

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

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

**YEAR ENDED JUNE 30, 2020**

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Consolidating Statements of Financial Position	3 - 6
Consolidating Statements of Activities and Changes in Net Assets	7 - 8
Consolidating Statements of Functional Expenses	9 - 10
Consolidated Statements of Cash Flows	11
Notes to Consolidated Financial Statements	12 - 27
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards and Notes Thereto	28 - 29
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	30 - 31
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 <i>Government Auditing Standards</i>	32 - 33
Schedule of Findings and Questioned Costs	34
Summary Schedule of Prior Audit Findings	35

## 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 consolidated financial statements of Community Servings, Inc. and Affiliates (a nonprofit organization), which comprise the consolidating statements of financial position as of June 30, 2020 and 2019, and the related consolidating statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Servings, Inc. and Affiliates as of June 30, 2020 and 2019, 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***


*Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 3-10 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and, results of operations of the individual organizations, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 21, 2020, 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 21, 2020

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

ASSETS

	2020				Total	2019
	Community Servings, Inc.	Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations		
Current assets:						
Cash and cash equivalents	\$ 7,540,740	\$ 722,075	\$ -	\$ -	\$ 8,262,815	\$ 8,769,976
Accounts receivable	583,299	-	-	-	583,299	313,469
Grants and contributions receivable, current portion	1,062,775	-	-	-	1,062,775	1,412,147
Food supplies	64,873	-	-	-	64,873	67,997
Prepaid expenses and other current assets	133,282	-	-	-	133,282	145,012
Due (to) from related party	36,200	(36,200)	-	-	-	-
Total current assets	<u>9,421,169</u>	<u>685,875</u>	<u>-</u>	<u>-</u>	<u>10,107,044</u>	<u>10,708,601</u>
Property and equipment, net	<u>289,665</u>	<u>25,542,267</u>	<u>-</u>	<u>-</u>	<u>25,831,932</u>	<u>22,324,639</u>
Other assets:						
Grants and contributions receivable, net of current portion	576,275	-	-	-	576,275	881,720
Deferred rent receivable	-	411,667	-	(411,667)	-	-
Notes receivable	<u>13,280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,280,000</u>	<u>13,280,000</u>
Total other assets	<u>13,856,275</u>	<u>411,667</u>	<u>-</u>	<u>(411,667)</u>	<u>13,856,275</u>	<u>14,161,720</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,567,109</u>	<u>\$ 26,639,809</u>	<u>\$ -</u>	<u>\$ (411,667)</u>	<u>\$ 49,795,251</u>	<u>\$ 47,194,960</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2020**

**LIABILITIES AND NET ASSETS**

	2020				Total	2019
	Community Servings, Inc.	Marbury Terrace, Inc.	CS Amory, Inc.	Eliminations		
Current liabilities:						
Current portion of notes payable	\$ 333,450	\$ -	\$ -	\$ -	\$ 333,450	\$ -
Accounts payable	195,171	-	-	-	195,171	1,361,597
Accrued expenses	449,309	-	-	-	449,309	307,945
Refundable advances	413,366	-	-	-	413,366	31,000
Unearned revenue	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total current liabilities	<u>1,421,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,421,296</u>	<u>1,700,542</u>
Other liabilities:						
Deferred rent accrual	411,667	-	-	(411,667)	-	-
Notes payable, net of current portion	<u>6,712,682</u>	<u>19,735,201</u>	<u>-</u>	<u>-</u>	<u>26,447,883</u>	<u>27,355,637</u>
Total other liabilities	<u>7,124,349</u>	<u>19,735,201</u>	<u>-</u>	<u>(411,667)</u>	<u>26,447,883</u>	<u>27,355,637</u>
Total liabilities	<u>8,545,645</u>	<u>19,735,201</u>	<u>-</u>	<u>(411,667)</u>	<u>27,869,179</u>	<u>29,056,179</u>
Net assets:						
Without donor restrictions:						
Operating	5,211,293	976,508	-	-	6,187,801	8,088,059
Board designated - reserve	116,905	121,034	-	-	237,939	196,034
Net investment in property and equipment	<u>6,523,533</u>	<u>5,807,066</u>	<u>-</u>	<u>-</u>	<u>12,330,599</u>	<u>8,249,002</u>
Total without donor restrictions	11,851,731	6,904,608	-	-	18,756,339	16,533,095
With donor restrictions	<u>3,169,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,169,733</u>	<u>1,605,686</u>
Total net assets	<u>15,021,464</u>	<u>6,904,608</u>	<u>-</u>	<u>-</u>	<u>21,926,072</u>	<u>18,138,781</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 23,567,109</u>	<u>\$ 26,639,809</u>	<u>\$ -</u>	<u>\$ (411,667)</u>	<u>\$ 49,795,251</u>	<u>\$ 47,194,960</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

