

**COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
AND SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL
YEAR ENDED JUNE 30, 2017**

**COMMUNITY SERVINGS, INC. AND AFFILIATES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Servings, Inc. and Affiliates
Jamaica Plain, Massachusetts

Report on the Financial Statements

We have audited the accompanying combining financial statements of Community Servings, Inc. and Affiliates (a nonprofit organization), which comprise the combining statements of financial position as of June 30, 2017 and 2016, and the related combining statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the individual and combining financial positions of Community Servings, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combining 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 combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 combining 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 December 14, 2017, on our consideration of Community Servings, Inc. and Affiliates' internal control over financial reporting and on our tests of their 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 the Community Servings, Inc. and Affiliates 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 Servings, Inc. and Affiliates' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 14, 2017

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 (with summarized comparative totals for June 30, 2016)

	<u>ASSETS</u>						2016
	2017						
	<u>Community Servings, Inc.</u>			<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Total</u>	
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>					
Current assets:							
Cash and cash equivalents	\$ 2,748,013	\$ 733,681	\$ 3,481,694	\$ 323,408	\$ 3,603	\$ 3,808,705	\$ 2,448,874
Cash held in escrow	-	-	-	96,739	-	96,739	254,243
Accounts receivable	335,635	-	335,635	586	-	336,221	279,659
Grants and pledges receivable, current portion	782,390	-	782,390	-	-	782,390	382,566
Food supplies	97,053	-	97,053	-	-	97,053	133,204
Prepaid expenses and other current assets	84,950	-	84,950	-	-	84,950	63,751
Due (to) from related party	243,379	-	243,379	(242,879)	(500)	-	-
Total current assets	<u>4,291,420</u>	<u>733,681</u>	<u>5,025,101</u>	<u>177,854</u>	<u>3,103</u>	<u>5,206,058</u>	<u>3,562,297</u>
Grants and contributions receivable, net of current portion	<u>1,741,812</u>	<u>-</u>	<u>1,741,812</u>	<u>-</u>	<u>-</u>	<u>1,741,812</u>	<u>406,086</u>
Property and equipment, net	<u>293,605</u>	<u>-</u>	<u>293,605</u>	<u>10,108,058</u>	<u>-</u>	<u>10,401,663</u>	<u>10,390,553</u>
TOTAL ASSETS	<u>\$ 6,326,837</u>	<u>\$ 733,681</u>	<u>\$ 7,060,518</u>	<u>\$ 10,285,912</u>	<u>\$ 3,103</u>	<u>\$ 17,349,533</u>	<u>\$ 14,358,936</u>
	<u>LIABILITIES AND NET ASSETS</u>						
	2017						2016
	<u>Community Servings, Inc.</u>			<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Total</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>				
Current liabilities:							
Accounts payable	\$ 130,216	\$ -	\$ 130,216	\$ 16,307	\$ -	\$ 146,523	\$ 565,131
Accrued expenses	276,010	-	276,010	6,524	-	282,534	256,322
Unearned revenue	66,058	-	66,058	-	-	66,058	24,279
Total current liabilities	<u>472,284</u>	<u>-</u>	<u>472,284</u>	<u>22,831</u>	<u>-</u>	<u>495,115</u>	<u>845,732</u>
Long-term debt:							
Bond payable	-	-	-	3,638,976	-	3,638,976	3,612,853
Note payable	-	-	-	315,323	-	315,323	-
Total other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954,299</u>	<u>-</u>	<u>3,954,299</u>	<u>3,612,853</u>
Total liabilities	<u>472,284</u>	<u>-</u>	<u>472,284</u>	<u>3,977,130</u>	<u>-</u>	<u>4,449,414</u>	<u>4,458,585</u>
Net assets:							
Unrestricted:							
Operating	5,517,926	-	5,517,926	33,989	3,103	5,555,018	2,283,992
Board designated - reserve	43,022	-	43,022	121,034	-	164,056	187,700
Property and equipment	293,605	-	293,605	6,153,759	-	6,447,364	6,703,696
Total unrestricted	<u>5,854,553</u>	<u>-</u>	<u>5,854,553</u>	<u>6,308,782</u>	<u>3,103</u>	<u>12,166,438</u>	<u>9,175,388</u>
Temporarily restricted	<u>-</u>	<u>733,681</u>	<u>733,681</u>	<u>-</u>	<u>-</u>	<u>733,681</u>	<u>724,963</u>
Total net assets	<u>5,854,553</u>	<u>733,681</u>	<u>6,588,234</u>	<u>6,308,782</u>	<u>3,103</u>	<u>12,900,119</u>	<u>9,900,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,326,837</u>	<u>\$ 733,681</u>	<u>\$ 7,060,518</u>	<u>\$ 10,285,912</u>	<u>\$ 3,103</u>	<u>\$ 17,349,533</u>	<u>\$ 14,358,936</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

