

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
(a nonprofit corporation)

FINANCIAL STATEMENTS

For the Years Ended November 30, 2021 and 2020

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

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For the Years Ended November 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Action Agency of Somerville, Inc.
Somerville, MA

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Agency of Somerville, Inc. (a nonprofit organization), which comprise the statements of financial position as of November 30, 2021 and 2020, 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.

Auditor's 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 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Community Action Agency of Somerville, Inc. as of November 30, 2021 and 2020, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of Community Action Agency of Somerville, 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 the effectiveness of Community Action Agency of Somerville, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Agency of Somerville, Inc.'s internal control over financial reporting and compliance.

Sanders, Walsh & Eaton, CPAs, LLC

West Chatham, Massachusetts
April 29, 2022

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**Statements of Financial Position**

For the Years Ended November 30, 2021 and 2020

ASSETS

	2021	2021
Current Assets:		
Cash and cash equivalents	\$ 918,249	\$ 386,348
Grants and contracts receivable, net	795,860	716,660
Prepaid expenses	158,448	183,940
Total current assets	<u>1,872,558</u>	<u>1,286,948</u>
Noncurrent assets:		
Property and equipment		
Land	409,749	409,749
Building	2,436,224	2,436,224
Furniture, fixtures and equipment	147,693	147,693
Vehicles	34,300	34,300
Total property and equipment	<u>3,027,966</u>	<u>3,027,966</u>
Less accumulated depreciation	<u>(1,203,271)</u>	<u>(1,137,722)</u>
Net property and equipment	<u>1,824,695</u>	<u>1,890,245</u>
Security deposits	16,264	16,264
Total noncurrent assets	<u>1,840,959</u>	<u>1,906,509</u>
Total assets	<u>\$ 3,713,517</u>	<u>\$ 3,193,457</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 254,988	\$ 90,478
Accrued wages and related liabilities	301,480	276,366
Deferred rent	188,053	170,200
Deferred revenue	522,491	-
Mortgage payable - current portion	44,840	43,502
Total current liabilities	<u>1,311,851</u>	<u>580,546</u>
Long-Term Liabilities:		
Mortgage payable - less current portion and unamortized deferred financing costs	<u>988,099</u>	<u>1,031,998</u>
Total long-term liabilities	<u>988,099</u>	<u>1,031,998</u>
Total liabilities	<u>2,299,950</u>	<u>1,612,545</u>
Net Assets:		
Without donor restrictions	1,308,755	1,328,074
With donor restrictions	104,812	252,839
Total net assets	<u>1,413,567</u>	<u>1,580,913</u>
Total liabilities and net assets	<u>\$ 3,713,517</u>	<u>\$ 3,193,457</u>

The accompanying notes are an integral part of these financial statements

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Statements of Activities

For the Years Ended November 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants and contracts	\$ 5,685,414	\$ 635,210	\$ 6,320,624
Contributions	244,084	-	244,084
In-kind contributions	508,340	-	508,340
Other revenue	3,065	-	3,065
Net assets released from restrictions	783,237	(783,237)	-
Total revenue and support	<u>7,224,140</u>	<u>(148,027)</u>	<u>7,076,113</u>
Expenses:			
Program services expense			
Head start	5,106,233	-	5,106,233
Advocacy and community services	1,379,155	-	1,379,155
Total program expenses	<u>6,485,388</u>	<u>-</u>	<u>6,485,388</u>
Management and general	758,071	-	758,071
Total expenses	<u>7,243,459</u>	<u>-</u>	<u>7,243,459</u>
Change in Net Assets	(19,319)	(148,027)	(167,346)
Net Assets, Beginning of Year	1,328,074	252,839	1,580,913
Net Assets, End of Year	<u>\$ 1,308,755</u>	<u>\$ 104,812</u>	<u>\$ 1,413,567</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants and contracts	\$ 6,419,270	\$ 206,382	\$ 6,625,652
Contributions	115,666	87,103	202,769
In-kind contributions	604,923	-	604,923
Other revenue	12,415	-	12,415
Net assets released from restrictions	40,646	(40,646)	-
Total revenue and support	<u>7,192,919</u>	<u>252,839</u>	<u>7,445,758</u>
Expenses:			
Program services expense			
Head start	6,002,795	-	6,002,795
Advocacy and community services	241,313	-	241,313
Total program expenses	<u>6,244,108</u>	<u>-</u>	<u>6,244,108</u>
Management and general	758,897	-	758,897
Total expenses	<u>7,003,005</u>	<u>-</u>	<u>7,003,005</u>
Change in Net Assets	189,914	252,839	442,753
Net Assets, Beginning of Year	1,138,159	-	1,138,159
Net Assets, End of Year	<u>\$ 1,328,074</u>	<u>\$ 252,839</u>	<u>\$ 1,580,913</u>