	<u>Community Servings, Inc.</u>	<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 4,500,763	\$ 4,266,445	\$ 2,768	\$ -	\$ 8,769,976
Accounts receivable	313,469	-	-	-	313,469
Grants and contributions receivable, current portion	1,412,147	-	-	-	1,412,147
Food supplies	67,997	-	-	-	67,997
Prepaid expenses and other current assets	145,012	-	-	-	145,012
Due (to) from related party	<u>62,395</u>	<u>(62,145)</u>	<u>(250)</u>	<u>-</u>	<u>-</u>
Total current assets	<u>6,501,783</u>	<u>4,204,300</u>	<u>2,518</u>	<u>-</u>	<u>10,708,601</u>
Property and equipment, net	<u>908,665</u>	<u>21,415,974</u>	<u>-</u>	<u>-</u>	<u>22,324,639</u>
Other assets:					
Grants and contributions receivable, net of current portion	881,720	-	-	-	881,720
Notes receivable	<u>13,280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,280,000</u>
Total other assets	<u>14,161,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,161,720</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 21,572,168</u></u>	<u><u>\$ 25,620,274</u></u>	<u><u>\$ 2,518</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,194,960</u></u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2019**

**LIABILITIES AND NET ASSETS**

	<b>Community Servings, Inc.</b>	<b>Marbury Terrace, Inc.</b>	<b>CS Amory, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Current liabilities:					
Accounts payable	\$ 244,843	\$ 1,116,754	\$ -	\$ -	\$ 1,361,597
Accrued expenses	307,945	-	-	-	307,945
Refundable advances	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Total current liabilities	<u>583,788</u>	<u>1,116,754</u>	<u>-</u>	<u>-</u>	<u>1,700,542</u>
Notes payable	<u>7,634,109</u>	<u>19,721,528</u>	<u>-</u>	<u>-</u>	<u>27,355,637</u>
Total liabilities	<u>8,217,897</u>	<u>20,838,282</u>	<u>-</u>	<u>-</u>	<u>29,056,179</u>
Net assets:					
Without donor restrictions:					
Operating	5,119,029	2,966,512	2,518	-	8,088,059
Board designated - reserve	75,000	121,034	-	-	196,034
Net investment in property and equipment	<u>6,554,556</u>	<u>1,694,446</u>	<u>-</u>	<u>-</u>	<u>8,249,002</u>
Total without donor restrictions	11,748,585	4,781,992	2,518	-	16,533,095
With donor restrictions	<u>1,605,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,605,686</u>
Total net assets	<u>13,354,271</u>	<u>4,781,992</u>	<u>2,518</u>	<u>-</u>	<u>18,138,781</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 21,572,168</u></b>	<b><u>\$ 25,620,274</u></b>	<b><u>\$ 2,518</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,194,960</u></b>

See accompanying notes to consolidated financial statements.