2016

	<u>Community Servings, Inc.</u>			<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>			
Current assets:						
Cash and cash equivalents	\$ 1,378,729	\$ 724,963	\$ 2,103,692	\$ 340,546	\$ 4,636	\$ 2,448,874
Cash held in escrow	-	-	-	254,243	-	254,243
Accounts receivable	273,153	-	273,153	6,506	-	279,659
Current portion of grants and pledges receivable	382,566	-	382,566	-	-	382,566
Food supplies	133,204	-	133,204	-	-	133,204
Prepaid expenses and other current assets	60,827	-	60,827	2,924	-	63,751
Due (to) from related party	226,235	-	226,235	(225,235)	(1,000)	-
Total current assets	<u>2,454,714</u>	<u>724,963</u>	<u>3,179,677</u>	<u>378,984</u>	<u>3,636</u>	<u>3,562,297</u>
Grants and contributions receivable, net of current portion	<u>406,086</u>	<u>-</u>	<u>406,086</u>	<u>-</u>	<u>-</u>	<u>406,086</u>
Property and equipment, net	<u>287,620</u>	<u>-</u>	<u>287,620</u>	<u>10,102,933</u>	<u>-</u>	<u>10,390,553</u>
TOTAL ASSETS	<u>\$ 3,148,420</u>	<u>\$ 724,963</u>	<u>\$ 3,873,383</u>	<u>\$ 10,481,917</u>	<u>\$ 3,636</u>	<u>\$ 14,358,936</u>

LIABILITIES AND NET ASSETS

2016

	<u>Community Servings, Inc.</u>			<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>			
Current liabilities:						
Accounts payable	\$ 258,333	\$ -	\$ 258,333	\$ 306,798	\$ -	\$ 565,131
Accrued expenses	240,031	-	240,031	16,291	-	256,322
Unearned revenue	24,279	-	24,279	-	-	24,279
Total current liabilities	<u>522,643</u>	<u>-</u>	<u>522,643</u>	<u>323,089</u>	<u>-</u>	<u>845,732</u>
Long-term debt:						
Bond payable	-	-	-	3,612,853	-	3,612,853
Total liabilities	<u>522,643</u>	<u>-</u>	<u>522,643</u>	<u>3,935,942</u>	<u>-</u>	<u>4,458,585</u>
Net assets:						
Unrestricted:						
Operating	2,271,491	-	2,271,491	8,865	3,636	2,283,992
Board designated - reserve	66,666	-	66,666	121,034	-	187,700
Property and equipment	287,620	-	287,620	6,416,076	-	6,703,696
Total unrestricted	<u>2,625,777</u>	<u>-</u>	<u>2,625,777</u>	<u>6,545,975</u>	<u>3,636</u>	<u>9,175,388</u>
Temporarily restricted	<u>-</u>	<u>724,963</u>	<u>724,963</u>	<u>-</u>	<u>-</u>	<u>724,963</u>
Total net assets	<u>2,625,777</u>	<u>724,963</u>	<u>3,350,740</u>	<u>6,545,975</u>	<u>3,636</u>	<u>9,900,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,148,420</u>	<u>\$ 724,963</u>	<u>\$ 3,873,383</u>	<u>\$ 10,481,917</u>	<u>\$ 3,636</u>	<u>\$ 14,358,936</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017 (with summarized comparative totals for June 30, 2016)

	2017						2016	
	Community Servings, Inc.							
	Unrestricted	Temporarily Restricted	Total	Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total	Total
Revenue and support:								
Grants and contributions	\$ 1,167,268	\$ 852,926	\$ 2,020,194	\$ -	\$ -	\$ -	\$ 2,020,194	\$ 1,520,765
Contracts	1,895,769	-	1,895,769	-	-	-	1,895,769	1,673,257
Events	1,560,427	-	1,560,427	-	-	-	1,560,427	1,388,610
Program income	1,244,107	-	1,244,107	-	-	-	1,244,107	895,843
Donated goods and services	76,521	-	76,521	-	-	-	76,521	190,493
Other revenue	17,600	-	17,600	39,231	2	(30,000)	26,833	7,727
Net assets released from restrictions	<u>896,826</u>	<u>(896,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,858,518</u>	<u>(43,900)</u>	<u>6,814,618</u>	<u>39,231</u>	<u>2</u>	<u>(30,000)</u>	<u>6,823,851</u>	<u>5,676,695</u>
Operating expenses:								
Program services:								
Nutrition	4,371,282	-	4,371,282	-	-	(23,712)	4,347,570	4,151,840
Training	203,467	-	203,467	-	-	(3,132)	200,335	209,953
Policy	<u>187,805</u>	<u>-</u>	<u>187,805</u>	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>187,733</u>	<u>-</u>
Total program services	<u>4,762,554</u>	<u>-</u>	<u>4,762,554</u>	<u>-</u>	<u>-</u>	<u>(26,916)</u>	<u>4,735,638</u>	<u>4,361,793</u>
Supporting expenses:								
General and administrative	603,633	-	603,633	-	-	(1,149)	602,484	576,775
Fundraising	<u>870,247</u>	<u>-</u>	<u>870,247</u>	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>868,312</u>	<u>794,527</u>
Total supporting expenses	<u>1,473,880</u>	<u>-</u>	<u>1,473,880</u>	<u>-</u>	<u>-</u>	<u>(3,084)</u>	<u>1,470,796</u>	<u>1,371,302</u>
Marbury Terrace, Inc.	-	-	-	276,998	-	-	276,998	272,424
CS Amory, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>-</u>	<u>535</u>	<u>4,374</u>
Total operating expenses	<u>6,236,434</u>	<u>-</u>	<u>6,236,434</u>	<u>276,998</u>	<u>535</u>	<u>(30,000)</u>	<u>6,483,967</u>	<u>6,009,893</u>
Changes in net assets from operations	622,084	(43,900)	578,184	(237,767)	(533)	-	339,884	(333,198)
Non-operating activities:								
Capital grants and contributions, net	-	2,864,407	2,864,407	-	-	-	2,864,407	662,345
Capital grants released from restrictions	2,811,789	(2,811,789)	-	-	-	-	-	-
Capital planning expenses	(215,110)	-	(215,110)	-	-	-	(215,110)	(260,180)
Other non-operating expenses	-	-	-	-	-	-	-	(16,535)
Investment income	10,013	-	10,013	574	-	-	10,587	6,896
Interest on mortgage notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,056)</u>
Total non-operating activities	<u>2,606,692</u>	<u>52,618</u>	<u>2,659,310</u>	<u>574</u>	<u>-</u>	<u>-</u>	<u>2,659,884</u>	<u>375,470</u>
Changes in net assets	3,228,776	8,718	3,237,494	(237,193)	(533)	-	2,999,768	42,272
Net assets - Beginning	<u>2,625,777</u>	<u>724,963</u>	<u>3,350,740</u>	<u>6,545,975</u>	<u>3,636</u>	<u>-</u>	<u>9,900,351</u>	<u>9,858,079</u>
NET ASSETS - ENDING	<u>\$ 5,854,553</u>	<u>\$ 733,681</u>	<u>\$ 6,588,234</u>	<u>\$ 6,308,782</u>	<u>\$ 3,103</u>	<u>\$ -</u>	<u>\$ 12,900,119</u>	<u>\$ 9,900,351</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

