

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

FINANCIAL STATEMENTS

For the Year Ended November 30, 2020

# COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

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For the Year Ended November 30, 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., which comprise the statement of financial position as of November 30, 2020, and the related statement 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audited 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 of 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 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 financial position of Community Action Agency of Somerville, Inc. as of November 30, 2020, and the change 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 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 July 19, 2021, 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*

Osterville, Massachusetts  
July 19, 2021

# COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

## Statement of Financial Position

November 30, 2020

### ASSETS

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

### LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 90,478
Accrued wages and related liabilities	276,366
Deferred rent	170,200
Mortgage payable - current portion	43,502
Total current liabilities	<u>580,546</u>
Long-Term Liabilities:	
Mortgage payable - less current portion and unamortized loan fees	<u>1,031,998</u>
Total long-term liabilities	<u>1,031,998</u>
Total Liabilities	<u>1,612,545</u>
Net Assets:	
Without donor restrictions	1,328,074
With donor restrictions	252,839
Total net assets	<u>1,580,913</u>
Total liabilities and net assets	<u>\$ 3,193,457</u>

The accompanying notes are an integral part of these financial statements

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

## Statement of Activities

For the Year Ended November 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Grants and contracts	\$ 6,419,270	\$ 206,382	\$ 6,625,652
In-kind contributions	604,923	-	604,923
Contributions	115,666	87,103	202,769
Other	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	189,915	252,839	442,754
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.**

Statement of Functional Expenses

For the Year Ended November 30, 2020

	Program Services			Management and General	Totals
	Head Start	Advocacy and Community Services	Total Program		
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	40,250	28,880	69,130	147,593	216,723
Travel	1,474	802	2,276	2,892	5,168
Space	414,561	23,321	437,882	53,913	491,795
Consumable supplies	113,456	6,734	120,190	10,194	130,384
In-kind expense	604,923	-	604,923	-	604,923
Other	119,279	2,956	122,235	23,725	145,960
Interest	39,019	-	39,019	-	39,019
Client assistance	980,142	-	980,142	-	980,142
Depreciation	74,680	-	74,680	-	74,680
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.**

**Statement of Cash Flows**

For the Year Ended November 30, 2020

Cash Flows from Operating Activities:	
Change in net assets	\$ 442,754
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	71,113
Amortization of loan fees	3,567
(Increase) decrease in:	
Grants and contracts receivable	(292,000)
Prepaid expenses	(144,809)
Increase (decrease) in:	
Accounts payable	37,554
Accrued wages and related liabilities	(50,424)
Deferred rent	17,571
Net Cash provided by operating activities	<u>85,325</u>
Cash Flows from Financing Activities:	
Principal payments on mortgage payable	<u>(43,537)</u>
Net Cash used in financing activities	<u>(43,537)</u>
Net change in cash and cash equivalents	41,788
Cash and cash equivalents, beginning of year	<u>344,560</u>
Cash and cash equivalents, end of year	<u>\$ 386,348</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<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 Year Ended November 30, 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 exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. 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).

# COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

## Notes to Financial Statements For the Year Ended November 30, 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 and amortization are 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 amortization 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 year ended November 30, 2020, respectively.

#### Revenue and Revenue Recognition

A significant portion of the revenue is derived from cost-reimbursable federal and state 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 refundable advances in the statement of financial position. No amounts have been received in advance under these federal and state contracts and grants.

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.

#### Grants and Contracts Receivable

Grants and contracts receivable consists primarily of noninterest-bearing amounts due to program activities under federal and state cost-reimbursable 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, 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, 2020, management has determined that the allowance would be immaterial.

#### Advertising

Advertising costs are expensed as incurred. Total advertising costs were \$4,088 for the year ended November 30, 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.

# COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.

## Notes to Financial Statements For the Year Ended November 30, 2020

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

#### 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 I).

#### 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. Expenses are charged directly to program and supporting services based on specific identification.

### NOTE B - GRANTS AND CONTRACTS RECEIVABLE:

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

U.S. Department of Health & Human Services:

Head Start Grant	\$ 340,108
Commonwealth of Massachusetts Supplemental Head Start Grant	170,883
Other governmental agencies	205,669
Total grants and contracts receivable	<u>\$ 716,660</u>

### NOTE C - 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 year ended November 30, 2020, the Organization received from this department \$4,263,412 or 57% of its total revenue.