The accompanying notes are an integral part of these financial statements

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Statements of Functional Expenses For the Years Ended November 30, 2021 and 2020

	2021				
	Program Services				
	Advocacy and Community Services		Total Program	Management and General	Totals
	Head Start				
Expenses:					
Salaries and wages	\$2,326,375	\$ 488,044	\$2,814,419	\$ 345,525	\$3,159,944
Employee benefits & payroll taxes	1,474,202	174,718	1,648,920	109,372	1,758,292
Consultants	219,175	154,431	373,606	206,785	580,391
Occupancy	713,347	54,369	767,716	51,677	819,393
Supplies	120,644	20,020	140,664	7,636	148,300
Other	150,719	27,270	177,989	33,272	211,261
Interest	28,502	-	28,502	-	28,502
Client assistance	7,720	460,303	468,023	3,804	471,827
Depreciation	65,549	-	65,549	-	65,549
Total expenses	<u>\$5,106,233</u>	<u>\$1,379,155</u>	<u>\$6,485,388</u>	<u>\$ 758,071</u>	<u>\$7,243,459</u>

	2020				
	Program Services				
	Advocacy and Community Services		Total Program	Management and General	Totals
	Head Start				
Expenses:					
Salaries and wages	\$2,186,300	\$ 131,592	\$2,317,892	\$ 376,926	\$2,694,818
Employee benefits & payroll taxes	1,428,711	47,028	1,475,739	143,654	1,619,393
Consultants	245,268	28,880	274,148	147,593	421,741
Occupancy	671,508	23,321	694,829	53,913	748,742
Supplies	220,962	6,734	227,696	10,194	237,890
Other	159,773	3,758	163,531	26,617	190,148
Interest	39,019	-	39,019	-	39,019
Client assistance	980,142	-	980,142	-	980,142
Depreciation	71,112	-	71,112	-	71,112
Total expenses	<u>\$6,002,795</u>	<u>\$ 241,313</u>	<u>\$6,244,108</u>	<u>\$ 758,897</u>	<u>\$7,003,005</u>

The accompanying notes are an integral part of these financial statements

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**Statements of Cash Flows**

For the Years Ended November 30, 2021 and 2020

	<u>2021</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (167,346)	\$ 442,753
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	65,549	71,112
Amortization of deferred financing costs	3,567	3,567
(Increase) decrease in:		
Grants and contracts receivable	(79,200)	(292,000)
Prepaid expenses	25,492	(144,809)
Increase (decrease) in:		
Accounts payable	164,510	37,555
Accrued wages and related liabilities	25,113	(50,424)
Deferred revenue	522,491	
Deferred rent	17,853	17,571
Net Cash provided by operating activities	<u>578,029</u>	<u>85,325</u>
Cash Flows from Financing Activities:		
Principal payments on mortgage payable	<u>(46,129)</u>	<u>(43,537)</u>
Net Cash used in financing activities	<u>(46,129)</u>	<u>(43,537)</u>
Net change in cash and cash equivalents	531,900	41,788
Cash and cash equivalents, beginning of year	<u>386,348</u>	<u>344,560</u>
Cash and cash equivalents, end of year	<u>\$ 918,248</u>	<u>\$ 386,348</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 24,935</u>	<u>\$ 35,452</u>

The accompanying notes are an integral part of these financial statements

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Notes to Financial Statements

For the Years Ended November 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the community Action Agency of Somerville are described below to enhanced the usefulness of the financial statements to the reader.

