

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
COMBINING FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**AND SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND REPORTS ON  
COMPLIANCE AND INTERNAL CONTROL**

**YEAR ENDED JUNE 30, 2018**

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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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 not-for-profit organization), which comprise the combining statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 October 22, 2018, 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 solely 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  
October 22, 2018

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018 (with summarized comparative totals for June 30, 2017)**

	<u>ASSETS</u>						2017
	2018						
	<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	\$ 6,589,086	\$ 330,398	\$ 6,919,484	\$ 289,146	\$ 3,052	\$ 7,211,682	\$ 3,808,705
Cash held in escrow	-	-	-	-	-	-	96,739
Accounts receivable	567,614	-	567,614	536	-	568,150	336,221
Grants and pledges receivable, current portion	593,176	750,552	1,343,728	-	-	1,343,728	782,390
Food supplies	56,058	-	56,058	-	-	56,058	97,053
Prepaid expenses and other current assets	153,490	-	153,490	40,000	-	193,490	84,950
Due (to) from related party	258,085	-	258,085	(257,835)	(250)	-	-
Total current assets	<u>8,217,509</u>	<u>1,080,950</u>	<u>9,298,459</u>	<u>71,847</u>	<u>2,802</u>	<u>9,373,108</u>	<u>5,206,058</u>
Grants and contributions receivable, net of current portion	-	1,614,609	1,614,609	-	-	1,614,609	1,741,812
Property and equipment, net	836,952	-	836,952	10,747,572	-	11,584,524	10,401,663
<b>TOTAL ASSETS</b>	<u>\$ 9,054,461</u>	<u>\$ 2,695,559</u>	<u>\$ 11,750,020</u>	<u>\$ 10,819,419</u>	<u>\$ 2,802</u>	<u>\$ 22,572,241</u>	<u>\$ 17,349,533</u>
	<u>LIABILITIES AND NET ASSETS</u>						
	2018						2017
	<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	\$ 139,451	\$ -	\$ 139,451	\$ 12,823	\$ -	\$ 152,274	\$ 146,523
Accrued expenses	297,696	-	297,696	-	-	297,696	282,534
Unearned revenue	-	-	-	-	-	-	66,058
Total current liabilities	<u>437,147</u>	<u>-</u>	<u>437,147</u>	<u>12,823</u>	<u>-</u>	<u>449,970</u>	<u>495,115</u>
Long-term debt:							
Bond payable	-	-	-	4,406,349	-	4,406,349	3,638,976
Note payable	-	-	-	315,323	-	315,323	315,323
Total long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,721,672</u>	<u>-</u>	<u>4,721,672</u>	<u>3,954,299</u>
Total liabilities	<u>437,147</u>	<u>-</u>	<u>437,147</u>	<u>4,734,495</u>	<u>-</u>	<u>5,171,642</u>	<u>4,449,414</u>
Net assets:							
Unrestricted:							
Operating	7,780,362	-	7,780,362	(62,010)	2,802	7,721,154	5,555,018
Board designated - reserve	-	-	-	121,034	-	121,034	164,056
Property and equipment	836,952	-	836,952	6,025,900	-	6,862,852	6,447,364
Total unrestricted	<u>8,617,314</u>	<u>-</u>	<u>8,617,314</u>	<u>6,084,924</u>	<u>2,802</u>	<u>14,705,040</u>	<u>12,166,438</u>
Temporarily restricted	<u>-</u>	<u>2,695,559</u>	<u>2,695,559</u>	<u>-</u>	<u>-</u>	<u>2,695,559</u>	<u>733,681</u>
Total net assets	<u>8,617,314</u>	<u>2,695,559</u>	<u>11,312,873</u>	<u>6,084,924</u>	<u>2,802</u>	<u>17,400,599</u>	<u>12,900,119</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,054,461</u>	<u>\$ 2,695,559</u>	<u>\$ 11,750,020</u>	<u>\$ 10,819,419</u>	<u>\$ 2,802</u>	<u>\$ 22,572,241</u>	<u>\$ 17,349,533</u>

See accompanying notes to combining financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

ASSETS

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
Cash held in escrow	-	-	-	96,739	-	96,739
Accounts receivable	335,635	-	335,635	586	-	336,221
Grants and pledges receivable, current portion	782,390	-	782,390	-	-	782,390
Food supplies	97,053	-	97,053	-	-	97,053
Prepaid expenses and other current assets	84,950	-	84,950	-	-	84,950
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>
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>
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>
<b>TOTAL ASSETS</b>	<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>