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**  
Notes to Financial Statements  
For the Year Ended November 30, 2020

**NOTE D - 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.

**NOTE E - MORTGAGE PAYABLE:**

On January 25, 2016 the Organization refinanced its Boston Community Capital mortgage loans with a loan from East Boston Savings Bank. 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 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 during the year ended November 30, 2020, was \$35,452.

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

Mortgage payable at year end	1,146,665
Less: unamortized loan fees	71,164
Net	<u>\$ 1,075,501</u>

Annual maturities of long-term debt in each of the next five years and thereafter are as follows:

2021	43,502
2022	44,840
2023	46,318
2024	47,550
2025	49,101
Thereafter	915,354
Total	<u>\$ 1,146,665</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, 2020.

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

**NOTE F- OPERATING LEASES:**

The Organization leases equipment, office and classroom space under various operating leases. Rent expense for the year ended November 30, 2020, was \$335,277. The approximate minimum future rental commitments under all such operating leases are as follows as of November 30:

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Notes to Financial Statements  
For the Year Ended November 30, 2020

**NOTE F - OPERATING LEASES (continued):**

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

**NOTE G - TAX-DEFERRED ANNUITY PLAN:**

During the year ended November 30, 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. Expenses related to these plans was \$120,220 for the year ended November 30, 2020.

**NOTE H - LIQUIDITY AND AVAILABILITY:**

Financial assets available within one year for general expenditure were as follows for the year ending November 30, 2020:

Financial assets at year end:

Cash	\$ 386,348
Grants and contracts receivable	716,660
Total financial assets at year end	<u>1,103,008</u>
Less amounts not available for general expenditures	<u>(252,839)</u>
Financial assets available for general expenditure within one year	<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 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, which it could draw upon.

**NOTE I - DONATED PROFESSIONAL SERVICES, MATERIALS AND FACILITIES:**

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

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Notes to Financial Statements  
For the Year Ended November 30, 2020

**NOTE I - DONATED SERVICES, MATERIALS AND FACILITIES (continued):**

	Program Services	Management and General	Total
Consultants	\$ 205,018	\$ -	\$ 205,018
Rent	292,399	-	292,399
Supplies	107,506	-	107,506
	<u>\$ 604,923</u>	<u>\$ -</u>	<u>\$ 604,923</u>

**NOTE J - 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 2020, 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, 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, 2020.

**NOTE K - NET ASSETS WITH DONOR RESTRICTIONS:**

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

Subject to expenditure for specified purpose:

Revitalization of low-income communities	\$ 72,946
Family emergency fund	133,437
Homeless prevention	46,456
Total	<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 year ended November 30,2020:

Homeless prevention	40,646
Total	<u>\$ 40,646</u>

**NOTE L - SUBSEQUENT EVENTS:**

The Organization has evaluated subsequent events through July 19, 2021, the date which the financial statements were available to be issued. 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.

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Schedule of Expenditures of Federal Awards

For the Year Ended November 30, 2020

<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:			
Direct Program thru ACF:			
Head Start	93.600	N/A	\$ 4,263,731
Total Head Start			<u>4,263,731</u>
CSBG Cluster			
Passed Through MA DHCD:			
Community Services Block Grant	93.569	OCDSOCD42001260BG04000	390,724
Total CSBG			<u>390,724</u>
Total U.S. Department of Health and Human Services			<u>4,654,455</u>
U.S Department of Agriculture:			
Passed thru MA DOE:			
Child and Adult Care Food Program	10.558	DOESCDOE12758N70532117A	78,363
Total U.S Department of Agriculture			<u>78,363</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,732,818</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.

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, 2020. 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.

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Schedule of Expenditures of Federal Awards

For the Year Ended November 30, 2020

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 and OMB Circular A-122, Costs Principles for Non-Profit Organizations*, 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.



