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PUBLIC
ACCOUNTANTS

Community Action Agency of
Somerville, Inc.

Financial Statements

November 30, 2018 and 2017

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

Community Action Agency of Somerville, Inc.
Financial Statements
November 30, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Community Action Agency of Somerville, Inc. (a non-profit organization), which comprise the statements of financial position as of November 30, 2018 and 2017, 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 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Agency of Somerville, Inc. as of November 30, 2018 and 2017, 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 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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 August 27, 2019, 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 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.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
August 27, 2019

Community Action Agency of Somerville, Inc.
Statements of Financial Position
November 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 108	\$ 111,948
Grants and contracts receivable	659,829	424,958
Contributions receivable	-	11,000
Prepaid expenses	170,570	15,565
Total current assets	<u>830,507</u>	<u>563,471</u>
Fixed assets		
Land	409,749	409,749
Building and improvements	2,436,224	2,436,224
Furniture, equipment and vehicles	244,167	214,191
Total fixed assets	<u>3,090,140</u>	<u>3,060,164</u>
Accumulated depreciation	<u>(1,049,347)</u>	<u>(972,065)</u>
Net fixed assets	<u>2,040,793</u>	<u>2,088,099</u>
Security deposit	<u>16,264</u>	<u>16,264</u>
Total assets	<u><u>\$ 2,887,564</u></u>	<u><u>\$ 2,667,834</u></u>
Liabilities and Net Assets		
Current liabilities		
Overdrawn cash	\$ 64,927	\$ -
Accounts payable	107,290	85,952
Accrued expenses	7,319	2,166
Line of credit	-	10,623
Accrued wages and related liabilities	206,594	210,422
Long-term debt: current portion	42,218	41,406
Total current liabilities	<u>428,348</u>	<u>350,569</u>
Deferred rent	127,459	91,395
Long-term debt, less current portion	<u>1,111,903</u>	<u>1,150,107</u>
Total long-term liabilities	<u>1,239,362</u>	<u>1,241,502</u>
Total liabilities	<u>1,667,710</u>	<u>1,592,071</u>
Net assets		
Unrestricted	1,219,854	1,064,763
Temporarily restricted	-	11,000
Total net assets	<u>1,219,854</u>	<u>1,075,763</u>
Total liabilities and net assets	<u><u>\$ 2,887,564</u></u>	<u><u>\$ 2,667,834</u></u>

The accompanying notes are an integral part of these statements.

Community Action Agency of Somerville, Inc.
Statements of Activities
For the Years Ended November 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Support						
Grants and contracts	\$ 5,413,369	\$ -	\$ 5,413,369	\$ 5,086,713	\$ -	\$ 5,086,713
In-kind contributions	552,440	-	552,440	586,416	-	586,416
Contributions	46,514	-	46,514	44,334	11,000	55,334
Other income	8,310	-	8,310	7,557	-	7,557
Net assets released from restrictions	11,000	(11,000)	-	-	-	-
Total revenues and support	6,031,633	(11,000)	6,020,633	5,725,020	11,000	5,736,020
Expenses						
Program services						
Head Start	5,097,501	-	5,097,501	4,867,953	-	4,867,953
Advocacy and community services	209,310	-	209,310	334,028	-	334,028
Total program services	5,306,811	-	5,306,811	5,201,981	-	5,201,981
Management and general	569,731	-	569,731	557,551	-	557,551
Total operating expenses	5,876,542	-	5,876,542	5,759,532	-	5,759,532
Change in Net Assets	155,091	(11,000)	144,091	(34,512)	11,000	(23,512)
Net Assets - Beginning of Year	1,064,763	11,000	1,075,763	1,099,275	-	1,099,275
Net Assets - End of Year	\$ 1,219,854	\$ -	\$ 1,219,854	\$ 1,064,763	\$ 11,000	\$ 1,075,763

The accompanying notes are an integral part of these statements.