LIABILITIES AND NET ASSETS

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 liabilities:						
Accounts payable	\$ 130,216	\$ -	\$ 130,216	\$ 16,307	\$ -	\$ 146,523
Accrued expenses	276,010	-	276,010	6,524	-	282,534
Unearned revenue	66,058	-	66,058	-	-	66,058
Total current liabilities	<u>472,284</u>	<u>-</u>	<u>472,284</u>	<u>22,831</u>	<u>-</u>	<u>495,115</u>
Long-term debt:						
Bond payable	-	-	-	3,638,976	-	3,638,976
Note payable	-	-	-	315,323	-	315,323
Total long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954,299</u>	<u>-</u>	<u>3,954,299</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>
Net assets:						
Unrestricted:						
Operating	5,517,926	-	5,517,926	33,989	3,103	5,555,018
Board designated - reserve	43,022	-	43,022	121,034	-	164,056
Property and equipment	293,605	-	293,605	6,153,759	-	6,447,364
Total unrestricted	5,854,553	-	5,854,553	6,308,782	3,103	12,166,438
Temporarily restricted	<u>-</u>	<u>733,681</u>	<u>733,681</u>	<u>-</u>	<u>-</u>	<u>733,681</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>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<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>

See accompanying notes to combining financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2018 (with summarized comparative totals for June 30, 2017)**

	2018						2017	
	Community Servings, Inc.			Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total	Total
	Unrestricted	Temporarily Restricted	Total					
Revenue and support:								
Grants and contributions	\$ 1,117,324	\$ 1,027,583	\$ 2,144,907	\$ -	\$ -	\$ -	\$ 2,144,907	\$ 2,020,194
Contracts	2,131,245	-	2,131,245	-	-	-	2,131,245	1,895,769
Events	1,627,066	-	1,627,066	-	-	-	1,627,066	1,560,427
Program income	1,421,193	-	1,421,193	-	-	-	1,421,193	1,244,107
Donated goods and services	101,852	-	101,852	-	-	-	101,852	76,521
Other revenue	-	-	-	37,500	2	(30,000)	7,502	26,833
Net assets released from restrictions	994,066	(994,066)	-	-	-	-	-	-
Total revenue and support	<u>7,392,746</u>	<u>33,517</u>	<u>7,426,263</u>	<u>37,500</u>	<u>2</u>	<u>(30,000)</u>	<u>7,433,765</u>	<u>6,823,851</u>
Operating expenses:								
Program services:								
Nutrition	4,886,759	-	4,886,759	-	-	(23,712)	4,863,047	4,347,570
Training	199,226	-	199,226	-	-	(3,132)	196,094	200,335
Policy	367,877	-	367,877	-	-	(72)	367,805	187,733
Total program services	<u>5,453,862</u>	<u>-</u>	<u>5,453,862</u>	<u>-</u>	<u>-</u>	<u>(26,916)</u>	<u>5,426,946</u>	<u>4,735,638</u>
Supporting expenses:								
General and administrative	669,864	-	669,864	-	-	(1,149)	668,715	602,484
Fundraising	935,665	-	935,665	-	-	(1,935)	933,730	868,312
Total supporting expenses	<u>1,605,529</u>	<u>-</u>	<u>1,605,529</u>	<u>-</u>	<u>-</u>	<u>(3,084)</u>	<u>1,602,445</u>	<u>1,470,796</u>
Marbury Terrace, Inc.	-	-	-	262,067	-	-	262,067	276,998
CS Amory, Inc.	-	-	-	-	303	-	303	535
Total operating expenses	<u>7,059,391</u>	<u>-</u>	<u>7,059,391</u>	<u>262,067</u>	<u>303</u>	<u>(30,000)</u>	<u>7,291,761</u>	<u>6,483,967</u>
Changes in net assets from operations	<u>333,355</u>	<u>33,517</u>	<u>366,872</u>	<u>(224,567)</u>	<u>(301)</u>	<u>-</u>	<u>142,004</u>	<u>339,884</u>
Non-operating activities:								
Capital campaign contributions, net	-	4,142,941	4,142,941	-	-	-	4,142,941	2,764,407
Other capital contributions	-	390,926	390,926	-	-	-	390,926	100,000
Capital contributions released from restrictions	2,605,506	(2,605,506)	-	-	-	-	-	-
Donated services	150,200	-	150,200	-	-	-	150,200	-
Capital planning expenses	(370,744)	-	(370,744)	-	-	-	(370,744)	(215,110)
Investment income	25,944	-	25,944	709	-	-	26,653	10,587
Gain on sale of assets	18,500	-	18,500	-	-	-	18,500	-
Total non-operating activities	<u>2,429,406</u>	<u>1,928,361</u>	<u>4,357,767</u>	<u>709</u>	<u>-</u>	<u>-</u>	<u>4,358,476</u>	<u>2,659,884</u>
Changes in net assets	2,762,761	1,961,878	4,724,639	(223,858)	(301)	-	4,500,480	2,999,768
Net assets - beginning	<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>
<b>NET ASSETS - ENDING</b>	<u>\$ 8,617,314</u>	<u>\$ 2,695,559</u>	<u>\$ 11,312,873</u>	<u>\$ 6,084,924</u>	<u>\$ 2,802</u>	<u>\$ -</u>	<u>\$ 17,400,599</u>	<u>\$ 12,900,119</u>