**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Summary Schedule of Prior Audit Findings

For the Year Ended November 30, 2020

Finding No:

**2019-001** Lack of skills, knowledge and experience of Director of Finance

**Corrective Action Taken:**

**Corrected** The Organization outsourced the Director of Finance responsibilities to an accounting firm with extensive not-for-profit experience.

Finding No:

**2019-002** Compensation of Executive Director

**Corrective Action Taken:**

**Corrected** The Executive Director's compensation was approved by the Board of Directors and documented in the Board of Directors' minutes.

Finding No:

**2019-003** Submission of audit package and data collection form

**Corrective Action Taken:**

**Corrected** Audit package was submitted to Federal Audit Clearinghouse and Data Collection Form is expected to be filed on time for fiscal year 2020.

Finding No:

**2019-004** Lack of skills, knowledge and experience of Director of Finance

**Corrective Action Taken:**

**Corrected** The Organization outsourced the Director of Finance responsibilities to an accounting firm with extensive not-for-profit experience.

Finding No:

**2019-005** Unallowable Activities and Unallowable Costs

**Corrective Action Taken:**

**Corrected** The Board of Directors reviewed compensation policy and approved salary increases.

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Summary Schedule of Prior Audit Findings

For the Year Ended November 30, 2020

Finding No:

**2019-006** Property and Equipment Tracking

**Corrective Action Taken:**

**Corrected**

The Organization implemented changes within the fiscal department to maintain property and maintenance records in compliance with Federal program requirements.

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, 2020, 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 July 19, 2021.

**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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be material weaknesses.

## **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*.

## **Community Action Agency of Somerville, Inc. 's Response to Findings**

Community Action Agency of Somerville, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Agency of Somerville, Inc. response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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*

Osterville, Massachusetts  
July 19, 2021

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, 2020. 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 audit requirements of Title 2 *U.S. Code of Federal Regulation, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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, 2020.

## 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 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 deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

Community Action Agency of Somerville, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Agency of Somerville, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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*

Osterville, Massachusetts

July 19, 2021

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Schedule of Findings and Questioned Costs

For the Year Ended November 30, 2020

**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>  X  </u> yes	<u>          </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>  X  </u> yes	<u>          </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>      X      </u> none reported

Type of auditor's report issued on compliance with major programs:	Unmodified
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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
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Identification of Major 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 BY GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS.**

**Material Weakness**

*Finding # 2020-001: See description below.*

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**  
Schedule of Findings and Questioned Costs  
For the Year Ended November 30, 2020

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

***Material Weakness***

*Finding # 2020-001:* Lack of sufficient internal control to provide reasonable assurance that federal awards are expended for allowable cost and that the cost is charged to federal awards in accordance with applicable cost principles.

*Program information:* CFDA # 93.600 Head Start, Year ended November 30, 2020, U.S. Department of Health and Human Services.

*Criteria:* 2 CFR Section 200.303

*Condition:* Lack of timely reconciliation of actual (incurred) shared staff cost to cost charged to the program that could lead to over- or under-charging of program cost.

*Cause:* Supporting documentation of actual payroll cost incurred is not used as a basis of payroll drawdowns in timely manner.

*Effect:* Increased risk of allocating unallowable shared payroll costs to federal programs.

*Recommendation:* 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.

*Repeat finding:* No

*Statistical sampling:* No. Audit finding represents a systematic issue.

*Views of responsible officials:* The agency agrees with findings. The Board of Directors will implement controls and procedures to ensure only allowable cost is charged to federal programs in compliance with federal program requirements. Cost allocations will be reviewed for accuracy.



**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.**

Corrective Action Plan

2 CFR § 200.511 ( c )

For the Year Ended November 30, 2020

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
2020-001	The agency took corrective action prior to during FY20 and as noted in the FY19 audit, by outsourcing the Director of Finance responsibilities to an accounting firm with extensive not-for-profit experience which includes over 10 years Head Start and CSBG experience. Responsibilities include the development and implementation of improved internal controls, along with timely reconciliation, review, and reporting processes that comply with requirements surrounding government funded agencies. The consultant is also assisting with training of internal staff and the updating of the Fiscal Policy and Procedural Manual, as well as compiling a month-end checklist to ensure CAA Best Business Practices are maintained.	30-Nov-21	David Gibbs, Executive Director