**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Community Servings, Inc.</u>								
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Eliminations</u>	<u>Total Without Donor Restrictions</u>	<u>Total With Donor Restrictions</u>	<u>Total</u>
Operating activities:									
Revenue and support:									
Grants and contributions	\$ 3,078,784	\$ 3,301,358	\$ 6,380,142	\$ -	\$ -	\$ -	\$ 3,078,784	\$ 3,301,358	\$ 6,380,142
Contracts	1,824,276	-	1,824,276	-	-	-	1,824,276	-	1,824,276
Program income	1,336,844	-	1,336,844	-	-	-	1,336,844	-	1,336,844
Events	1,009,982	-	1,009,982	-	-	-	1,009,982	-	1,009,982
Donated goods and services	243,980	-	243,980	26,100	-	-	270,080	-	270,080
Investment income	200,719	-	200,719	2,786	-	-	203,505	-	203,505
Rental income	-	-	-	547,667	-	(547,667)	-	-	-
Net assets released from donor restrictions	708,947	(708,947)	-	-	-	-	708,947	(708,947)	-
Total revenue and support	<u>8,403,532</u>	<u>2,592,411</u>	<u>10,995,943</u>	<u>576,553</u>	<u>-</u>	<u>(547,667)</u>	<u>8,432,418</u>	<u>2,592,411</u>	<u>11,024,829</u>
Program services:									
Nutrition	5,586,833	-	5,586,833	-	-	(414,438)	5,172,395	-	5,172,395
Training	355,726	-	355,726	-	-	(49,340)	306,386	-	306,386
Policy	291,012	-	291,012	-	-	(9,447)	281,565	-	281,565
Total program services	<u>6,233,571</u>	<u>-</u>	<u>6,233,571</u>	<u>-</u>	<u>-</u>	<u>(473,225)</u>	<u>5,760,346</u>	<u>-</u>	<u>5,760,346</u>
Supporting expenses:									
General and administrative	965,282	-	965,282	-	-	(24,655)	940,627	-	940,627
Fundraising	1,062,384	-	1,062,384	-	-	(49,787)	1,012,597	-	1,012,597
Total supporting expenses	<u>2,027,666</u>	<u>-</u>	<u>2,027,666</u>	<u>-</u>	<u>-</u>	<u>(74,442)</u>	<u>1,953,224</u>	<u>-</u>	<u>1,953,224</u>
Marbury Terrace, Inc.	-	-	-	895,085	-	-	895,085	-	895,085
CS Amory, Inc.	-	-	-	-	313	-	313	-	313
Total operating expenses	<u>8,261,237</u>	<u>-</u>	<u>8,261,237</u>	<u>895,085</u>	<u>313</u>	<u>(547,667)</u>	<u>8,608,968</u>	<u>-</u>	<u>8,608,968</u>
Changes in net assets from operations	<u>142,295</u>	<u>2,592,411</u>	<u>2,734,706</u>	<u>(318,532)</u>	<u>(313)</u>	<u>-</u>	<u>(176,550)</u>	<u>2,592,411</u>	<u>2,415,861</u>
Non-operating activities:									
Capital campaign contributions, net	-	1,737,801	1,737,801	-	-	-	-	1,737,801	1,737,801
Capital planning expenses	(363,412)	-	(363,412)	-	-	-	(363,412)	-	(363,412)
Capital contributions released from donor restrictions	2,766,165	(2,766,165)	-	-	-	-	2,766,165	(2,766,165)	-
Gain (loss) on sale of assets	146	-	146	(3,105)	-	-	(2,959)	-	(2,959)
Intercompany support	(1,264,182)	-	(1,264,182)	1,264,182	-	-	-	-	-
Total non-operating activities	<u>1,138,717</u>	<u>(1,028,364)</u>	<u>110,353</u>	<u>1,261,077</u>	<u>-</u>	<u>-</u>	<u>2,399,794</u>	<u>(1,028,364)</u>	<u>1,371,430</u>
Changes in net assets	1,281,012	1,564,047	2,845,059	942,545	(313)	-	2,223,244	1,564,047	3,787,291
Net assets - beginning	<u>11,748,585</u>	<u>1,605,686</u>	<u>13,354,271</u>	<u>4,781,992</u>	<u>2,518</u>	<u>-</u>	<u>16,533,095</u>	<u>1,605,686</u>	<u>18,138,781</u>
Transfers of net assets	(1,177,866)	-	(1,177,866)	1,180,071	(2,205)	-	-	-	-
<b>NET ASSETS - ENDING</b>	<u>\$ 11,851,731</u>	<u>\$ 3,169,733</u>	<u>\$ 15,021,464</u>	<u>\$ 6,904,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,756,339</u>	<u>\$ 3,169,733</u>	<u>\$ 21,926,072</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	<u>Community Servings, Inc.</u>								
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Marbury Terrace, Inc.</u>	<u>CS Amory, Inc.</u>	<u>Eliminations</u>	<u>Total Without Donor Restrictions</u>	<u>Total With Donor Restrictions</u>	<u>Total</u>
Operating activities:									
Revenue and support:									
Grants and contributions	\$ 1,246,231	\$ 743,935	\$ 1,990,166	\$ -	\$ -	\$ -	\$ 1,246,231	\$ 743,935	\$ 1,990,166
Contracts	2,008,274	-	2,008,274	-	-	-	2,008,274	-	2,008,274
Events	1,841,400	-	1,841,400	-	-	-	1,841,400	-	1,841,400
Program income	1,164,961	-	1,164,961	-	-	-	1,164,961	-	1,164,961
Donated goods and services	130,691	-	130,691	-	-	-	130,691	-	130,691
Investment income	149,295	-	149,295	15,294	-	-	164,589	-	164,589
Other revenue	-	-	-	-	1	-	1	-	1
Net assets released from donor restrictions	<u>881,193</u>	<u>(881,193)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,193</u>	<u>(881,193)</u>	<u>-</u>
Total revenue and support	<u>7,422,045</u>	<u>(137,258)</u>	<u>7,284,787</u>	<u>15,294</u>	<u>1</u>	<u>-</u>	<u>7,437,340</u>	<u>(137,258)</u>	<u>7,300,082</u>
Operating expenses:									
Program services:									
Nutrition	4,562,605	-	4,562,605	-	-	-	4,562,605	-	4,562,605
Training	208,303	-	208,303	-	-	-	208,303	-	208,303
Policy	<u>406,001</u>	<u>-</u>	<u>406,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406,001</u>	<u>-</u>	<u>406,001</u>
Total program services	<u>5,176,909</u>	<u>-</u>	<u>5,176,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,176,909</u>	<u>-</u>	<u>5,176,909</u>
Supporting expenses:									
General and administrative	834,652	-	834,652	-	-	-	834,652	-	834,652
Fundraising	<u>1,023,700</u>	<u>-</u>	<u>1,023,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023,700</u>	<u>-</u>	<u>1,023,700</u>
Total supporting expenses	<u>1,858,352</u>	<u>-</u>	<u>1,858,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,858,352</u>	<u>-</u>	<u>1,858,352</u>
Marbury Terrace, Inc.	-	-	-	418,828	-	-	418,828	-	418,828
CS Amory, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>-</u>	<u>285</u>	<u>-</u>	<u>285</u>
Total operating expenses	<u>7,035,261</u>	<u>-</u>	<u>7,035,261</u>	<u>418,828</u>	<u>285</u>	<u>-</u>	<u>7,454,374</u>	<u>-</u>	<u>7,454,374</u>
Changes in net assets from operations	<u>386,784</u>	<u>(137,258)</u>	<u>249,526</u>	<u>(403,534)</u>	<u>(284)</u>	<u>-</u>	<u>(17,034)</u>	<u>(137,258)</u>	<u>(154,292)</u>
Non-operating activities:									
Capital campaign contributions, net	-	2,393,217	2,393,217	-	-	-	-	2,393,217	2,393,217
Capital planning expenses	(643,449)	-	(643,449)	-	-	-	(643,449)	-	(643,449)
Capital contributions released from donor restrictions	3,345,832	(3,345,832)	-	-	-	-	3,345,832	(3,345,832)	-
Donated services	40,104	-	40,104	-	-	-	40,104	-	40,104
Gain (loss) on sale of assets	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>(899,398)</u>	<u>-</u>	<u>-</u>	<u>(897,398)</u>	<u>-</u>	<u>(897,398)</u>