Organization

The Community Action Agency of Somerville, Inc.(the Organization) is a non-profit organization organized to cooperate with and assist governmental and private agencies in accomplishing the purposes described in the Economic Opportunity Act of 1964. Its principal activities consist of carrying out Community Action Programs such as the Head Start program which serves approximately 355 children from low-income families in Somerville and Cambridge each year and the Homelessness Prevention Program (HPP) which provides advocacy and crisis case management to low income Somerville residents at risk of homelessness.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations are not subject to donor-(or certain grantor-) imposed restrictions.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Tax Exempt Status

The Organization is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC 501(c)(3) qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined that it is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Notes to Financial Statements

For the Years Ended November 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property and Equipment

Property and equipment are recorded at cost or, if donated, fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. It is the Organization's policy is to capitalize expenditures in excess of \$5,000. When assets are sold or otherwise disposed of, the cost and related depreciation or are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended November 30, 2021 and 2020, respectively.

Revenue and Revenue Recognition

Revenue related to grants that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, is recognized as the work under the contract is performed. Grants that are considered nonreciprocal transactions or contributions that further the programs of the Organization are recorded when the Organization receives notification of the grant award or contribution, or, if conditions for performance are imposed, revenue is recognized when conditions have been met. All goods and services are transferred at a point in time.

A significant portion of the revenue is derived from cost-reimbursable federal, state and local government contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods and facilities are recorded at fair value at the date of the donation. Donated professional services are recorded at the respective fair values of the services received (Note J).

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
Notes to Financial Statements
For the Years Ended November 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Grants and Contracts Receivable

Grants and contracts receivable consists primarily of noninterest-bearing amounts due to program activities under federal, state and local government cost-reimbursable contracts and grants. The Organization determines the allowance for uncollectable grants and contracts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contracts receivable are written off when deemed uncollectable. As of November 30, 2021 and 2020, 100% of the entire receivable balance is due from governmental agencies and expected to be collected in one year or less. As of November 30, 2021 and 2020, management has determined that the allowance would be immaterial.

Receivables from contracts with customers are reported as grants and contracts receivable, net in the statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Advertising

Advertising costs are expensed as incurred. Total advertising costs were \$9,025 and \$4,088 for the years ended November 30, 2021 and 2020.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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, and those differences could be material.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is constantly applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries and wages, employee benefits, payroll taxes, consultants, supplies, client assistance, and other, which are allocated on the basis of estimates of time and effort.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Notes to Financial Statements

For the Years Ended November 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Amortization

Financing costs of \$89,181 are being amortized over twenty five years, the term of the mortgage note described in Note F. Amortization expense totaled \$3,567 and \$3,567 for the years ended November 30, 2021 and 2020, respectively, and is presented with interest expense on the accompanying statements of functional expenses. Accumulated amortization totaled \$21,584 and \$18,017 as of November 30, 2021 and 2020, respectively. The unamortized portion is shown net of mortgage payable on the accompanying statements of financial position.