Community Action Agency of Somerville, Inc.
Statements of Functional Expenses
For the Years Ended November 30, 2018 and 2017

2018					
	Program Services			Management and General	Total
	Head Start	Advocacy and Community Services	Total Program		
Expenses					
Salaries and wages	\$ 2,177,183	\$ 109,588	\$ 2,286,771	\$ 297,661	\$ 2,584,432
Employee benefits & payroll taxes	1,216,634	47,574	1,264,208	100,005	1,364,213
Consultants	117,222	28,759	145,981	76,611	222,592
Travel	17,656	172	17,828	4,092	21,920
Space	469,872	17,320	487,192	46,719	533,911
Consumable supplies	96,925	1,778	98,703	5,888	104,591
In-kind expense	552,440	-	552,440	-	552,440
Other direct expenses	372,287	4,119	376,406	38,755	415,161
Depreciation	77,282	-	77,282	-	77,282
Total expenses	<u>\$ 5,097,501</u>	<u>\$ 209,310</u>	<u>\$ 5,306,811</u>	<u>\$ 569,731</u>	<u>\$ 5,876,542</u>
2017					
	Program Services			Management and General	Total
	Head Start	Advocacy and Community Services	Total Program		
Expenses					
Salaries and wages	\$ 2,029,856	\$ 181,059	\$ 2,210,915	\$ 323,318	\$ 2,534,233
Employee benefits & payroll taxes	1,193,215	51,291	1,244,506	96,298	1,340,804
Consultants	114,361	34,768	149,129	50,152	199,281
Travel	13,719	1,914	15,633	1,059	16,692
Space	447,790	52,997	500,787	40,633	541,420
Consumable supplies	50,436	3,993	54,429	6,517	60,946
In-kind expense	586,416	-	586,416	-	586,416
Other direct expenses	355,678	8,006	363,684	39,274	402,958
Depreciation	76,482	-	76,482	300	76,782
Total expenses	<u>\$ 4,867,953</u>	<u>\$ 334,028</u>	<u>\$ 5,201,981</u>	<u>\$ 557,551</u>	<u>\$ 5,759,532</u>

The accompanying notes are an integral part of these statements.

Community Action Agency of Somerville, Inc.
Statements of Cash Flows
For the Years Ended November 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 144,091	\$ (23,512)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	77,282	76,782
Amortization of debt issuance costs reported as interest expense	3,567	3,567
(Increase) decrease in operating assets		
Grants and contracts receivable	(234,871)	(18,337)
Contributions receivable	11,000	(11,000)
Prepaid expenses	(155,005)	101,900
Increase (decrease) in operating liabilities		
Overdrawn cash	64,927	-
Accounts payable	21,338	(7,632)
Accrued expenses	5,153	(18,774)
Accrued wages and related liabilities	(3,828)	40,877
Deferred rent	36,064	44,563
Net cash (used in) provided by operating activities	<u>(30,282)</u>	<u>188,434</u>
Cash Flows from Investing Activities		
Capital expenditures	<u>(29,976)</u>	<u>-</u>
Net cash used in financing activities	<u>(29,976)</u>	<u>-</u>
Cash Flows from Financing Activities		
Repayments on line of credit	(10,623)	(12,000)
Repayments of long-term debt	<u>(40,959)</u>	<u>(78,477)</u>
Net cash used in financing activities	<u>(51,582)</u>	<u>(90,477)</u>
Net (Decrease) Increase in Cash	(111,840)	97,957
Cash - Beginning of Year	111,948	13,991
Cash - End of Year	<u>\$ 108</u>	<u>\$ 111,948</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>38,029</u>	<u>\$ 41,269</u>

The accompanying notes are an integral part of these statements.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 1 – 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.

Note 2 – Summary of Significant Accounting Policies

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. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Financial statement presentation follows the professional recommendations. Under professional recommendations, the Organization reports 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. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class. There were no permanently restricted net assets or activities as of November 30, 2018 and 2017.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable

The Organization received almost all its funding from government agencies both directly and indirectly. The vast majority (approximately 95%) of its programs are funded by the U.S. Department of Health and Human Services. The Organization historically has not experienced significant amounts of bad debt and therefore no allowance for doubtful accounts has been provided. Support received under cost reimbursement contracts and grants is recorded as grant revenue and grant receivable in unrestricted net assets when the related costs are incurred or billed.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Subsequent amortization of the discount is credited to contribution income. Management has established an allowance for uncollectible promises which represent an estimate, discounted for present value, of promises to give which will be written off. Conditional promises to give are not included in support until the conditions are met.