Total non-operating activities	<u>2,744,487</u>	<u>(952,615)</u>	<u>1,791,872</u>	<u>(899,398)</u>	<u>-</u>	<u>-</u>	<u>1,845,089</u>	<u>(952,615)</u>	<u>892,474</u>
Changes in net assets	3,131,271	(1,089,873)	2,041,398	(1,302,932)	(284)	-	1,828,055	(1,089,873)	738,182
Net assets - Beginning	<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>14,705,040</u>	<u>2,695,559</u>	<u>17,400,599</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 11,748,585</u>	<u>\$ 1,605,686</u>	<u>\$ 13,354,271</u>	<u>\$ 4,781,992</u>	<u>\$ 2,518</u>	<u>\$ -</u>	<u>\$ 16,533,095</u>	<u>\$ 1,605,686</u>	<u>\$ 18,138,781</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	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	\$ 2,665,838	\$ 236,340	\$ 159,139	\$ 3,061,317	\$ 767,476	\$ 527,918	\$ 1,295,394	\$ 4,356,711	\$ -	\$ -	\$ -	\$ 4,356,711
Food and kitchen supplies	1,278,409	8,331	-	1,286,740	-	-	-	1,286,740	-	-	-	1,286,740
Contracted services	85,716	-	100,242	185,958	122,220	166,924	289,144	475,102	-	-	-	475,102
Occupancy	451,705	51,104	10,451	513,260	28,703	58,855	87,558	600,818	-	-	(136,000)	464,818
Donated goods and services	243,980	-	-	243,980	-	-	-	243,980	-	-	-	243,980
Event expenses	-	-	-	-	-	219,348	219,348	219,348	-	-	-	219,348
Delivery	200,803	-	-	200,803	-	-	-	200,803	-	-	-	200,803
Office expenses	90,998	5,727	2,809	99,534	13,530	23,191	36,721	136,255	-	-	-	136,255
Equipment	91,144	10,456	2,193	103,793	13,361	13,349	26,710	130,503	-	-	-	130,503
Other expenses	81,113	2,975	8,339	92,427	1,902	8,965	10,867	103,294	-	-	-	103,294
Depreciation	85,606	3,850	738	90,194	1,667	4,155	5,822	96,016	-	-	-	96,016
Straight line rent amortization (Note 14)	311,521	36,943	7,101	355,565	16,423	39,679	56,102	411,667	-	-	(411,667)	-
Subtotal	<u>5,586,833</u>	<u>355,726</u>	<u>291,012</u>	<u>6,233,571</u>	<u>965,282</u>	<u>1,062,384</u>	<u>2,027,666</u>	<u>8,261,237</u>	<u>-</u>	<u>-</u>	<u>(547,667)</u>	<u>7,713,570</u>
Marbury Terrace, Inc.:												
Depreciation	-	-	-	-	-	-	-	-	774,415	-	-	774,415
Financing fees	-	-	-	-	-	-	-	-	68,505	-	-	68,505
Interest expense	-	-	-	-	-	-	-	-	50,373	-	-	50,373
Rental operating expenses	-	-	-	-	-	-	-	-	1,792	-	-	1,792
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>895,085</u>	<u>-</u>	<u>-</u>	<u>895,085</u>
CS Amory, Inc.:												
Occupancy	-	-	-	-	-	-	-	-	-	313	-	313
<b>TOTAL EXPENSES</b>	<u>\$ 5,586,833</u>	<u>\$ 355,726</u>	<u>\$ 291,012</u>	<u>\$ 6,233,571</u>	<u>\$ 965,282</u>	<u>\$ 1,062,384</u>	<u>\$ 2,027,666</u>	<u>\$ 8,261,237</u>	<u>\$ 895,085</u>	<u>\$ 313</u>	<u>\$ (547,667)</u>	<u>\$ 8,608,968</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	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	\$ 2,297,885	\$ 149,018	\$ 136,323	\$ 2,583,226	\$ 672,773	\$ 498,080	\$ 1,170,853	\$ 3,754,079	\$ -	\$ -	\$ -	\$ 3,754,079
Food and kitchen supplies	1,328,643	14,973	-	1,343,616	-	-	-	1,343,616	-	-	-	1,343,616
Contracted services	49,783	394	206,343	256,520	121,398	168,846	290,244	546,764	-	-	-	546,764
Occupancy	229,247	20,561	4,400	254,208	20,978	29,220	50,198	304,406	-	-	-	304,406
Event expenses	-	-	-	-	-	284,280	284,280	284,280	-	-	-	284,280
Depreciation	152,810	528	-	153,338	1,370	336	1,706	155,044	-	-	-	155,044
Other expenses	73,385	7,259	53,706	134,350	4,029	7,941	11,970	146,320	-	-	-	146,320
Delivery	140,096	-	-	140,096	-	-	-	140,096	-	-	-	140,096
Donated goods and services	130,691	-	-	130,691	-	-	-	130,691	-	-	-	130,691
Equipment	89,517	9,299	2,256	101,072	4,844	14,530	19,374	120,446	-	-	-	120,446
Office expenses	<u>70,548</u>	<u>6,271</u>	<u>2,973</u>	<u>79,792</u>	<u>9,260</u>	<u>20,467</u>	<u>29,727</u>	<u>109,519</u>	-	-	-	<u>109,519</u>
Subtotal	<u>4,562,605</u>	<u>208,303</u>	<u>406,001</u>	<u>5,176,909</u>	<u>834,652</u>	<u>1,023,700</u>	<u>1,858,352</u>	<u>7,035,261</u>	-	-	-	<u>7,035,261</u>
Marbury Terrace, Inc.:												
Depreciation	-	-	-	-	-	-	-	-	297,945	-	-	297,945
Financing fees	-	-	-	-	-	-	-	-	61,306	-	-	61,306
Interest expense	-	-	-	-	-	-	-	-	46,200	-	-	46,200
Rental operating expenses	-	-	-	-	-	-	-	-	13,377	-	-	13,377
Subtotal	-	-	-	-	-	-	-	-	<u>418,828</u>	-	-	<u>418,828</u>
CS Amory, Inc.:												
Occupancy	-	-	-	-	-	-	-	-	-	285	-	285
<b>TOTAL EXPENSES</b>	<u>\$ 4,562,605</u>	<u>\$ 208,303</u>	<u>\$ 406,001</u>	<u>\$ 5,176,909</u>	<u>\$ 834,652</u>	<u>\$ 1,023,700</u>	<u>\$ 1,858,352</u>	<u>\$ 7,035,261</u>	<u>\$ 418,828</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 7,454,374</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating activities:		
Changes in net assets	\$ 3,787,291	\$ 738,182
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	870,431	452,989
Grants and contributions restricted for long-term purposes, net	(494,284)	(421,224)
(Gain) loss on sale of assets	2,959	(2,000)
Loss on abandonment of property	-	899,398
Noncash interest	50,373	46,200
Changes in assets and liabilities:		
Accounts receivable	(269,830)	254,681
Grants and pledges receivable	(152,718)	(144,035)
Food supplies	3,124	(11,939)
Prepaid expenses and other current assets	11,730	48,478
Accounts payable	(1,166,426)	1,209,323
Accrued expenses	141,364	10,249
Refundable advances	<u>412,366</u>	<u>31,000</u>
Net cash provided by operating activities	<u>3,196,380</u>	<u>3,111,302</u>
Investing activities:		
Acquisition of property and equipment	(4,377,724)	(12,012,323)
Transfer of NMTC financing	-	(13,280,000)
Proceeds from sale of assets	<u>(2,959)</u>	<u>2,000</u>
Net cash used in investing activities	<u>(4,380,683)</u>	<u>(25,290,323)</u>
Financing activities:		
Capital grants and contributions received	1,301,819	1,229,729
Proceeds from long-term debt	543,238	30,357,131
Payments on long-term debt	(1,131,215)	(7,523,022)
Bond financing costs	<u>(36,700)</u>	<u>(326,523)</u>
Net cash provided by financing activities	<u>677,142</u>	<u>23,737,315</u>
Net increase (decrease) in cash and cash equivalents	(507,161)	1,558,294
Cash and cash equivalents - beginning	<u>8,769,976</u>	<u>7,211,682</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 8,262,815</u></b>	<b><u>\$ 8,769,976</u></b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 442,533</u>	<u>\$ 375,713</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1. ORGANIZATION**