NOTE B - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consisted of the following at November 30, 2021 and 2020:

	2021	2020
U.S. Department of Health & Human Services:		
Head Start Grant	\$ 223,491	\$ 340,108
Commonwealth of Massachusetts Supplemental Head Start Grant	43,283	170,883
Other governmental agencies	529,086	205,669
Total grants and contracts receivable	<u>\$ 795,860</u>	<u>\$ 716,660</u>

NOTE C - GRANTS AND CONTRACTS:

The major components of grants and contracts revenue for the years ended November 30, 2021 and 2020 were as follows:

	2021	2020
Government		
Direct	\$ 5,467,386	\$ 5,643,384
Indirect	489,612	799,329
Total government	<u>5,956,998</u>	<u>5,643,384</u>
Foundation, corporate, and other		
Direct	363,626	982,268
Total foundation, corporate, and other	<u>363,626</u>	<u>982,268</u>
Total grants and contracts	<u>\$ 6,320,624</u>	<u>\$ 6,625,652</u>

The Organization receives funding from federal, state and local government agencies for its programs operated under government grants and contracts. The grants and contracts provide for reimbursement of direct and indirect costs. The recovery of indirect costs, also referred to as *administrative costs*, is recognized based on predetermined rates negotiated with the federal government, which are predetermined for each fiscal year.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
Notes to Financial Statements
For the Years Ended November 30, 2021 and 2020

NOTE D - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK:

The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced any losses. Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

The Organization's program services are funded primarily by the U.S. Department of Health and Human Services. For the years ended November 30, 2021 and 2020, the Organization received from this department \$4,378,246 and \$4,263,412 or 61% and 57% of its total revenue.

NOTE E - COMMITMENTS AND CONTINGENCIES:

The Organization's federal and state funded grants and contracts are subject to audit by appropriate governmental agencies which may, at their discretion, request a return of funds as a result of non-compliance with the terms of the grants/contracts or applicable regulations. The amount of such recovery, if any, cannot be determined and accordingly, no provision has been recorded in these financial statements.

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE F - MORTGAGE PAYABLE:

The Organization has a mortgage loan with East Boston Savings Bank (acquired by Rockland Trust) dated January 25, 2016. The interest rate is fixed at 2.99% for 5 years, then adjusted every 5 years thereafter at the prevailing Federal home Loan Bank (FHLB) 5/20 Amortizing Advance Rate plus 1.20%. The interest rate was adjusted to 2.02% as of January 25, 2021. The term of the loan is 25 years and principle and interest will be due monthly. Payments will be deducted from a designated East Boston Savings Bank account and the loan is secured by first mortgage and assignment of leases and rents on the subject property located at 29-33 Allen Street, Somerville, MA. Interest expense incurred in conjunction with the mortgage loan was \$24,935 and \$35,452, for the years ended November 30, 2021 and 2020, respectively.

The following costs have been presented net in the accompanying statement of financial position:

	2021	2020
Mortgage payable at year end	1,100,535	1,146,665
Less: unamortized deferred financing costs	67,596	71,164
Net	<u>\$ 1,032,939</u>	<u>\$ 1,075,501</u>

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
Notes to Financial Statements
For the Years Ended November 30, 2021 and 2020

NOTE F - MORTGAGE PAYABLE (continued):

Future maturities of mortgage payable are as follows:

<u>Years Ending November 30,</u>	
2022	44,840
2023	48,682
2024	49,675
2025	50,688
2026	51,721
Thereafter	854,929
	<u><u>\$ 1,100,535</u></u>

The debt requires the Organization to be in compliance with certain covenants. The Organization was in compliance with the required covenants at November 30, 2021 and 2020.

NOTE G- OPERATING LEASES:

The Organization leases equipment, office and classroom space under various operating leases. Rent expense for the year ended November 30, 2021 and 2020, was \$345,605 and \$335,277. Future minimum lease payments are as follows:

<u>Years Ending November 30,</u>	
2021	312,300
2022	279,543
2023	276,165
2024	285,803
2025	291,065
Thereafter	888,934
	<u><u>\$ 2,333,810</u></u>

NOTE H - TAX-DEFERRED ANNUITY PLAN:

During the years ended November 30, 2021 and 2020, the Organization maintained tax-deferred annuity plans qualified under Section 403(b) of the Internal Revenue Code. The plans cover full-time employees of the Organization. The Organization contributes 6% of gross salaries for qualified administration employees and 4% of gross salaries for qualified union employees to the plans. Employees may contribute to the plans up to the maximum amount allowed by the Internal Revenue Code. The Organization's contributions to the plan were \$123,908 and \$120,220 for the years ended November 30, 2021 and 2020, respectively.