2016

	Community Servings, Inc.			Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total				
Revenue and support:							
Grants and contributions	\$ 1,074,265	\$ 446,500	\$ 1,520,765	\$ -	\$ -	\$ -	\$ 1,520,765
Contracts	1,673,257	-	1,673,257	-	-	-	1,673,257
Events	1,388,610	-	1,388,610	-	-	-	1,388,610
Program income	895,843	-	895,843	-	-	-	895,843
Donated goods and services	105,918	-	105,918	84,575	-	-	190,493
Other revenue	-	-	-	34,906	2,821	(30,000)	7,727
Net assets released from restrictions	<u>1,039,905</u>	<u>(1,039,905)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,177,798</u>	<u>(593,405)</u>	<u>5,584,393</u>	<u>119,481</u>	<u>2,821</u>	<u>(30,000)</u>	<u>5,676,695</u>
Operating expenses:							
Program services:							
Nutrition	4,175,624	-	4,175,624	-	-	(23,784)	4,151,840
Training	<u>213,085</u>	<u>-</u>	<u>213,085</u>	<u>-</u>	<u>-</u>	<u>(3,132)</u>	<u>209,953</u>
Total program services	<u>4,388,709</u>	<u>-</u>	<u>4,388,709</u>	<u>-</u>	<u>-</u>	<u>(26,916)</u>	<u>4,361,793</u>
Supporting expenses:							
General and administrative	577,924	-	577,924	-	-	(1,149)	576,775
Fundraising	<u>796,462</u>	<u>-</u>	<u>796,462</u>	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>794,527</u>
Total supporting expenses	<u>1,374,386</u>	<u>-</u>	<u>1,374,386</u>	<u>-</u>	<u>-</u>	<u>(3,084)</u>	<u>1,371,302</u>
Marbury Terrace, Inc.	-	-	-	272,424	-	-	272,424
CS Amory, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,374</u>	<u>-</u>	<u>4,374</u>
Total operating expenses	<u>5,763,095</u>	<u>-</u>	<u>5,763,095</u>	<u>272,424</u>	<u>4,374</u>	<u>(30,000)</u>	<u>6,009,893</u>
Changes in net assets from operations	<u>414,703</u>	<u>(593,405)</u>	<u>(178,702)</u>	<u>(152,943)</u>	<u>(1,553)</u>	<u>-</u>	<u>(333,198)</u>
Non-operating activities:							
Capital grants and contributions, net	-	662,345	662,345	-	-	-	662,345
Capital grants released from restriction	714,316	(714,316)	-	-	-	-	-
Capital planning expenses	(260,180)	-	(260,180)	-	-	-	(260,180)
Other non-operating expenses	(16,535)	-	(16,535)	-	-	-	(16,535)
Investment income	6,461	-	6,461	435	-	-	6,896
Interest on mortgage notes	<u>(17,056)</u>	<u>-</u>	<u>(17,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,056)</u>
Total non-operating activities	<u>427,006</u>	<u>(51,971)</u>	<u>375,035</u>	<u>435</u>	<u>-</u>	<u>-</u>	<u>375,470</u>
Changes in net assets	841,709	(645,376)	196,333	(152,508)	(1,553)	-	42,272
Net assets - Beginning	1,784,068	1,370,339	3,154,407	5,601,021	1,102,651	-	9,858,079
Transfer of net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,462</u>	<u>(1,097,462)</u>	<u>-</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 2,625,777</u>	<u>\$ 724,963</u>	<u>\$ 3,350,740</u>	<u>\$ 6,545,975</u>	<u>\$ 3,636</u>	<u>\$ -</u>	<u>\$ 9,900,351</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Nutrition	Training	Policy	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Community Servings, Inc.	Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total
Community Servings, Inc.:												
Salaries and related	\$ 1,991,031	\$ 128,600	\$ 109,381	\$ 2,229,012	\$ 552,196	\$ 386,037	\$ 938,233	\$ 3,167,245	\$ -	\$ -	\$ -	\$ 3,167,245
Food and kitchen supplies	1,601,809	8,734	-	1,610,543	-	-	-	1,610,543	-	-	-	1,610,543
Occupancy	332,326	29,731	671	362,728	9,720	16,364	26,084	388,812	-	-	(30,000)	358,812
Contracted services	73,489	16,696	71,693	161,878	27,367	131,091	158,458	320,336	-	-	-	320,336
Event expenses	-	-	-	-	-	254,582	254,582	254,582	-	-	-	254,582
Donated goods and services	76,521	-	-	76,521	-	-	-	76,521	-	-	-	76,521
Delivery	130,690	-	-	130,690	-	-	-	130,690	-	-	-	130,690
Other expenses	68,556	8,276	5,259	82,091	8,350	39,560	47,910	130,001	-	-	-	130,001
Equipment	64,308	8,185	166	72,659	2,644	4,833	7,477	80,136	-	-	-	80,136
Office expenses	<u>32,552</u>	<u>3,245</u>	<u>635</u>	<u>36,432</u>	<u>3,356</u>	<u>37,780</u>	<u>41,136</u>	<u>77,568</u>	-	-	-	<u>77,568</u>
