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2014

Audit

COMMUNITY SERVICE NETWORK, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITORS' REPORT

December 31, 2014 and 2013



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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-12
INDEPENDENT AUDITORS' 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	13-14
SCHEDULE OF FINDINGS AND RESPONSES	15-16



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RUCCI, BARDARO & FALZONE PC
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Officers
Community Service Network, Inc.
Stoneham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Service Network, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- CONTINUED -

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INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibility - Continued

We believe that the audit evidence we have 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 the Organization as of December 31, 2014 and 2013, respectively, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015, on our consideration of **Community Service Network, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

Rucci, Bardaro & Falzone, PC

Rucci, Bardaro & Falzone, PC
Certified Public Accountants

May 8, 2015



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Community Service Network, Inc.
STATEMENTS OF FINANCIAL POSITION

December 31,

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 3,601,919	\$ 3,894,248
Accounts receivable	4,353,073	5,479,439
Total current assets	7,954,992	9,373,687
PROPERTY AND EQUIPMENT		
Property and equipment	127,801	127,801
Accumulated depreciation	(127,801)	(127,801)
Property and equipment, net	-	-
TOTAL ASSETS	\$ 7,954,992	\$ 9,373,687

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,710,667	\$ 6,123,526
Total current liabilities	4,710,667	6,123,526
NET ASSETS		
Unrestricted	3,244,325	3,250,161
Total net assets	3,244,325	3,250,161
TOTAL LIABILITIES AND NET ASSETS	\$ 7,954,992	\$ 9,373,687

The accompanying notes are an integral part of the financial statements.



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Community Service Network, Inc.

STATEMENTS OF ACTIVITIES

For the years ended December 31,

	<u>2014</u>	<u>2013</u>
SUPPORT AND REVENUE		
Program service revenue	\$ 59,250,335	\$ 48,908,614
Investment income	8,981	1,273
Contributions	150	3,500
	<hr/>	<hr/>
Total support and revenue	59,259,466	48,913,387
	<hr/>	<hr/>
EXPENSES		
Program services:		
Lodging services	58,801,347	48,444,539
Salaries and wages	288,442	285,733
Employee benefits	52,374	39,919
Audit fees	27,250	7,500
Payroll taxes	24,813	23,622
Rent	12,000	10,952
Insurance	8,891	7,942
Supplies	3,232	2,681
Repairs and maintenance	3,159	3,752
Office and postage	2,695	1,272
Payroll service fees	1,602	1,507
Telephone and internet	1,400	1,907
Dues, subscriptions and licenses	175	1,200
	<hr/>	<hr/>
Total program services	59,227,380	48,832,526
	<hr/>	<hr/>
Management and general:		
Salaries and wages	17,960	30,278
Employee benefits	9,486	14,171
Insurance	5,744	4,908
Dues, subscriptions and licenses	1,655	542
Payroll taxes	1,545	740
Office and postage	1,015	1,172
Repairs and maintenance	450	15
Supplies	67	2,252
Audit fees	-	2,500
Payroll service fees	-	60
	<hr/>	<hr/>
Total management and general	37,922	56,638
	<hr/>	<hr/>
Total expenses	59,265,302	48,889,164
	<hr/>	<hr/>
CHANGE IN NET ASSETS	(5,836)	24,223
	<hr/>	<hr/>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	3,250,161	3,225,938
	<hr/>	<hr/>
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 3,244,325	\$ 3,250,161
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.



Community Service Network, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31,

	2014			2013		
	Program	Management & General	Total	Program	Management & General	Total
Lodging services	\$ 58,801,347	\$ -	\$ 58,801,347	\$ 48,444,539	\$ -	\$ 48,444,539
Salaries and wages	288,442	17,960	306,402	285,733	30,278	316,011
Employee benefits	52,374	9,486	61,860	39,919	14,171	54,090
Audit fees	27,250	-	27,250	7,500	2,500	10,000
Payroll taxes	24,813	1,545	26,358	23,622	740	24,362
Rent	12,000	-	12,000	10,952	-	10,952
Insurance	3,147	5,744	8,891	3,034	4,908	7,942
Telephone and internet	7,144	-	7,144	6,815	-	6,815
Office and postage	2,695	1,015	3,710	1,272	1,172	2,444
Repairs and maintenance	3,159	450	3,609	3,752	15	3,767
Supplies	3,232	67	3,299	2,681	2,252	4,933
Dues, subscriptions and licenses	175	1,655	1,830	1,200	542	1,742
Payroll service fees	1,602	-	1,602	1,507	60	1,567
Total functional expenses	\$ 59,227,380	\$ 37,922	\$ 59,265,302	\$ 48,832,526	\$ 56,638	\$ 48,889,164

The accompanying notes are an integral part of the financial statements.