See accompanying notes to combining financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

2017

	Community Servings, Inc.			Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total				
Revenue and support:							
Grants and contributions	\$ 1,167,268	\$ 852,926	\$ 2,020,194	\$ -	\$ -	\$ -	\$ 2,020,194
Contracts	1,895,769	-	1,895,769	-	-	-	1,895,769
Events	1,560,427	-	1,560,427	-	-	-	1,560,427
Program income	1,244,107	-	1,244,107	-	-	-	1,244,107
Donated goods and services	76,521	-	76,521	-	-	-	76,521
Other revenue	17,600	-	17,600	39,231	2	(30,000)	26,833
Net assets released from restrictions	<u>896,826</u>	<u>(896,826)</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>
Operating expenses:							
Program services:							
Nutrition	4,371,282	-	4,371,282	-	-	(23,712)	4,347,570
Training	203,467	-	203,467	-	-	(3,132)	200,335
Policy	<u>187,805</u>	<u>-</u>	<u>187,805</u>	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>187,733</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>
Supporting expenses:							
General and administrative	603,633	-	603,633	-	-	(1,149)	602,484
Fundraising	<u>870,247</u>	<u>-</u>	<u>870,247</u>	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>868,312</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>
Marbury Terrace, Inc.	-	-	-	276,998	-	-	276,998
CS Amory, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>-</u>	<u>535</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>
Changes in net assets from operations	<u>622,084</u>	<u>(43,900)</u>	<u>578,184</u>	<u>(237,767)</u>	<u>(533)</u>	<u>-</u>	<u>339,884</u>
Non-operating activities:							
Capital campaign contributions, net	-	2,764,407	2,764,407	-	-	-	2,764,407
Other capital contributions	-	100,000	100,000	-	-	-	100,000
Capital contributions released from restriction	2,811,789	(2,811,789)	-	-	-	-	-
Capital planning expenses	(215,110)	-	(215,110)	-	-	-	(215,110)
Investment income	<u>10,013</u>	<u>-</u>	<u>10,013</u>	<u>574</u>	<u>-</u>	<u>-</u>	<u>10,587</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>
Changes in net assets	3,228,776	8,718	3,237,494	(237,193)	(533)	-	2,999,768
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>
<b>NET ASSETS - ENDING</b>	<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>

See accompanying notes to combining financial statements.