Subtotal	<u>4,371,282</u>	<u>203,467</u>	<u>187,805</u>	<u>4,762,554</u>	<u>603,633</u>	<u>870,247</u>	<u>1,473,880</u>	<u>6,236,434</u>	-	-	<u>(30,000)</u>	<u>6,206,434</u>
Marbury Terrace, Inc.:												
Depreciation and amortization	-	-	-	-	-	-	-	-	222,979	-	-	222,979
Rental operating expenses	-	-	-	-	-	-	-	-	<u>54,019</u>	-	-	<u>54,019</u>
Subtotal	-	-	-	-	-	-	-	-	<u>276,998</u>	-	-	<u>276,998</u>
CS Amory, Inc.:												
Rental operating expenses	-	-	-	-	-	-	-	-	-	<u>535</u>	-	<u>535</u>
TOTAL EXPENSES	<u>\$ 4,371,282</u>	<u>\$ 203,467</u>	<u>\$ 187,805</u>	<u>\$ 4,762,554</u>	<u>\$ 603,633</u>	<u>\$ 870,247</u>	<u>\$ 1,473,880</u>	<u>\$ 6,236,434</u>	<u>\$ 276,998</u>	<u>\$ 535</u>	<u>\$ (30,000)</u>	<u>\$ 6,483,967</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Nutrition	Training	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Community Servings, Inc.	Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total
Community Servings, Inc.:											
Salaries and related	\$ 1,977,218	\$ 146,096	\$ 2,123,314	\$ 531,054	\$ 359,171	\$ 890,225	\$ 3,013,539	\$ -	\$ -	\$ -	\$ 3,013,539
Food and kitchen supplies	1,312,718	4,660	1,317,378	-	-	-	1,317,378	-	-	-	1,317,378
Occupancy	363,438	30,539	393,977	15,788	24,636	40,424	434,401	-	-	(30,000)	404,401
Contracted services	108,228	13,440	121,668	23,040	151,163	174,203	295,871	-	-	-	295,871
Event expenses	-	-	-	-	208,468	208,468	208,468	-	-	-	208,468
Donated goods and services	99,918	-	99,918	-	6,000	6,000	105,918	-	-	-	105,918
Delivery	124,357	-	124,357	-	-	-	124,357	-	-	-	124,357
Other expenses	93,589	7,567	101,156	2,549	32,922	35,471	136,627	-	-	-	136,627
Equipment	66,395	2,394	68,789	-	-	-	68,789	-	-	-	68,789
Office expenses	29,763	8,389	38,152	5,493	14,102	19,595	57,747	-	-	-	57,747
Subtotal	<u>4,175,624</u>	<u>213,085</u>	<u>4,388,709</u>	<u>577,924</u>	<u>796,462</u>	<u>1,374,386</u>	<u>5,763,095</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>5,733,095</u>
Marbury Terrace, Inc.:											
Depreciation and amortization	-	-	-	-	-	-	-	214,660	-	-	214,660
Rental operating expenses	-	-	-	-	-	-	-	57,764	-	-	57,764
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,424</u>	<u>-</u>	<u>-</u>	<u>272,424</u>
CS Amory, Inc.:											
Rental operating expenses	-	-	-	-	-	-	-	-	4,374	-	4,374
TOTAL EXPENSES	<u>\$ 4,175,624</u>	<u>\$ 213,085</u>	<u>\$ 4,388,709</u>	<u>\$ 577,924</u>	<u>\$ 796,462</u>	<u>\$ 1,374,386</u>	<u>\$ 5,763,095</u>	<u>\$ 272,424</u>	<u>\$ 4,374</u>	<u>\$ (30,000)</u>	<u>\$ 6,009,893</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating activities:		
Changes in net assets	\$ 2,999,768	\$ 42,272
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	335,070	323,532
Grants and contributions, net	(2,864,407)	(662,345)
Write-off of bond financing costs	-	16,535
Changes in assets and liabilities:		
Accounts receivable	(56,562)	38,638
Grants and pledges receivable	48,125	514,656
Food supplies	36,151	(59,958)
Prepaid expenses	(21,199)	50,571
Accounts payable	(418,608)	420,721
Accrued expenses	26,212	(45,296)
Unearned revenue	<u>41,779</u>	<u>24,279</u>
Net cash provided by operating activities	<u>126,329</u>	<u>663,605</u>
Investing activities:		
Acquisition of property and equipment	<u>(320,057)</u>	<u>(1,944,755)</u>
Financing activities:		
Capital grants and contributions received	1,080,732	129,500
Proceeds from long-term debt	315,323	1,750,000
Change in escrow accounts	157,504	(254,243)
Bond financing costs	<u>-</u>	<u>(156,739)</u>
Net cash provided by financing activities	<u>1,553,559</u>	<u>1,468,518</u>
Net increase in cash and cash equivalents	1,359,831	187,368
Cash and cash equivalents - beginning	<u>2,448,874</u>	<u>2,261,506</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,808,705</u>	<u>\$ 2,448,874</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 79,083</u>	<u>\$ 74,473</u>
Supplemental disclosures of non-cash investing and financing activities:		
Payment of notes payable through acquisition of bonds financing	<u>\$ -</u>	<u>\$ 2,000,000</u>