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Community Service Network, Inc.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (5,836)	\$ 24,223
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	1,126,366	(1,047,880)
Prepaid expenses	-	6,739
Other current assets	-	1,600
Cash overdraft	-	(440,831)
Accounts payable and accrued expenses	<u>(1,412,859)</u>	<u>4,686,462</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 (292,329)	 3,230,313
 Cash, beginning of year	 <u>3,894,248</u>	 <u>663,935</u>
Cash, end of year	<u>\$ 3,601,919</u>	<u>\$ 3,894,248</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE A - NATURE OF BUSINESS

Community Service Network, Inc. (the "Organization") is a tax-exempt Massachusetts nonprofit agency under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation. The Organization provides assistance to needy families through a variety of community service programs. Services are provided in Stoneham, Woburn and surrounding towns in Massachusetts. The Organization was awarded a contract from the Commonwealth of Massachusetts to provide emergency shelter to Department of Housing and Community Development eligible homeless families across the Commonwealth of Massachusetts.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accounts of the Organization are maintained on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions. Additionally, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A description of the net assets categories follows:

Unrestricted Net Assets

Net assets are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. The Organization has no temporarily restricted assets as of December 31, 2014 and 2013, respectively.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

1. **Basis of Presentation - Continued**

Permanently Restricted Net Assets

Net assets are subject to donor-imposed stipulations that they may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization did not have any permanently restricted net assets as of December 31, 2014 and 2013, respectively.

2. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

3. **Donated Services and Materials**

The Organization receives donated services from a variety of unpaid volunteers which make contributions of their time in conjunction with programs and services. No amounts have been reflected in the accompanying statement of activities for volunteer services because the criteria have not been satisfied. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

4. **Functional Expenses and Allocation of Management and General Expenses**

Expenses are allocated to program and supporting services based on management's estimates.

5. **Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Income Taxes - Continued

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2014, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. The Organization's 2013, 2012, and 2011 tax years are subject to examination by taxing authorities.

The Organization recognizes interest and penalties related to unrecognized tax benefits in operating expenses. There were no interest and penalties related to unrecognized tax benefits for the 2014 and 2013 tax years.

6. Cash and Cash Equivalents

The statement of cash flows is designed to show the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term investments with an original maturity date of three months or less, that are readily convertible to cash such that fluctuations in interest rates lead to insignificant risk of changes in investment value.

Cash in bank accounts may exceed Federal Deposit Insurance Corporation (FDIC) limits from time-to-time during the year in the ordinary course of business, which management does not believe exposes the Organization to significant risk of loss. The Organization maintains their accounts in banks who are members of the Share Insurance Fund (SIF). The SIF fully insures balances exceeding the FDIC limit of \$250,000.

7. Revenue Recognition

The Organization's revenues are derived from both public support and private contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

7. **Revenue Recognition - Continued**
All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

8. **Property and Equipment**
Property and equipment acquired directly by the Organization are stated at cost and depreciated on the straight-line method over the estimated useful lives of the related assets. The cost of property and equipment purchased in excess of \$1,000 is capitalized. The cost of normal maintenance and repairs are charged to expense as incurred.

9. **Fair Value Measurements**
Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 input consists of assumptions market participants would use and Level 3 inputs consisting of unobservable measurements have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

10. **Reclassification**
Certain amounts in the prior year financial statements have been reclassified, for comparative purposes, to conform to the presentation in the current year financial statements with no effect on the prior year change in net assets.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2014 and 2013

NOTE C - CASH EQUIVALENTS

The Organization has a certificate of deposit ("CD") with Patriot Bank which matures on May 31, 2015. The CD accrues interest at .7% per annum. The balance is available on demand with no withdrawal fees or penalties. The balance in the CD at December 31, 2014 and 2013 was \$609,296 and \$604,302, respectively.

NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2014 and 2013, property and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>2014</u>	<u>2013</u>
Furniture and equipment	3-5 years	\$ 7,723	\$ 7,723
Computer Equipment	3 years	83,673	83,673
Office Equipment	3-5 years	<u>36,405</u>	<u>36,405</u>
		127,801	127,801
Less: accumulated depreciation		<u>(127,801)</u>	<u>(127,801)</u>
Net property and equipment		<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended December 31, 2014 and 2013, respectively.

NOTE E - CREDIT CARD POINTS

The Organization has used corporate credit cards to pay for motel and hotel accommodations used for emergency shelter for eligible homeless individuals. Over the years, the Organization 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. During the years ended December 31, 2014 and 2013, the Organization used \$13,177 and \$19,514, respectively, of its points to pay for goods and services.

NOTE F - LEASES AND COMMITMENTS

The Organization rents office space at 136 Elm Street, Stoneham, Massachusetts as a tenant-at-will. Rent expense for the years ended December 31, 2014 and 2013 was \$12,000 and \$10,952. The current monthly rent expense is \$1,000 as of December 31, 2014.



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Community Service Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2014 and 2013

NOTE G - ECONOMIC DEPENDENCIES AND CONCENTRATIONS

All of the Organization's accounts receivable at December 31, 2014 and 2013, respectively, represent amounts due from one Massachusetts government agency.

For the years ended December 31, 2014 and 2013, the Organization earned 99.9% of its revenue from contracts with the Commonwealth of Massachusetts.

NOTE H - SURPLUS REVENUE RETENTION

The Surplus Retention amount of \$0 for the years ended December 31, 2014 and 2013, respectively, did not exceed the maximum allowable surplus of five percent of the current year revenues from state purchasing agencies. This resulted in no surplus retention liability. The aggregate accumulated net surplus balance at December 31, 2014 did not exceed the allowable maximum surplus of 20 percent of prior year revenues from state purchasing agencies pursuant to 808 CMR1.00 the "Not-for-Profit Surplus Revenue Retention Policy" as established by The Commonwealth of Massachusetts. No financial transaction activity occurred during these years to affect the fund's balance.

NOTE I - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 8, 2015, which is the date the financial statements were available to be issued. There are no recognized or non-recognized subsequent events that existed at the statement of financial position date which are necessary to disclose to keep the financial statements from being misleading.



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Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' 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***

To The Board of Directors and Officers
Community Service Network, Inc.
Stoneham, Massachusetts

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 **Community Service Network, Inc.**, (the "Organization") a nonprofit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2015.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did not identify any deficiencies in internal control that we considered to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rucci, Bardaro & Falzone, PC

Rucci, Bardaro & Falzone, PC
Certified Public Accountants

May 8, 2015



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Community Service Network, Inc.

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2014

A. Findings Relating to the Financial Statement Audit As Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

1. *Significant Deficiencies in Internal Control Over Financial Reporting*

None Noted

2. *Findings of Fraud and Illegal Acts*

None Noted

3. *Material Violations of Contracts and Grants*

None Noted

4. *Material Abuse*

None Noted

B. Prior Year Findings Relating to the Financial Statement Audit As Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

1. *Significant Deficiencies in Internal Control Over Financial Reporting*

Findings 2013-1

2. *Findings of Fraud and Illegal Acts*

None Noted

3. *Material Violations of Contracts and Grants*

None Noted

4. *Material Abuse*

None Noted



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Community Service Network, Inc.

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

For the year ended December 31, 2014

C. Schedule of Findings and Questioned Costs - Current Year

None Noted

Schedule of Findings and Questioned Costs - Prior Year

Condition - During the audit, it was noted the Organization had relied upon adjustments provided by outside accountants, without properly reviewing and reconciling to the Organization's supporting documentation. This over-reliance on outside accountants led to improperly accrued expenses over the previous 10 years.

Recommendation - Management should insist on yearly meetings with their outside accountants to go over the financial information and reconcile to internal documents to ensure information correctly reflects the books and records of the Organization.

Current Status:

On August 18, 2014, the Organization's Board of Directors adopted the auditor's suggestion to incorporate yearly meetings and a thorough review that includes not only a review of the Organization's financial statement and UFR, but also to supporting documentation provided during the audit.