**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ 2,259,259	\$ 123,946	\$ 115,448	\$ 2,498,653	\$ 589,745	\$ 474,671	\$ 1,064,416	\$ 3,563,069	\$ -	\$ -	\$ -	\$ 3,563,069
Food and kitchen supplies	1,684,084	11,295	-	1,695,379	-	-	-	1,695,379	-	-	-	1,695,379
Occupancy	335,740	30,953	902	367,595	11,248	18,818	30,066	397,661	-	-	(30,000)	367,661
Contracted services	121,282	10,204	228,852	360,338	57,454	153,219	210,673	571,011	-	-	-	571,011
Event expenses	-	-	-	-	-	256,911	256,911	256,911	-	-	-	256,911
Donated goods and services	101,852	-	-	101,852	-	-	-	101,852	-	-	-	101,852
Delivery	142,343	-	-	142,343	-	-	-	142,343	-	-	-	142,343
Other expenses	112,134	6,910	20,391	139,435	3,552	11,943	15,495	154,930	-	-	-	154,930
Equipment	86,516	6,131	425	93,072	2,974	6,000	8,974	102,046	-	-	-	102,046
Office expenses	<u>43,549</u>	<u>9,787</u>	<u>1,859</u>	<u>55,195</u>	<u>4,891</u>	<u>14,103</u>	<u>18,994</u>	<u>74,189</u>	-	-	-	<u>74,189</u>
Subtotal	<u>4,886,759</u>	<u>199,226</u>	<u>367,877</u>	<u>5,453,862</u>	<u>669,864</u>	<u>935,665</u>	<u>1,605,529</u>	<u>7,059,391</u>	-	-	<u>(30,000)</u>	<u>7,029,391</u>
Marbury Terrace, Inc.:												
Depreciation and amortization	-	-	-	-	-	-	-	-	191,667	-	-	191,667
Rental operating expenses	-	-	-	-	-	-	-	-	44,277	-	-	44,277
Interest expense	-	-	-	-	-	-	-	-	<u>26,123</u>	-	-	<u>26,123</u>
Subtotal	-	-	-	-	-	-	-	-	<u>262,067</u>	-	-	<u>262,067</u>
CS Amory, Inc.:												
Rental operating expenses	-	-	-	-	-	-	-	-	-	<u>303</u>	-	<u>303</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,886,759</u>	<u>\$ 199,226</u>	<u>\$ 367,877</u>	<u>\$ 5,453,862</u>	<u>\$ 669,864</u>	<u>\$ 935,665</u>	<u>\$ 1,605,529</u>	<u>\$ 7,059,391</u>	<u>\$ 262,067</u>	<u>\$ 303</u>	<u>\$ (30,000)</u>	<u>\$ 7,291,761</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.	Eliminatio ns	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>	-	-	(30,000)	<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>
<b>TOTAL EXPENSES</b>	<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 STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating activities:		
Changes in net assets	\$ 4,500,480	\$ 2,999,768
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	314,659	308,947
Grants and contributions, net	(4,120,465)	(2,864,407)
Gain on sale of assets	(18,500)	-
Noncash interest	26,123	26,123
Changes in assets and liabilities:		
Accounts receivable	(231,929)	(56,562)
Grants and pledges receivable	88,560	48,125
Food supplies	40,995	36,151
Prepaid expenses and other current assets	(108,540)	(21,199)
Accounts payable	5,751	(418,608)
Accrued expenses	15,162	26,212
Unearned revenue	<u>(66,058)</u>	<u>41,779</u>
Net cash provided by operating activities	<u>446,238</u>	<u>126,329</u>
Investing activities:		
Acquisition of property and equipment	(1,497,520)	(320,057)
Proceeds from sale of assets	<u>18,500</u>	<u>-</u>
Net cash used in investing activities	<u>(1,479,020)</u>	<u>(320,057)</u>
Financing activities:		
Capital grants and contributions received	3,597,770	1,080,732
Proceeds from long-term debt	750,000	315,323
Change in escrow accounts	96,739	157,504
Bond financing costs	<u>(8,750)</u>	<u>-</u>
Net cash provided by financing activities	<u>4,435,759</u>	<u>1,553,559</u>
Net increase in cash and cash equivalents	3,402,977	1,359,831
Cash and cash equivalents - beginning	<u>3,808,705</u>	<u>2,448,874</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 7,211,682</u></b>	<b><u>\$ 3,808,705</u></b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 82,200</u>	<u>\$ 79,083</u>

See accompanying notes to combining financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**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.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial Statement Presentation

The Agency follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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:

*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, 2018 and 2017, 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.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Grants and Pledges Receivable and Accounts Receivable

Grants and pledges receivable and accounts receivable are carried at the original invoice or contribution 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. The Agency recorded an allowance for doubtful accounts of \$200,000 at June 30, 2018 in relation to its capital campaign as a general reserve. At June 30, 2017 no allowance was 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:

<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.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Impairment of Long-Lived Assets

The Agency accounts for the valuation of long-lived assets are reviewed in accordance with the FASB ASC Topic *Property, Plant and Equipment*, 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, 2018 and 2017, the Agency has determined that no long-lived assets are impaired.

Deferred Financing Costs

The Agency has capitalized the costs associated with obtaining bond and long-term debt financing (Note 6). Loan acquisition costs are amortized over the life of the related debt and are presented net of the outstanding long-term debt on the accompanying combining statements of financial position. Amortization of deferred financing costs is reported as interest expense on the accompanying combining statements of operations and changes in net assets. Loan acquisition costs totaled \$165,489 and \$156,739 at June 30, 2018 and 2017, respectively, and accumulated amortization totaled \$71,838 and \$45,715, respectively.