Community Servings, Inc. ("Community Servings" or "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 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 hosts more than 600 volunteers each month who assist in preparation and packaging of meals delivered to those in need.

Community Servings' 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 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 consolidated financial statements include the accounts of CS, MT and Amory (collectively, the "Agency"). The consolidated financial statements of the Agency have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Financial Statement Presentation

The Agency follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Preparation 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 asset and changes therein are classified as follows:

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

Financial Statement Presentation (continued)

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be used for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and board of directors. The Agency has grouped its net assets without donor restrictions 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 (Note 11).

*Net investment in property and equipment* net assets reflect and account for the activities relating to the Agency's property and equipment and related note receivable, net of related debt.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2020 and 2019, the Agency does not have net assets with donor restrictions that are perpetual in nature.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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. Management believes all outstanding amounts are fully collectible and there was no allowance for doubtful accounts at June 30, 2020 and 2019.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

Grants and Contributions

Grants and 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. Grants and contributions of assets other than cash are reported at their estimated fair value. Restricted contributions of assets other than cash are released from restriction when the asset is placed in service. Grants and 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 grants and contributions.

Restricted grants and contributions are recorded as revenues with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions 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 recorded as revenues without donor restrictions.

Grants and contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues in the net assets without donor restrictions category. Grants and contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues in the net assets with donor restrictions category; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through the establishment of a valuation allowance for doubtful accounts based on historical experience applied to outstanding balances. Grants and contributions receivable are written off when deemed uncollectible. The allowance for doubtful accounts was \$162,500 and \$200,000 at June 30, 2020 and 2019, respectively, which relates to the Agency's capital campaign as a general reserve.

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 expensed 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, furniture and kitchen equipment	3-10

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



**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

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.

Impairment of Long-Lived Assets

The Agency accounts for the valuation of long-lived assets in accordance with the FASB ASC 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, 2020 and 2019, the Agency has determined that no long-lived assets are impaired.

