Service Network, Inc.'s management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements or uniform financial statements. Accordingly, we do not express an opinion concerning whether it is fairly stated in relation to the basic financial statements taken as a whole.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

March 27, 2013

Michael J. Walsh



Certified Public Accountant

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ORGANIZATION : COMMUNITY SERVICE NETWORK, INC.

FEIN: 222621963

STATEMENT OF FINANCIAL POSITION AS OF 12/31/2012 WITH COMPARATIVE TOTALS AS OF 12/31/2011
(BALANCE SHEET)

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
ASSETS						
1	Cash and Cash Equivalents				(410,965)	(400,319)
2	Accounts Receivable, Program Services				4,431,559	3,383,854
3	Allowance for Doubtful Accounts					
4	Net Accounts Receivable, Program Services				4,431,559	3,383,854
5	Contributions Receivable					
6	Notes Receivable					
7	Prepaid Expenses				6,739	7,964
8	Other Accounts Receivable					
9	Other Current Assets				1,600	1,600
10	Short-Term Investments				634,068	593,198
11	TOTAL CURRENT ASSETS				4,663,001	3,586,317
12	Land, Buildings, and Equipment	144,528			144,528	144,528
13	Accumulated Depreciation	(144,528)			(144,528)	(144,528)
14	Net Land, Buildings and Equipment					
15	Long-Term Investments					
16	Other Assets					
17	Due From Other Funds					
18	TOTAL ASSETS	4,663,001			4,663,001	3,586,317
LIABILITIES AND NET ASSETS						
19	Accounts Payable					
20	Subcontract Payable					
21	Accrued Expenses	2,184,922			2,184,922	1,163,991
22	Current Notes Payable					
23	Current Portion Long-Term Debt					
24	Deferred Revenue					
25	Other Current Liabilities					
26	TOTAL CURRENT LIABILITIES	2,184,922			2,184,922	1,163,991
27	Long-Term Notes & Mortgage Payable					
28	Other Liabilities					
29	Due to Other Funds					
30	TOTAL LIABILITIES	2,184,922			2,184,922	1,163,991
NET ASSETS						
31	Unrestricted	2,452,855			2,452,855	2,397,103
32	Temporarily Restricted	25,224			25,224	25,224
33	Permanently Restricted					
34	TOTAL NET ASSETS	2,478,079			2,478,079	2,422,326
35	TOTAL LIABILITIES AND NET ASSETS	4,663,001			4,663,001	3,586,317

See Accompanying Notes to the Financial Statements

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ORGANIZATION : COMMUNITY SERVICE NETWORK, IN

FEIN: 222621963

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 12/31/2012 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 12/31/2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
REVENUES, GAINS, AND OTHER SUPPORT					
1 Contributions, Gifts, Legacies, Bequests & Special Events	131,525			131,525	75,816
2 In-Kind Contributions	5,245			5,245	7,016
3 Grants					
4 Program Service Fees	48,250,025			48,250,025	40,251,069
5 Federated Fundraising Organization Allocation					
6 Investment Revenue	10,458			10,458	18,937
7 Revenue from Commercial Products & Services					
8 Other					
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	48,397,253			48,397,253	40,352,838
EXPENSES AND LOSSES					
14 Administration (Management & General)	12,500			12,500	10,000
15 Fundraising					
16 Total Program Services	48,329,001			48,329,001	40,446,961
17 TOTAL EXPENSES	48,341,501			48,341,501	40,456,961
18 Losses					
19 TOTAL EXPENSES AND LOSSES	48,341,501			48,341,501	40,456,961
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	55,752			55,752	(104,123)
25 NET ASSETS AT BEGINNING OF YEAR	2,397,103	25,224		2,422,327	2,526,449
26 NET ASSETS AT END OF YEAR	2,452,855	25,224		2,478,079	2,422,326

See Accompanying Notes to Financial Statements

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ORGANIZATION : COMMUNITY SERVICE NETWORK,

FEIN: 222621963

STATEMENT OF CASH FLOWS for the YEAR ENDED

12/31/2012

INDIRECT METHOD

		TOTAL
	Cash Flows from Operating Activities:	
1	Changes in Net Assets	55,752
	Adjustments to Reconcile Change In Net Assets to Net	
	Cash provided by/(used in) Operating Activities:	
2	Depreciation	_____
3	Losses	_____
4	Increase/Decrease in Net Accounts Receivable	(1,047,705)
5	Increase/Decrease in Prepaid Expenses	1,245
6	Increase/Decrease in Contributions Receivable	_____
7	Increase/Decrease in Accounts Payable	_____
8	Increase/Decrease in Accrued Expenses	1,020,932
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	(40,870)
14	Net Cash Provided by/(used in) Operating Activities	(10,646)
	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	_____
19	Purchase(s) of Assets Restricted To Long-Term Investment	_____
20	Other Investing Activities	_____
21	Net Cash Provided by/(used in) Investing Activities	_____
	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