See accompanying notes to combining financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1. ORGANIZATION

Community Servings, Inc. (“CS”) is a Massachusetts community-based nonprofit organization which provides nutritious, made-from-scratch meals to homebound individuals and their families who are critically ill. Prepared meals are medically tailored to meet the medical and nutritional needs of individuals with HIV/AIDS, cancer, diabetes, and other illnesses.

As the only program of its kind in New England, Community Servings, Inc. serves over 2,000 people in 20 cities and towns in Massachusetts using more than 57,000 pounds of produce which is donated each year by local farms and purveyors. Community Servings, Inc. hosts more than 600 volunteers each month who assist in preparation and packaging of meals delivered to those in need.

Community Servings, Inc.'s meals program offers nutrition counseling and education to both clients and nutritionally-vulnerable individuals in the community to help manage health issues through changes in diet and provide healthier food choices. Community Servings, Inc. also offers a 12-week food service job training program for those facing barriers to employment. While learning both culinary and job readiness skills, trainees assist in preparation of meals for clients while gaining valuable work experience. Community Servings’ Food and Health Policy program partners with healthcare providers, payers, and researchers to demonstrate the impact of our medically-tailored meals in the treatment of patients’ health conditions.

Marbury Terrace, Inc. (“MT”) and CS Amory, Inc. (“Amory”) were incorporated as Massachusetts nonprofit organizations to hold certain real estate and related debt. MT and Amory are related to CS through common board of directors membership.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combining financial statements include the accounts of CS, MT and Amory (collectively, the “Agency”). The combining financial statements of the Agency have been prepared on the accrual basis. All significant intercompany accounts and transactions have been eliminated in the accompanying combining financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Agency follows the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Subtopic *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions. The Agency has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of the Agency.

Board designated – reserve net assets represent funds set aside by the board of directors for operating needs, building fund, and equipment reserve (see Note 8).

Property and equipment net assets reflect and account for the activities relating to the Agency's property and equipment, net of related debt.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes. As of June 30, 2017 and 2016, the Agency had no permanently restricted net assets.

Use of Estimates

The preparation of the combining financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operations

The combining statements of activities and changes in net assets report the changes in unrestricted and temporarily restricted net assets from operating and non-operating activities. Operating activities consist of those revenues and expenses related to supporting the Agency's programs and operations. Non-operating activities consist of capital campaign contributions and related costs or write offs, interest on mortgage notes and investment earnings, as well as unusual items or other items not directly related to the Agency's general programs.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

Contract revenue is recorded as the related services are rendered and costs are incurred. Event revenue is recognized at the time of the event. All other revenue is recorded when earned.

Donated Goods and Services

The Agency receives donated goods and services from organizations and other volunteers in support of various aspects of its programs. Donated services are recognized as contributions at fair market value if the services create or enhance non-financial assets or require specialized skills, which would otherwise be purchased. These goods and services are reflected in the accompanying combining financial statements based upon the estimated value assigned to them by the donating volunteers, agencies or by management. The Agency also receives services of volunteers which are not reflected in the combining financial statements since they do not meet this recognition criteria (Note 9).