Refundable Advances

Refundable advances include \$323,150 for ticket sales and refundable sponsorships related to the Agency's LifeSavor event as well as advances on contracts in the amount of \$120,216. These advances have not been recognized as revenue as of June 30, 2020.

Deferred Financing Costs

The Agency has capitalized the costs associated with obtaining bond and long-term debt financing (Note 8). Deferred financing costs are amortized over the life of the related debt and are presented as a direct reduction of long-term debt on the accompanying consolidated statements of financial position. Amortization of deferred financing costs is reported as interest expense on the accompanying consolidated statements of operations and changes in net assets. Loan acquisition costs totaled \$374,977 and \$338,277 at June 30, 2020 and 2019, respectively, and accumulated amortization totaled \$94,855 and \$44,482, respectively.

Revenue Recognition

Contract and program income is recorded as the related services are rendered and costs are incurred. Event revenue is recognized at the time of the event.

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 consolidated 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 consolidated financial statements since they do not meet this recognition criteria (Note 12).

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

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 consolidated 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 IRC.

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, 2020 and 2019, management believes that the Agency has no material uncertain tax positions.

Advertising Costs

The Agency expenses advertising costs as incurred. Advertising costs incurred were \$65,852 and \$102,085 for the years ended June 30, 2020 and 2019, respectively.

Functional Expense

The costs of providing program operations have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Occupancy, depreciation and straight line rent amortization is allocated on a square footage basis. Other expenses including contracted services, equipment, office expenses and other expenses are allocated based on the nature of the expense and the program benefiting from it.

Measurement of Operations

The consolidated statements of activities and changes in net assets report the changes net assets without donor restrictions and net assets with donor restrictions 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, as well as unusual items or other items not directly related to the Agency's general programs, including intercompany support. Intercompany support consists of funding received by CS for capital expenditures of MT.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

Recently Adopted Accounting Pronouncements

*Contributions* - In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Agency adopted ASU 2018-08 effective July 1, 2019 using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Agency has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Agency's consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which changes the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2018-03"). In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"), to clarify certain aspects of 2016-01. The Agency has determined that the application of the amendments of ASU 2016-01 did not have a material impact on the Agency's consolidated financial statements and related disclosures.

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods 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. ASC 606 replaces most existing revenue recognition guidance in US GAAP, including industry specific standards, when it becomes effective. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for an optional election to defer the effective date for ASC 606 and related amendments for an additional year.

Prior to the Coronavirus pandemic (Note 16), the Agency was finalizing its assessment and evaluation of the impact that ASC 606 will have on the Agency's consolidated financial statements and related disclosures. Due to disruptions resulting from the pandemic, the Agency elected the option available under ASU 2020-05 to defer the effective date of ASC 606 for annual reporting periods beginning after December 15, 2019.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

This standard is effective for the Agency on July 1, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Agency is currently completing its assessment and evaluation of the impact that Topic 606 will have on its consolidated financial statements and related disclosures.

The Agency expects, at a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts with customers.

In February 2016, 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 consolidated statement of financial position through a right-of-use asset and a lease liability and enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Agency to use its effective date as the date of initial application without restating the comparative period consolidated financial statements and recognizing any cumulative effect adjustment to the opening statement of financial position. In November 2019, FASB issued ASU No. 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)* ("ASU 2019-10") and, as mentioned above, in June 2020, FASB issued ASU 2020-05. ASU 2019-10 and ASU 2020-05 amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Agency is currently evaluating the effect on its consolidated financial statements and related disclosures.

Reclassifications

Certain amounts included in the 2019 consolidated financial statements have been reclassified to conform to the 2020 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 consolidating statement of financial position date of June 30, 2020, through the date which the consolidated financial statements were available to be issued, October 21, 2020, and has determined that except as disclosed in Note 17 to the consolidated financial statements, there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3. AVAILABILITY AND LIQUIDITY**

The following represents the Agency's available financial assets as of June 30, 2020:

Cash and cash equivalents	\$ 8,769,976
Accounts receivable	313,469
Grants and contributions receivable, net	<u>1,639,050</u>
Total financial assets available	10,722,495
Less:	
Financial assets with donor restrictions	(3,169,733)
Financial assets with board designations	<u>(237,939)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,314,823</u>

The Agency's goal is generally to maintain readily available assets to meet three month's of operating expenses. As part of management's liquidity plan, cash is maintained in checking and savings accounts and is readily available for use, with board designated funds available with board approval. In addition, the Agency has a \$1,500,000 line of credit available to meet cash flow needs (Note 7).

**NOTE 4. 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 rate used to calculate the discount on contributions receivable was 2.5% for the years ended June 30, 2020 and 2019. Contributions receivable at June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Contributions for programs	\$ 465,833	\$ 313,115
Contributions for capital campaign	<u>1,482,452</u>	<u>2,318,802</u>
Gross contributions receivable	1,948,285	2,631,917
Less allowance for doubtful accounts	162,500	200,000
Less unamortized discount	<u>146,735</u>	<u>138,050</u>
Net contributions receivable	<u>\$ 1,639,050</u>	<u>\$ 2,293,867</u>
Gross contributions receivable:		
Receivable in less than one year	\$ 1,062,775	\$ 1,412,147
Receivable in one to five years	<u>885,510</u>	<u>1,219,770</u>
	<u>\$ 1,948,285</u>	<u>\$ 2,631,917</u>

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 5. NOTES RECEIVABLE**

In conjunction with the New Markets Tax Credit (NMTC) program financing (Note 8), CS transferred funds of \$13,280,000 to PNC Bank to leverage additional capital into the funding structure. These funds were then lent to MT, through a financial lender, and are shown as notes receivable in the consolidating statement of financial position as of June 30, 2020 and 2019.