Fixed Assets

Donated property is recorded at fair market value on the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Expenditures for maintenance and repairs are charged against operations. The Organization's policy is to capitalize property and equipment costing \$5,000 or more. Property and equipment with a useful life greater than one year is stated at cost. Depreciation is calculated on a straight-line basis based on the following useful lives:

Property and Equipment	5-7 years
Vehicles	3-5 years
Building	40 years

Classification of Net Assets

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

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions whose restrictions were met in the same reporting period as unrestricted support in accordance with ASC 958-605 "Revenue Recognition".

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they 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 any related investments for general or specific purposes. As of November 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue from grants and contracts is recognized in the period which the services are performed.

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by management. Management and General expense includes those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising costs incurred for the years ended November 30, 2018 and 2017, was \$2,243 and \$6,825, respectively.

Tax Exempt Status

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Sections 170(b)(1)(A)(vi).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, “*Leases*”. ASU 2016-02 includes a lessee accounting model that recognizes two types of leases: finance leases and operating leases. The standard requires that a lessee recognize on the statement of financial position assets and liabilities for leases with lease terms of more than 12 months (leases with terms of less than 12 months are exempt from the new standard). ASU 2016-02 requires qualitative and quantitative disclosures, providing information about the amounts recorded in the financial statements. This standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that ASU 2016-02 will have on the financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “*Presentation of Financial Statements for Not-for-Profit Entities*”. ASU 2016-14 will change the way not-for-profit entities classify net assets and prepare financial statements. Under the new standard, the three existing classes of net assets (unrestricted, temporarily restricted, and permanently restricted) will now become two classes: Net assets without donor restrictions, and Net Assets with donor restrictions. ASU 2016-14 requires enhanced reporting of liquidity information, performance measures, investment expenses, functional expenses, and cash flow information. This standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the effect that ASU 2016-14 will have on the financial statements.

There were no other accounting standards recently issued that had or are expected to have a material impact on the Organization’s financial statements and associated disclosures.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 3 – Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and contract receivables. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management considers credit risk to be minimal. Credit risk with receivables is concentrated among Federal and State agencies which comprise substantially all of the receivable balances as of November 30, 2018 and 2017.

Note 4 – Grants and Contracts Receivable

Grants and contracts receivable consisted of the following at November 30th:

	<u>2018</u>	<u>2017</u>
U.S. Department of Health & Human Services		
Head Start Grant	\$ 400,866	\$ 259,067
Commonwealth of Massachusetts Supplemental		
Head Start Grant:	214,013	142,676
Other Receivables	<u>44,950</u>	<u>23,215</u>
Total grants and contracts receivable	<u>\$ 659,829</u>	<u>\$ 424,958</u>

Note 5 – Contributions Receivable

Contributions receivable are comprised of the following as of November 30th:

	<u>2018</u>	<u>2017</u>
Contributions receivable in less than one year	<u>\$ -</u>	<u>\$ 11,000</u>
Total contributions receivable	<u>\$ -</u>	<u>\$ 11,000</u>

There was no allowance for uncollectable contributions receivable as of November 30, 2018 and 2017.

Note 6 – Fixed Assets

Fixed assets consisted of the following as of November 30th:

	<u>2018</u>	<u>2017</u>
Land	\$ 409,749	\$ 409,749
Buildings	2,436,224	2,436,224
Property and equipment	147,693	147,693
Vehicles	<u>96,474</u>	<u>66,498</u>
Total Fixed assets	3,090,140	3,060,164
Less: Accumulated depreciation	<u>(1,049,347)</u>	<u>(972,065)</u>
Net fixed assets	<u>\$ 2,040,793</u>	<u>\$ 2,088,099</u>

Depreciation expense for the years ended November 30, 2018 and 2017, was \$77,282 and \$76,782, respectively.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 7 – Line of Credit

The Organization maintains an unsecured \$100,000 line of credit with East Boston Savings Bank. The availability of the line of credit will expire on August 29, 2019, 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% (5.75% and 4.75% at November 30, 2018 and 2017, respectively). Monthly payments of interest only are required, with principle due on demand. There was no outstanding balance on the line of credit as of November 30, 2018. The outstanding balance on the line of credit was \$10,623 as of November 30, 2017.