NOTE I - LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Notes to Financial Statements

For the Years Ended November 30, 2021 and 2020

NOTE I - LIQUIDITY AND AVAILABILITY (continued):

Financial assets at year end:	2021	2020
Cash and cash equivalents	\$ 918,249	\$ 386,348
Grants and contracts receivable, net	795,860	716,660
Total financial assets at year end	1,714,109	1,103,008
Less amounts restricted by donors with purpose restrictions	(104,812)	(252,839)
	<u>\$ 1,609,297</u>	<u>\$ 850,169</u>

The Organization's consideration of liquidity to meet obligations over the next year accounts for all financial assets and liabilities including cash and cash equivalents and notes payable. The Organization's primary sources of revenue are from government grants and contracts. Supplemental sources of revenue include foundation grants and donations. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$100,000 (Note K), which it could draw upon.

NOTE J - DONATED PROFESSIONAL SERVICES, MATERIALS AND FACILITIES:

The Organization received professional services and materials as follows during the years ended November 30, 2021 and 2020:

	Program Services	Management and General	Total
November 30, 2021			
Consulting services	\$ 181,310	\$ -	\$ 181,310
Donated space	294,404	-	294,404
Supplies	32,626	-	32,626
	<u>\$ 508,340</u>	<u>\$ -</u>	<u>\$ 508,340</u>
November 30, 2020			
Consulting services	\$ 205,018	\$ -	\$ 205,018
Donated space	292,399	-	292,399
Supplies	107,506	-	107,506
	<u>\$ 604,923</u>	<u>\$ -</u>	<u>\$ 604,923</u>

NOTE K - LINE OF CREDIT:

The Organization has an unsecured \$100,000 line of credit with East Boston Savings Bank. The availability of the new line of credit will expire on December 27 2021, unless renewed by the bank. The interest rate of the line of credit is floating at a rate equal to the Prime Rate plus 0.50% (5.25% at November 30, 2021 and 2020). Monthly payments of interest only will be required, with principle due on demand. There were no outstanding balances on the line of credit as of November 30, 2021 and 2020.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Notes to Financial Statements

For the Years Ended November 30, 2021 and 2020

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at November 30, 2021 and 2020 are restricted for the following propose:

	2021	2020
Subject to expenditure for specified purpose:		
Revitalization of low-income communities	\$ 31,280	\$ 72,946
Family emergency fund	73,532	133,437
Homeless prevention	-	46,456
Total	<u>\$ 104,812</u>	<u>\$ 252,839</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows for the years ended November 30, 2021 and 2020:

	2021	2020
Revitalization of low-income communities	\$ 72,946	\$ -
Housing various funds	530,398	-
Family emergency fund	133,437	-
Homeless prevention	46,456	40,646
Total	<u>\$ 783,237</u>	<u>\$ 40,646</u>

NOTE M - REVENUE FROM CONTRACTS WITH CUSTOMERS:

Deferred revenue represents funds received in advance under government cost-reimbursable grants and contracts. Revenue is recognized when incurring qualifying expenditures and satisfying performance requirements.

The following table provided information about changes in deferred revenue for the years ended November 30, 2021 and 2020.

	2021	2020
Deferred revenue, beginning of the year	\$ -	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	-	-
Increases in deferred revenue due to cash received during the year	522,490	-
Deferred revenue, end of year	<u>\$ 522,490</u>	<u>\$ -</u>

As of November 30, 2021, the Organization expects to recognize 100% of its remaining performance obligations under government cost-reimbursable grants and contracts as revenues within one year.