CS has two notes receivable from PNC Bank. The notes receivable have principal balances of \$6,500,000 and \$6,780,000. Both notes carry interest at a rate of 1.105% per year, which is due on a monthly basis. The principal balance on both notes receivable is due February 28, 2043.

**NOTE 6. PROPERTY AND EQUIPMENT, NET**

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

	<u>2020</u>	<u>2019</u>
Land	\$ 3,599,628	\$ 3,599,628
Buildings and improvements	22,987,921	16,296,964
Kitchen equipment	1,720,391	957,785
Office equipment	547,313	191,406
Vehicles	534,786	441,959
Furniture	169,268	163,199
Construction in progress	<u>-</u>	<u>3,610,318</u>
	29,559,307	25,261,259
Less accumulated depreciation	<u>3,727,375</u>	<u>2,936,620</u>
Property and equipment, net	<u>\$ 25,831,932</u>	<u>\$ 22,324,639</u>

Construction in progress at June 30, 2019, of \$3,610,318, 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. The building was placed into service during the year ended June 30, 2020.

Depreciation expense for the years ended June 30, 2020 and 2019, totaled \$870,431 and \$452,989, respectively.

During the year ended June 30, 2020, CS transferred kitchen equipment related to the the 179 Amory Street building, totaling \$1,180,071 to MT. This transfer is included in the accompanying consolidating statement of activities and changes in net assets.

**NOTE 7. LINE OF CREDIT**

In April 2020, the Agency has a \$1,500,000 line of credit with a bank, that is reviewed by the bank periodically. Borrowings bear interest at a fluctuating interest rate per annum equal to the bank's Prime Rate, less .50% per annum. As of June 30 2020, there was no outstanding balance on the line of credit.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. LONG-TERM DEBT**

On July 24, 2018, CS and MT entered into a financing agreement under the New Markets Tax Credit (NMTC) program with the Low Income Investment Fund and the Nonprofit Finance Fund. The proceeds were to be used to pay off the Massachusetts Development Finance Agency (“MDFA”) and a bank in connection with the issuance of \$3,750,000 of MDFA Revenue Bonds, Series 2015A (“Series 2015A bonds”), and \$750,000 of MDFA Revenue Bonds, Series 2015B (“Series 2015B bonds”), 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.

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

	<u>2020</u>	<u>2019</u>
<b>Community Servings, Inc.:</b>		
Promissory note payable to Nonprofit Finance Fund. The note bore interest at 3% and was collateralized by pledges. As of June 30, 2020 the note was paid off. \$	-	\$ 377,136
Promissory note payable to PCI Loan Fund. The note bore interest at 4% and was collateralized by certain pledges. As of June 30, 2020 the note was paid off.	-	857,721
Promissory note payable to Low Income Investment Fund. The note bears interest at a rate of 2%, which is payable on a quarterly basis. Principal payments on the note commence July 1, 2020. The final payment is due July 24, 2025. The note is collateralized by certain pledges.	3,251,447	3,199,626
Promissory note payable to Low Income Investment Fund. The note bears interest at a rate of 3%, which is payable on a quarterly basis. Principal payments on the note commence July 1, 2020. The final payment is due July 24, 2025. The note is collateralized by certain pledges.	3,251,447	3,199,626
Promissory note payable to Cambridge Savings Bank, pursuant to the Paycheck Protection Program ("PPP"). The note bears interest at a rate of 1%, which is payable on a monthly basis. Principal payments commence after the deferral period, with payments due in monthly installments of \$30,572, of principal and interest. The final payment is due April 20, 2022, if not forgiven (Note 9).	543,238	-

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. LONG TERM DEBT (CONTINUED)**

	<u>2020</u>	<u>2019</u>
<b>Marbury Terrace, Inc.:</b>		
Promissory note payable to Low Income Investment Fund. The note bears interest at a rate of 1%, which is payable on a quarterly basis. Principal payments commence June 1, 2025 with a one-time principal payment due in the amount of \$5,796,120, payable on that date. Beginning November 15, 2026, the note payable is due in quarterly installments of \$46,725, from then on, of principal and interest. The final payment is due November 30, 2052. The note is collateralized by the mortgage.	6,500,000	6,500,000
Promissory note payable to the Low Income Investment Fund. The note bears interest at a rate of 1%, which is payable on a quarterly basis. Principal payments commence November 15, 2026, with payments due in quarterly installments of \$12,575, from then on, of principal and interest. The final payment is due November 30, 2052. The note is collateralized by the Agency's building.	290,000	290,000
Promissory note payable to the Low Income Investment Fund. The note bears interest at a rate of 1%, which is payable on a quarterly basis. Principal payments commence November 15, 2026, with payments due in quarterly installments of \$139,189, from then on, of principal and interest. The final payment is due November 30, 2052. The note is collateralized by the mortgage.	3,210,000	3,210,000
Promissory note payable to the Nonprofit Finance Fund. The note bears interest at a rate of 1%, which is payable on a quarterly basis. Principal payments commence November 15, 2026, with payments due in quarterly installments of \$281,413, from then on, of principal and interest. The final payment is due November 30, 2052. The note is collateralized by the mortgage.	6,490,000	6,490,000
Promissory note payable to the Nonprofit Finance Fund. The note bears interest at a rate of 1%, which is payable on a quarterly basis. Principal payments commence November 15, 2026, with payments due in quarterly installments of \$139,189, from then on, of principal and interest. The final payment is due November 30, 2052. The note is collateralized by the mortgage.	3,210,000	3,210,000