Note 8 – Mortgage Payable

	<u>2018</u>	<u>2017</u>
Mortgage payable to East Boston Savings Bank dated January 25, 2016 with an interest rate 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 term of the mortgage is 25 years, and principle and interest are due monthly. The mortgage 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 during the years ended November 30, 2018 and 2017, was \$38,029 and \$40,512, respectively.	\$ 1,232,420	\$ 1,273,379
Less: Current portion of mortgage payable	(42,218)	(41,406)
Less: Unamortized loan fees	<u>(78,299)</u>	<u>(81,866)</u>
Long-term debt, net of current portion	<u>\$ 1,111,903</u>	<u>\$ 1,150,107</u>

The future minimum payments on the mortgage payable are as follows for the years ending November 30th:

2019	\$ 42,218
2020	43,416
2021	44,851
2022	46,230
2023	47,651
Thereafter	<u>1,008,054</u>
Total	<u>\$ 1,232,420</u>

Amortization of loan fees reported as interest expense was \$3,567 for each of the years ended November 30, 2018 and 2017.

The debt requires the Organization to be in compliance with certain covenants. The Organization was in compliance with the required covenants at November 30, 2018 and 2017.

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of November 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions receivable	\$ -	\$ 11,000
Total temporarily restricted net assets	<u>\$ -</u>	<u>\$ 11,000</u>

Note 10 – Donated Services and Facilities

The Organization receives contributed space, supplies, and professional services in support of its programs. These in-kind contributions are reflected in the accompanying financial statements based upon the estimated value assigned to them by management. The value of these in-kind contributions for the years ended November 30, 2018 and 2017 was \$552,440 and \$586,416, respectively, and is included in in-kind contributions and in-kind expenses in the accompanying financial statements.

The Organization also receives services from volunteers in support of its programs. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Note 11 – Tax-Deferred Annuity Plan

During the years ended November 30, 2018 and 2017, 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. Expenses related to these plans was \$104,600 and \$100,166 for the years ended November 30, 2018 and 2017, respectively.

Note 12 – Operating Leases

The Organization leases office and classroom space under various operating leases. Rent expense for the years ended November 30, 2018 and 2017, was \$334,819 and \$336,470, respectively.

The approximate minimum future rental commitments under all such operating leases are as follows as of November 30, 2018:

2019	\$ 309,709
2020	283,516
2021	279,329
2022	279,543
2023	276,165
Thereafter	<u>1,354,154</u>
Total	<u>\$ 2,782,416</u>

Community Action Agency of Somerville, Inc.
Notes to Financial Statements
November 30, 2018 and 2017

Note 13 – 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 noncompliance 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.

Note 14 – Subsequent Events

ASC 855-10, "*Subsequent Events*" defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent from November 30, 2018 through August 27, 2019, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

**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 of
Community Action Agency of Somerville, Inc.

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, 2018, 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 August 27, 2019.

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 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.

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 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.

Anstiss & Co., P.C.

Anstiss & Co., P.C.

Lowell, MA

August 27, 2019

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 of Community Action Agency of Somerville, Inc.'s compliance.

Opinion on 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, 2018.

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 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 compliance.

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 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 internal control over compliance that might be material weaknesses or significant. 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.

Anstiss & Co., P.C.

Anstiss & Co., P.C.

Lowell, MA

August 27, 2019

Community Action Agency of Somerville, Inc.
Schedule of Expenditures of Federal Awards
November 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S Department of Agriculture				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Childcare Food Services	10.558	DOE SCDOE12758N70532117A	\$ -	\$ 197,705
Total U.S. Department of Agriculture			-	197,705
U.S. Department of Health and Human Services				
<u>Direct Program:</u>				
* Head Start	93.600	N/A	-	4,192,600
<u>Passed through Massachusetts Department of Housing and Community Development</u>				
Community Services Block Grant	93.569	OCDSCOCD42001260BG04000	-	376,751
Total U.S. Department of Health and Human Services			-	4,569,351
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 4,767,056</u>

The accompanying notes are an integral part of this schedule.

Community Action Agency of Somerville, Inc.
Notes to the Schedule of Expenditures of Federal Awards
November 30, 2018

Note 1 - 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, 2018. 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 for 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 2 - Summary of Significant Accounting Principals

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Community Action Agency of Somerville, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

* Major Program