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 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.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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).

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.

Advertising

Advertising costs are charged to expense as incurred. The Agency incurred advertising costs for employment of \$4,439 and \$5,008 during the years ended June 30, 2018 and 2017, respectively, which are included in program and supporting expenses.

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 is subject to federal and state income taxes on unrelated business income, if any. The Agency files informational tax returns as required by the Code.

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, 2018 and 2017, management believes that the Agency has no material uncertain tax positions.

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 Agency is evaluating the effect that ASU 2014-014 will have on its combining financial statements and related disclosures.



**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

*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 Agency is evaluating the effect that ASU 2014-09 will have on its combining financial statements and related disclosures.

*Presentation of restricted Cash* - In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows - Restricted Cash* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for years beginning after December 15, 2018, with early adoption permitted. The Agency is evaluating the effect that ASU 2016-18 will have on its combining financial statements and related disclosures.

*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 Agency is evaluating the effect that ASU 2016-02 will have on its combining financial statements and related disclosures.

Reclassifications

Certain amounts included in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on net assets or change in net assets.

Subsequent Events

The Agency has evaluated all events subsequent to the combining statement of financial position date of June 30, 2018, through the date which the combining financial statements were available to be issued, October 22, 2018, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*, other than described in Notes 5 and 14.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**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% for the years ended June 30, 2018 and 2017. Unconditional contributions receivable at June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Contributions for programs	\$ 169,080	\$ 257,640
Contributions for capital campaign	<u>3,200,791</u>	<u>2,365,423</u>
Gross contributions receivable	3,369,871	2,623,063
Less allowance for doubtful accounts	200,000	-
Less unamortized discount	<u>211,534</u>	<u>98,861</u>
Net contributions receivable	<u>\$ 2,958,337</u>	<u>\$ 2,524,202</u>
Gross contributions:		
Receivable in less than one year	\$ 1,343,728	\$ 782,390
Receivable in one to five years	<u>2,026,143</u>	<u>1,840,673</u>
	<u>\$ 3,369,871</u>	<u>\$ 2,623,063</u>

**NOTE 4. PROPERTY AND EQUIPMENT, NET**

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

	<u>2018</u>	<u>2017</u>
Land	\$ 3,391,837	\$ 3,391,837
Buildings and improvements	7,422,121	7,422,121
Kitchen equipment	1,095,090	703,214
Vehicles	487,562	357,690
Office equipment	180,660	185,040
Construction in progress	<u>1,771,007</u>	<u>939,824</u>
	14,348,277	12,999,726
Less accumulated depreciation	<u>2,763,753</u>	<u>2,598,063</u>
Property and equipment, net	<u>\$ 11,584,524</u>	<u>\$ 10,401,663</u>

Construction in progress at June 30, 2018 and 2017, of \$1,771,007 and \$939,824, 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, 2018 and 2017, totaled \$314,659 and \$309,129, 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, 2018 and 2017). At June 30, 2018 and 2017, there was no outstanding balance on the line of credit. The line of credit agreement was renewed subsequent to year end.

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
NOTES TO COMBINING FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**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 drew down the full \$750,000 Series 2015B bond at June 30, 2018, and the Agency had not drawn down on the \$750,000 Series 2015B bond at June 30, 2017.

On June 30, 2018, 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, 2018 and 2017, the Agency had an outstanding balance of \$315,323 on this loan.

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

	<u>2018</u>	<u>2017</u>
<b>Marbury Terrace, Inc.:</b>		
MDFA Revenue Bond Series 2015A in the amount of \$3,750,000; interest at an annual rate of 2.08% and is due monthly. The amount of undistributed proceeds held in escrow was \$96,739 June 30, 2017. Proceeds were distributed in full at June 30, 2018. Interest expense through June 30, 2018 has been capitalized. Subsequent to year end, the bond was refinanced (see Note 14).	\$ 3,750,000	\$ 3,750,000
MDFA Revenue Bond Series 2015B in the amount of \$750,000; interest at an annual rate of 3.105% and is due monthly. Proceeds were distributed in full at June 30, 2018. Interest expense through June 30, 2018 has been capitalized. Subsequent to year end, the bond was refinanced (see Note 14).	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, 2036, 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>315,323</u>
	4,815,323	4,065,323
Less deferred financing costs, net	<u>93,651</u>	<u>111,024</u>
Total long-term debt	<u>\$ 4,721,672</u>	<u>\$ 3,954,299</u>

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
NOTES TO COMBINING FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restrictions	\$ 267,747	\$ 159,555
Time restrictions	446,833	521,508
Capital campaign	<u>1,980,979</u>	<u>52,618</u>
Total temporarily restricted net assets	<u>\$ 2,695,559</u>	<u>\$ 733,681</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. During the year ended June 30, 2018, the board of directors voted to release board designated net assets from the CS reserve to allow for cash flow for the purchase of vehicles. Withdrawals from these reserve funds require board approval.