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ORGANIZATION : COMMUNITY SERVICE NETWORK,

FEIN: 222621963

STATEMENT OF CASH FLOWS for the YEAR ENDED

12/31/2012

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	(10,646)
32	Cash and Cash Equivalents at Beginning of Year	<u>(400,319)</u>
33	Cash and Cash Equivalents at End of Year	<u><u>(410,965)</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: 12/31/2012

	TOTALS	SUPPORTING SERVICES		PROGRAM SERVICES
		ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	386,459			386,459
2. Occupancy	16,273			16,273
3. Other Program / Operating Expense	47,906,648			47,906,648
4. Subcontract Expense				
5. Direct Administrative Expense	32,121	12,500		19,621
6. Other Expenses				
7. Depreciation of Buildings and Equipment				
8. TOTAL EXPENSES	48,341,501	12,500		48,329,001

See Accompanying Notes to Financial Statements

ORGANIZATION : COMMUNITY SERVICE NETWORK, INC. FEIN: 222621963

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

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	<u>1</u>	<u>2</u>	<u> </u>	<u> </u>	<u> </u>
1. Employee Compensation & Related Expenses	<u>247,900</u>	<u>138,559</u>	<u> </u>	<u> </u>	<u> </u>
2. Occupancy	<u>14,437</u>	<u>1,836</u>	<u> </u>	<u> </u>	<u> </u>
3. Other Program / Operating Expense	<u>47,905,987</u>	<u>661</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>11,808</u>	<u>7,813</u>	<u> </u>	<u> </u>	<u> </u>
6. Other Expenses	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
7. Depreciation of Buildings and Equipment	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
8. TOTAL EXPENSES	<u>48,180,132</u>	<u>148,869</u>	<u> </u>	<u> </u>	<u> </u>

See Accompanying Notes to Financial Statements

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COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 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. The Agency's tax return, form 990, for the years ending 2009, 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Cash and Cash Equivalents

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

Equipment and Depreciation

Equipment consists 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.

Donated Services and Materials

The Agency receives donated services from a variety of unpaid volunteers which make significant contributions of their time in conjunction with programs and services. No amounts have been reorganized in the accompanying statement of activities for recognition of volunteer effort because the criteria has not been satisfied. Approximately \$5,250 has been recognized for goods and services.

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.

Credit Card Points

The Agency has used corporate credit cards to pay for motel and hotel accommodations used for emergency shelter for eligible homeless individuals. Over the years, the Agency has built up "points" which may be used to pay or purchase goods and/or services. This contingent asset is not reflected in the accompanying statement of financial position because it is not quantifiable. In 2012, the Agency used approximately \$27,477 of points to pay for goods and services.

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Community Service Network, Inc.
Notes to Financial Statements

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, 2012 with a bank which is included in short-term investments as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
May 31, 2013	.75%	<u>\$ 598,906</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, 2012 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 leases office space at 136 Elm Street, Stoneham, Massachusetts as a tenant-at-will. Rent expense for the year ended December 31, 2012 was \$10,428. Current monthly rent cost is \$869.

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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

In accordance with CSN's contracts with one of its principal funding sources, the Commonwealth of Massachusetts, CSN is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). CSN may retain as its surplus up to 5% of total revenue from the Commonwealth of Massachusetts during any fiscal year. In addition, CSN may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior years' total support and revenue from the Commonwealth of Massachusetts. The deficit calculated for the year ended December 31, 2012 was \$0. In addition, on a cumulative basis, CSN has a deficit of \$56,405 for the Commonwealth of Massachusetts. Therefore, due to there being a deficit, there is no liability recorded.

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. As of December 31, 2012, the Agency had approximately \$378,000 on deposit at a bank that exceeded the FDIC insurance limit.

All of the Agency's accounts receivable at December 31, 2012 represents amounts due from one Massachusetts' governmental agency.

Approximately 99.7% of the Agency's revenues for the year ended December 31, 2012, in the amount of \$48,228,650, are from one Massachusetts' governmental agency program.

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NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Agency reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at December 31, 2012.

Cash or cash equivalent including certificate of deposit: Valued at acquisition cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Community Service Network, Inc.
Notes to Financial Statements

The following tables set forth by level, with the fair value hierarchy, the Agency's assets at fair value.

Assets at fair value as of December 31, 2012

(In thousands)

Level 1

Cash and cash equivalents	\$ 223
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Valuation and Income Recognition

The Agency's cash and cash equivalents as of December 31, 2012 are stated at fair value.

NOTE 9 - SUBSEQUENT EVENTS

The Agency has evaluated all subsequent events through March 27, 2013, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.