

**COMMUNITY SERVICE NETWORK, INC.**

FINANCIAL STATEMENTS

**and**

INDEPENDENT AUDITORS' REPORT

**December 31, 2015**



## TABLE OF CONTENTS

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





**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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 -**

## 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, 2015, 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016, 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  
Woburn, Massachusetts

May 9, 2016



# Community Service Network, Inc.

## STATEMENT OF FINANCIAL POSITION

December 31,

### ASSETS

2015

#### CURRENT ASSETS

Cash \$ 2,531,462

**Total current assets** 2,531,462

#### PROPERTY AND EQUIPMENT

Property and equipment 139,801

Accumulated depreciation (130,201)

**Property and equipment, net** 9,600

**TOTAL ASSETS** \$ 2,541,062

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable and accrued expenses \$ 4,784

**Total current liabilities** 4,784

#### NET ASSETS

Unrestricted 2,536,278

**Total net assets** 2,536,278

#### TOTAL LIABILITIES AND

**NET ASSETS** \$ 2,541,062

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



# Community Service Network, Inc.

## STATEMENT OF ACTIVITIES

For the year ended December 31,

	<u>2015</u>
<b>SUPPORT AND REVENUE</b>	
Program service revenue	\$ 21,694,882
Investment income	8,151
Contributions	<u>2,505</u>
<b>Total support and revenue</b>	<u>21,705,538</u>
<b>EXPENSES</b>	
Program services:	
Lodging services	21,977,687
Salaries and wages	195,015
Employee benefits	53,417
Audit fees	25,010
Payroll taxes	11,886
Rent	6,000
Insurance	4,691
Telephone and internet	3,822
Supplies	1,497
Repairs and maintenance	1,348
Office and postage	1,319
Dues, subscriptions and licenses	975
Payroll service fees	<u>34</u>
<b>Total program services</b>	<u>22,282,701</u>
Management and general:	
Salaries and wages	90,246
Payroll taxes	13,352
Employee benefits	10,697
Rent	5,000
Insurance	4,666
Depreciation	2,400
Payroll service fees	1,636
Office and postage	1,015
Repairs and maintenance	952
Dues, subscriptions and licenses	795
Supplies	<u>125</u>
<b>Total management and general</b>	<u>130,884</u>
<b>Total expenses</b>	<u>22,413,585</u>
<b>CHANGE IN NET ASSETS</b>	(708,047)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>3,244,325</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 2,536,278</u>

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



## Community Service Network, Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,

	2015		
	Program	Management & General	Total
Lodging services	\$ 21,977,687	\$ -	\$ 21,977,687
Salaries and wages	195,015	90,246	285,261
Employee benefits	53,417	10,697	64,114
Payroll taxes	11,886	13,352	25,238
Audit fees	25,010	-	25,010
Rent	6,000	5,000	11,000
Insurance	4,691	4,666	9,357
Telephone and internet	3,822	-	3,822
Depreciation	-	2,400	2,400
Office and postage	1,319	1,015	2,334
Repairs and maintenance	1,348	952	2,300
Dues, subscriptions and licenses	975	795	1,770
Payroll service fees	34	1,636	1,670
Supplies	1,497	125	1,622
<b>Total functional expenses</b>	<b>\$ 22,282,701</b>	<b>\$ 130,884</b>	<b>\$ 22,413,585</b>

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



# Community Service Network, Inc.

## STATEMENT OF CASH FLOWS

For the year ended December 31,

	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ (708,047)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,400
Changes in operating assets and liabilities:	
Accounts receivable	4,353,073
Accounts payable and accrued expenses	<u>(4,705,883)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(1,058,457)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(12,000)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(12,000)</u>
<b>NET CHANGE IN CASH</b>	(1,070,457)
Cash, beginning of year	<u>3,601,919</u>
Cash, end of year	<u><u>\$ 2,531,462</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

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





# **Community Service Network, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

### **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 is a HUD certified housing counseling agency providing information and referral along with housing counseling services to low and moderate income individuals and families in:

Housing Search Information, Foreclosure prevention assistance, Representation for low and very-low income tenants and Landlord/Tenant dispute mediation, Reverse mortgage counseling, Refinance and loan counseling, Family Self-Sufficiency Counseling First Time Home Buyer Education (pre and post purchase counseling), "Get the Lead Out", Purchase and Rehabilitation, Home Owner Improvement Loan Programs (HILP).

The Organization assists clients face to face to share information and supports finding solutions through knowledge. The Organization's goal is to educate clientele so they can improve their standard of living in a dignified manner. Services are provided in Stoneham, Woburn and surrounding towns in Massachusetts. Through June 30, 2015, the Organization performed under contract from the Commonwealth of Massachusetts providing 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.



# Community Service Network, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the year ended December 31, 2015

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

1. **Basis of Presentation - Continued**

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, 2015.

**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, 2015.

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.



## Community Service Network, Inc.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the year ended December 31, 2015

#### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2015, 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 2014, 2013, and 2012 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 2015 tax year.

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.



# Community Service Network, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the year ended December 31, 2015

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.



## Community Service Network, Inc.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the year ended December 31, 2015

#### NOTE C - CASH EQUIVALENTS

The Organization has a certificate of deposit ("CD") with Patriot Bank which matures on May 31, 2016. 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, 2015 was \$614,671.

#### NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2015, property and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>2015</u>
Furniture and equipment	3-5 years	\$ 7,723
Computer equipment	3 years	95,673
Office equipment	3-5 years	<u>36,405</u>
		139,801
Less: accumulated depreciation		<u>(130,201)</u>
Net property and equipment		<u>\$ 9,600</u>

Depreciation expense for the year ended December 31, 2015 was \$2,400.

#### NOTE E - CREDIT CARD POINTS

The Organization has used corporate credit cards and over the years has built up "points" which may be used to pay or purchase goods and/or services for the Organization. This contingent asset is not reflected in the accompanying statement of financial position because it is not quantifiable. During the year ended December 31, 2015, the Organization used the equivalent of \$22,918 of its points to pay for its 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 year ended December 31, 2015 was \$11,000. The current monthly rent expense is \$1,000 as of December 31, 2015.



# **Community Service Network, Inc.**

## **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended December 31, 2015**

### **NOTE G - ECONOMIC DEPENDENCIES AND CONCENTRATIONS**

For the year ended December 31, 2015, the Organization earned 99.65% of its revenue from contracts with the Commonwealth of Massachusetts.

### **NOTE H - SURPLUS REVENUE RETENTION**

The Surplus Retention amount of \$0 for the year ended December 31, 2015, 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, 2015 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 9, 2016, 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.



**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 of  
**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, 2015, 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 9, 2016.

**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) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**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  
Woburn, Massachusetts

May 9, 2016





**Community Service Network, Inc.**

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2015

**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*

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



**Community Service Network, Inc.**

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

**For the year ended December 31, 2015**

**C. Schedule of Findings and Questioned Costs - Current Year**

None Noted

**Schedule of Findings and Questioned Costs - Prior Year**

None Noted