Board designated – reserve net assets consisted of the following as of June 30:

	<u>2018</u>		
	<u>Community Servings</u>	<u>Marbury Terrace</u>	<u>Total</u>
Marbury Terrace	<u>\$ -</u>	<u>\$ 121,034</u>	<u>\$ 121,034</u>
	<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>

**NOTE 9. DONATED GOODS AND SERVICES**

The Agency received \$252,052 and \$76,521, respectively, of donated goods and services for the years ended June 30, 2018 and 2017, respectively.

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
NOTES TO COMBINING FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9. DONATED GOODS AND SERVICES (CONTINUED)**

The value of donated goods and services for the years ended June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Food and kitchen supplies	\$ 101,852	\$ 76,521
Legal services	<u>150,200</u>	<u>-</u>
Subtotal	252,052	76,521
Not recorded in the combining financial statements:		
Volunteers	<u>593,208</u>	<u>505,436</u>
Total	<u>\$ 845,260</u>	<u>\$ 581,957</u>

The Agency receives services of volunteers to fulfill other aspects of its programs. These individuals contributed over 53,900 and 52,300 hours of services for the years ended June 30, 2018 and 2017, respectively. The values of these services, which are determined by management at approximately \$11 and \$10 per hour at June 30, 2018 and 2017, 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, 2018 and 2017, pension contributions were \$80,980 and \$76,032, 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 month-to-month lease agreement with MT for rented space to operate its programs. CS pays MT a fixed rent amount according to the lease agreement. For the years ended June 30, 2018 and 2017, CS paid MT \$30,000 per year which is included in occupancy in the accompanying combining statements of activities and changes in net assets and functional expenses. Related party transactions are eliminated in combining total.

**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 50% and 49% of the Agency's labor force is covered under this agreement at June 30, 2018 and 2017, respectfully.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 13. CONCENTRATIONS**

The Agency receives a significant portion of its total revenue and support (approximately 18% and 20% for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, or on the changes in its net assets for the years then ended.

Approximately 79% and 44% of the Agency's accounts receivable at June 30, 2018 and 2017, respectively, are due from government agencies.

MT and Amory derive substantially all of their revenue from rental activities. MT's assets include the MT property with its sole tenant being CS. Amory is available to hold future property to rent to CS, but had no property for the years ended June 30, 2017 and 2016.

**NOTE 14. SUBSEQUENT EVENT**

On July 24, 2018, CS and MT entered into a financing agreement under the New Market Tax Credits program (NMTC) totaling \$19,700,000. The proceeds are to be used to pay off existing bond debt (see Note 6) and for the renovation, construction and equipping of a commercial kitchen and training facility located at the CS headquarters in Boston, Massachusetts. The NMTC program offers credits against federal income taxes over a seven year period for Qualified Equity Investments in designated Community Development Entities pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. MT is a Qualified Active Low Income Community Business for the purposes of the NMTC program.

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>			
Pass-through programs from:			
Boston Public Health Commission:			
HIV Emergency Relief Project Grants	93.914	FY16014350A	\$ 1,528,940
Department of Public Health:			
HIV Care Formula Grants	93.917	INTF4943MM3200120016	20,000
Substance Abuse and Mental Health Services – Access to Recovery	93.275	TI # 023137	<u>104,400</u>
Total U.S. Department of Health and Human Services			<u>1,653,340</u>
<b>U.S. Department of Homeland Security:</b>			
Pass-through programs from:			
Suffolk County Local Board:			
Emergency Food and Shelter National Board Program	97.024	N/A	<u>10,000</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,663,340</u></b>

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal assistance activity of Community Servings, Inc. and Affiliates (the "Agency") under programs of the federal government for the year ended June 30, 2018. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the combining operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

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, 2018. 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, 2018.




## 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  
October 22, 2018



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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, 2018, 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 October 22, 2018.

**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.

  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
October 22, 2018

**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:

<u>Name of Federal Program or Cluster</u>	<u>CFDA 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, 2018**

**A. FINANCIAL STATEMENT FINDINGS**

None

**B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS**

None