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. The Agency maintains its cash in bank deposit accounts, which, at times, may exceed federal insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the need for an allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2017 and 2016, management believes all receivables are collectible in full and therefore no allowance has been recorded.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value on the date of the contribution. Minor renovations and repairs are charged to operations as incurred. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their respective estimated useful lives, as follows:

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

<u>Description</u>	<u>Years</u>
Buildings	40
Building improvements	10
Vehicles	7
Office and kitchen equipment	3-10

Expenditures for major renewals and improvements are capitalized while expenditures for maintenance are expensed as incurred.

Construction in Progress

Costs associated with construction of major projects are accumulated until completion of the project. The completed asset is then depreciated over its useful life after being placed in service.

Valuation of Long-Lived Assets

The Agency accounts for the valuation of long-lived assets in accordance with the FASB Topic Property, Plant and Equipment. The FASB ASC Topic Property, Plant and Equipment requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At June 30, 2017 and 2016, the Agency has determined that no long-lived assets are impaired.

Loan Acquisition Costs

The Agency has capitalized the costs associated with obtaining bond and long-term debt financing (Note 6) and are presented net of the outstanding long-term debt. Loan acquisition costs totaling \$156,739 at June 30, 2017 and 2016, are amortized on a straight-line basis over the life of the related loan. At June 30, 2017 and 2016, accumulated amortization totaled \$45,715 and \$19,592, respectively.

Income Taxes

CS, MT, and Amory are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and accordingly, no provision for income taxes has been recorded in the accompanying combining financial statements. The Agency accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. This Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. This Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At June 30, 2017 and 2016, management believes that the Agency has no material uncertain tax positions.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expense

The costs of providing the Agency's programs and activities have been summarized on a functional basis in the accompanying combining statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts included in the 2016 combining financial statements have been reclassified to conform to the 2017 presentation. These reclassifications do not have a material effect on the prior year financial statements.

Recently Issued But Not Yet Effective Accounting Pronouncements

Financial Statement Presentation - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The effect of adopting ASU 2016-14 on the Organization's combining financial statements has not yet been determined.

Revenue - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in United States generally accepted accounting principles ("US GAAP"), including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The effect, if any, that ASU 2014-09 will have on the Organization's combining financial statements has not yet been determined.

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The effect that ASU 2016-02 will have on the Organization's combining financial statements has not yet been determined.

Subsequent Events

The Agency has evaluated all events subsequent to the combining statement of financial position date of June 30, 2017, through the date which the combining financial statements were available to be issued, December 14, 2017, and has determined that there are no subsequent events that require disclosure under FASB ASC *Subsequent Events*.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional gifts to be received in future periods and are discounted to their present value based on anticipated payment streams. The discount rates on contributions receivable are calculated at 2.5% and 3% for the year ended June 30, 2017 and 2016, respectively. Unconditional contributions receivable at June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Contributions for programs	\$ 257,640	\$ 262,791
Contributions for capital campaign	<u>2,365,423</u>	<u>569,000</u>
Gross contributions receivable	2,623,063	831,791
Less unamortized discount	<u>98,861</u>	<u>43,139</u>
Net contributions receivable	<u>\$ 2,524,202</u>	<u>\$ 788,652</u>
Gross contributions:		
Receivable in less than one year	\$ 782,390	\$ 382,566
Receivable in one to five years	<u>1,840,673</u>	<u>449,225</u>
	<u>\$ 2,623,063</u>	<u>\$ 831,791</u>

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 3,391,837	\$ 3,391,838
Buildings and improvements	7,422,121	7,386,365
Kitchen equipment	703,214	660,372
Vehicles	357,690	308,113
Office equipment	185,040	186,832
Construction in progress	<u>939,824</u>	<u>773,599</u>
	12,999,726	12,707,119
Less accumulated depreciation	<u>2,598,063</u>	<u>2,316,566</u>
Property and equipment, net	<u>\$ 10,401,663</u>	<u>\$ 10,390,553</u>

Construction in progress at June 30, 2017 and 2016, of \$939,824 and \$773,599, respectively, consisted of demolition and development costs incurred by MT related to the construction of a new building for the Agency's program operations on Amory Street.

Depreciation expense for the years ended June 30, 2017 and 2016, totaled \$308,947 and \$303,941, respectively.

NOTE 5. DEMAND NOTE PAYABLE, BANK

The Agency has a \$750,000 line of credit with a bank. Outstanding balances bear interest at the bank's base rate less 0.5% (3.00% at June 30, 2017 and 2016). At June 30, 2017 and 2016, there was no outstanding balance on the line of credit. The line of credit agreement expires on July 1, 2018, and is renewed on an annual basis.

**COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 6. LONG-TERM DEBT

In October 2015, MT purchased property located at 179 Amory Street. In order to finance this acquisition, as well as the renovation of the MT property, demolition of the existing building at the Amory property, and preliminary expenditures related to the future expansion of the MT property (collectively, the “project”), MT entered into agreements with the Massachusetts Development Finance Agency (“MFDA”) and a bank in connection with the issuance of \$3,750,000 of MFDA Revenue Bonds, Series 2015A (“Series 2015A bonds”), and \$750,000 of MDFA Revenue Bonds, Series 2015B (“Series 2015B bonds”). The Agency did not draw down on the \$750,000 Series 2015B bond at June 30, 2017 and 2016.

On June 30, 2017, the Agency entered into an interest-free loan agreement with the City of Boston for up to \$325,000, which the Agency is planning to use for costs related to the project. At June 30, 2017, the Agency has drawn \$315,323 on this loan.

The details of long-term debt are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Marbury Terrace, Inc.:		
MDFA Revenue Bond Series 2015A in the amount of \$3,750,000; interest at an annual rate of 2.08% and is due monthly through October 9, 2018, at which time the interest rate changes 69% times the sum of the Federal Home Loan Bank Rate effective as of that date, plus 2.2%, through the maturity date October 9, 2021. Total unpaid principal and interest is due on maturity, October 9, 2021. Undistributed proceeds of \$96,739 and \$254,243 were held in escrow by the bank at June 30, 2017 and 2016. Interest expense of \$79,084 and \$57,417 has been capitalized.	\$ 3,750,000	\$ 3,750,000
Mortgage note payable to the City of Boston, DND. The note bears no interest and no payment are required until the loan maturity date. The maturity date of the loan shall be the earliest of June 30, 2026, the date the property is sold, transferred or mortgaged, or the date the Agency closes on a construction loan for its planned expansion. The loan is collateralized by real estate.	<u>315,323</u>	<u>-</u>
	4,065,323	3,750,000
Less deferred financing costs, net	<u>111,024</u>	<u>137,147</u>
Total long-term debt	<u>\$ 3,954,299</u>	<u>\$ 3,612,853</u>

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose restrictions	\$ 159,555	\$ 460,288
Time restrictions	521,508	264,675
Capital Campaign	<u>52,618</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 733,681</u>	<u>\$ 724,963</u>

NOTE 8. BOARD DESIGNATED NET ASSETS

Board designated net assets represent funds set aside by the board of directors for MT and CS equipment reserve. The MT reserve will be used to fund any major building and system repairs to the property at 18 Marbury Terrace. In 2017, the board of directors voted to increase the CS equipment reserve by \$25,000. In addition, the board of directors voted to release \$48,644 from the CS reserve to allow for cash flow for the purchase of a refrigerated van. Withdrawals from these reserve funds require board approval.

Board designated – reserve net assets consisted of the following as of

	<u>2017</u>		
	<u>Community Servings</u>	<u>Marbury Terrace</u>	<u>Total</u>
Equipment	\$ 43,022	\$ -	\$ 43,022
Marbury Terrace	<u>-</u>	<u>121,034</u>	<u>121,034</u>
Total board designated reserve	<u>\$ 43,022</u>	<u>\$ 121,034</u>	<u>\$ 164,056</u>
	<u>2016</u>		
	<u>Community Servings</u>	<u>Marbury Terrace</u>	<u>Total</u>
Equipment	\$ 66,666	\$ -	\$ 66,666
Marbury Terrace	<u>-</u>	<u>121,034</u>	<u>121,034</u>
Total board designated reserve	<u>\$ 66,666</u>	<u>\$ 121,034</u>	<u>\$ 187,700</u>

NOTE 9. DONATED GOODS AND SERVICES

The Agency received \$76,521 and \$105,918, respectively, of donated goods and services for the years ended June 30, 2017 and 2016, respectively.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 9. DONATED GOODS AND SERVICES (CONTINUED)

The value of donated goods and services for the years ended June 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Food and kitchen supplies	\$ 76,521	\$ 93,918
Services	<u>-</u>	<u>96,575</u>
Subtotal	76,521	190,493
Less: legal services - capitalized	<u>-</u>	<u>84,575</u>
Subtotal	76,521	105,918
Not recorded in the combining financial statements:		
Volunteers	<u>505,436</u>	<u>447,930</u>
Total	<u>\$ 581,957</u>	<u>\$ 553,848</u>

The Agency receives services of volunteers to fulfill other aspects of its programs. These individuals contributed over 52,300 and 55,990 hours of services for the years ended June 30, 2017 and 2016, respectively. The values of these services, which are determined by management at approximately \$10 and \$8 per hour at June 30, 2017 and 2016, respectively, are not reflected in the accompanying combining financial statements, since these services do not meet the recognition criteria of the standard for *Accounting for Contributions Received and Contributions Made*.

The recorded amounts are classified as donated goods and services in the accompanying combining financial statements.

NOTE 10. RETIREMENT PLAN

The Agency has a defined contribution pension plan covering all eligible employees. Employees become eligible to participate upon employment. After two years of employment, the Agency contributes 2% of the employee's annual salary, as well as matches up to 3% of the annual salary. For the years ended June 30, 2017 and 2016, pension contributions were \$76,032 and \$66,216, respectively, and are included in salaries and related expenses in the accompanying combining statements of functional expenses.