NOTE N - SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through April 29, 2022, the date which the financial statements were available to be issued.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended November 30, 2021

<u>Federal Grantor/Pass through Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Head Start Cluster			
Direct Program thru ACF:			
Head Start	93.600	N/A	\$ 4,332,116
Total Head Start Cluster			<u>4,332,116</u>
CSBG			
Passed Through MA DHCD:			
Community Services Block Grant	93.569	OCDSCOCD42001260BG04000	407,005
Total CSBG			<u>407,005</u>
Total U.S. Department of Health and Human Services			<u>4,739,121</u>
U.S. Department of Housing and Urban Development			
CDBG- Entitlement Grants-Cluster			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	264,942
Total CDBG-Entitlement Grants Cluster			<u>264,942</u>
Total U.S. Department of Housing and Urban Development			<u>264,942</u>
U.S Department of Agriculture:			
Passed thru MA DOE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	DOESCDOE21758G70532112B	5,616
Total Child Nutrition Cluster			<u>5,616</u>
Child and Adult Care Food Program	10.558	DOESCDOE22758J70532117A	45,373
Total U.S Department of Agriculture			<u>50,989</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,055,052</u></u>

Type A programs are determined to be the larger of \$750,000 or three (3) percent of total federal awards expended if total awards exceed \$750,000. There were no awards received that were passed through to sub recipients.

Pass-through entity identifying numbers are presented where available.

The accompanying notes are an integral part of these financial statements

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended November 30, 2021

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Community Action Agency of Somerville, Inc. under programs of the federal government for the year ended November 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Community Action Agency of Somerville, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Action Agency of Somerville, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE:

Community Action Agency of Somerville, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Instead, Community Action Agency of Somerville, Inc. has used a negotiated indirect cost rate.

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

Summary Schedule of Prior Audit Findings

For the Year Ended November 30, 2021

Finding No:

2020-001 Lack of sufficient internal control to provide reasonable assurance federal awards are expended for allowable cost

Corrective Action Taken:

Corrected The Board of Directors put procedures in place to ensure management's review of supporting documentation (payroll reports, time cards, etc.) of allowable costs information and computations are checked for accuracy.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors
Community Action Agency of Somerville, Inc.
Somerville, MA

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 Action Agency of Somerville, Inc. (a nonprofit organization), which comprise the statement of financial position as of November 30, 2021, 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 April 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Agency of Somerville, Inc.'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 Community Action Agency of Somerville, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action Agency of Somerville, Inc.'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 the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Agency of Somerville, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sanders, Walsh & Eaton, CPAs, LLC

West Chatham, Massachusetts
April 29, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.

Board of Directors
Community Action Agency of Somerville, Inc.
Somerville, MA

Report on Compliance for Each Major Federal Program

We have audited Community Action Agency of Somerville, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Action Agency of Somerville, Inc.'s major federal programs for the year ended November 30, 2021. Community Action Agency of Somerville, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Agency of Somerville, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Agency of Somerville, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Community Action Agency of Somerville, Inc.'s compliance.

Opinion of Each Major Federal Program

In our opinion, Community Action Agency of Somerville, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2021.

Report on Internal Control Over Compliance

Management of Community Action Agency of Somerville, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Agency of Somerville, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Agency of Somerville, Inc.'s internal control over

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sanders, Walsh & Eaton, CPAs, LLC

West Chatham, Massachusetts
April 29, 2022

COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2021

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u>	no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u>	no

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u>	no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Type of auditor's report issued on compliance with major federal programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516 (a)?	<u> </u> yes	<u> X </u>	no

Identification of Major Federal Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified for low risk auditee:	<u> </u> yes <u> X </u> no

SECTION II - FINANCIAL STATEMENTS FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACEPTED GOVERNMENT AUDITING STANDARDS.

No reportable findings were discovered that required reporting in accordance with *Government Auditing Standards*.

SECTION III - AUDIT FINDINGS RELATED TO FEDERAL AWARDS AND QUESTIONED COSTS.

None