NOTE 11. RELATED PARTY TRANSACTIONS

CS has a lease agreement with MT for rented space to operate its programs which expires on June 30, 2018, unless extended. CS pays MT a fixed rent amount according to the lease agreement. For the years ended June 30, 2017 and 2016, CS paid \$30,000, respectively, which is included in occupancy in the accompanying combining statements of activities and changes in net assets and functional expenses.

A board member has a small ownership interest in a direct mailing firm used by the Agency, but does not participate in decision-making. The Agency incurred costs totaling \$104,293 for services provided by the direct mailing firm during the year ended June 30, 2017. Services received from the direct mailing firm discontinued in May, 2017.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO COMBINING FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 12. LABOR AGREEMENT

In October 2016, the Agency completed negotiations for a new two-year contract with Service Employees International Union Local 509 expiring on September 30, 2019. Approximately 49% and 52% of the Agency's labor force is covered under this agreement at June 30, 2017 and 2016, respectfully.

NOTE 13. CONCENTRATIONS

Funding

The Agency receives a significant portion of its total revenue and support (approximately 20% and 28% for the years ended June 30, 2017 and 2016, respectively) from government agencies under cost reimbursable contracts. These reimbursements are subject to audit by the government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2017 and 2016, or on the changes in its net assets for the years then ended.

Approximately 39% and 58% of the Agency's accounts receivable at June 30, 2017 and 2016, respectively, are due from government agencies.

SUPPLEMENTARY INFORMATION

**COMMUNITY SERVINGS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Boston Public Health Commission:			
HIV Emergency Relief Project Grants	93.914	FY16014350A	\$ 1,398,017
Department of Public Health:			
Substance Abuse and Mental Health Services – Access to Recovery	93.275	TI # 023137	<u>104,000</u>
Total U.S. Department of Health and Human Services			<u>1,502,017</u>
U.S. Department of Agriculture:			
Pass-through programs from:			
Greater Boston Food Bank			
Emergency Food Assistance Program	10.569	N/A	1,449
UMASS Medical Center:			
State Administrative Matching Grans for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>14,189</u>
Total U.S. Department of Agriculture			<u>15,638</u>
U.S. Department of Education:			
Pass-through programs from:			
Commonwealth of Massachusetts:			
Rehabilitation Services, Vocational Rehabilitation of Grants to States	84.126	N/A	<u>165</u>
U.S. Department of Homeland Security:			
Pass-through programs from:			
Suffolk County Local Board:			
Emergency Food and Shelter National Board Program	97.024	N/A	<u>9,500</u>
Total Expenditures of Federal Awards			\$ <u>1,527,320</u>

COMMUNITY SERVINGS, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of Community Servings, Inc. and Affiliates (the "Agency") under programs of the federal government for the year ended June 30, 2017 and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic combining financial statements.

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.



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

To the Board of Directors
Community Servings, Inc. and Affiliates
Jamaica Plain, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Community Servings, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Community Servings, Inc. and Affiliates' major federal program for the year ended June 30, 2017. The Community Servings, Inc. and Affiliates' major federal program is 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 the Community Servings, Inc. and Affiliates' major federal program 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 the Community Servings, Inc. and Affiliates' 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 the major federal program. However, our audit does not provide a legal determination of Community Servings, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Community Servings, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.



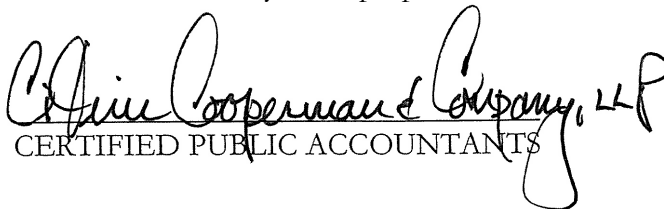
Report on Internal Control over Compliance

Management of Community Servings, Inc. and Affiliates are 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 the Community Servings, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Servings, Inc. and Affiliates' 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. 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.


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 14, 2017



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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 Servings, Inc. and Affiliates
Jamaica Plain, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combining financial statements of Community Servings, Inc. and Affiliates (a nonprofit organization), which comprise the combining statement of financial position as of June 30, 2017, and the related combining statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the combining financial statements, we considered Community Servings, Inc. and Affiliates' 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 combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Servings, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Servings, Inc. and Affiliates' 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 combining 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Servings, Inc. and Affiliates' combining 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 Community Servings, Inc. and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Servings, Inc. and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purposes.


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 14, 2017

**COMMUNITY SERVINGS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to combining financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over major federal programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 5. Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? | No |

- | | |
|--|------------------|
| 7. Identification of major federal programs: | CFDA |
| <u>Name of Federal Program or Cluster</u> | <u>Number(s)</u> |
| HIV Emergency Relief Project Grants | 93.914 |
| 8. Dollar threshold used to distinguish between Type A programs and Type B programs: | \$750,000 |
| 9. Auditee qualifies as a low risk auditee? | Yes |

B. FINANCIAL STATEMENT FINDINGS

None

C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None

**COMMUNITY SERVINGS, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

A. FINANCIAL STATEMENT FINDINGS

None

B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None