**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 8. LONG TERM DEBT (CONTINUED)**

	<u>2020</u>	<u>2019</u>
Mortgage note payable to the City of Boston, DND. The note bears no interest and no payments 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>
Total long-term debt	27,061,455	27,649,432
Less current portion	333,450	-
Less deferred financing costs, net	<u>280,122</u>	<u>293,795</u>
Total long-term debt	<u>\$ 26,447,883</u>	<u>\$ 27,355,637</u>

The Agency must comply with various covenants under these loan agreements. The covenants have been met as of June 30, 2020. Maturities of long-term debt for the five years and thereafter at June 30, 2020, are as follows:

<u>Years</u>	<u>Amount</u>
2021	\$ 333,450
2022	561,658
2023	234,159
2024	207,740
2025	3,112,809
Thereafter	<u>22,611,639</u>
	<u>\$ 27,061,455</u>

In addition to credits earned through the NMTC program, the Agency has also recorded notes receivable (Note 5) in the amount of \$13,280,000 which will be used to fund future maturities upon collection.

**NOTE 9. PAYCHECK PROTECTION PROGRAM**

On April 20, 2020, the Agency received loan proceeds of \$543,238 under the PPP (Note 8). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan forgiveness.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 9. PAYROLL PROTECTION PROGRAM (CONTINUED)**

The PPP loan matures two years from the date of first disbursement of proceeds to the Agency (the “PPP Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for the first ten months and payable in 17 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period. The Agency currently is using the proceeds for purposes consistent with the PPP, however, there can be no assurances that the Agency will ultimately meet the conditions for forgiveness of the loan or that the Agency will not take actions that could cause the Agency to be ineligible for forgiveness of the loan, in whole or in part.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a not-for-profit entity. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Agency has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Agency recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Agency has been legally released from its obligation by the lender. The Agency deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Agency, mainly related to the third-party approval process for forgiveness.

**NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
COVID-19 Response	\$ 2,478,025	\$ -
FIM accelerator	105,875	37,500
Other programs	<u>75,000</u>	<u>16,488</u>
Total purpose restrictions	2,658,900	53,988
Time restrictions	510,833	523,334
Capital campaign	<u>-</u>	<u>1,028,364</u>
Total net assets with donor restrictions	<u>\$ 3,169,733</u>	<u>\$ 1,605,686</u>

Net assets are released from donor restrictions by the passage of time, incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from donor restriction due to the passage of time were \$508,334 and \$446,833 as of June 30, 2020 and 2019, respectively. Net assets released from donor restriction as a result of satisfying restrictions related to the Food Is Medicine Accelerator, nutrition and other programs were \$2,966,778 and \$3,780,192 as of June 30, 2020 and 2019, respectively.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 11. BOARD DESIGNATED NET ASSETS**

Board designated net assets represent funds set aside by the board of directors for MT and CS equipment reserves. The MT reserve will be used to fund any major building and system repairs to the property at 18 Marbury Terrace. Withdrawals from these reserve funds require board approval.

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

	2020		
	Community Servings	Marbury Terrace	Total
Equipment	\$ 116,905	\$ -	\$ 116,905
Marbury Terrace	-	121,034	121,034
Total board designated reserve	\$ 116,905	\$ 121,034	\$ 237,939
	2019		
	Community Servings	Marbury Terrace	Total
Equipment	\$ 75,000	\$ -	\$ 75,000
Marbury Terrace	-	121,034	121,034
Total board designated reserve	\$ 75,000	\$ 121,034	\$ 196,034

**NOTE 12. DONATED GOODS AND SERVICES**

The Agency received \$270,080 and \$170,795, respectively, of donated goods and services for the years ended June 30, 2020 and 2019, respectively. The value of donated goods and services for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Recorded in the consolidated financial statements:		
Food and kitchen supplies	\$ 208,183	\$ 130,691
Legal services	61,897	40,104
Subtotal	270,080	170,795
Not recorded in the consolidated financial statements:		
Volunteers	561,939	612,580
Total	\$ 832,019	\$ 783,375

The Agency receives services of volunteers to fulfill other aspects of its programs. These individuals contributed over 46,000 and 53,200 hours of services for the years ended June 30, 2020 and 2019, respectively. The values of these services, which are determined by management at approximately \$12.00 and \$12.75 per hour for the years ended June 30, 2020 and 2019, respectively, are not reflected in the accompanying consolidated financial statements, since these services do not meet the recognition criteria of the standard for *Accounting for Contributions Received and Contributions Made*.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 12. DONATED GOODS AND SERVICES (CONTINUED)**

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

**NOTE 13. 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 deferred by employees. For the years ended June 30, 2020 and 2019, pension contributions were \$102,605 and \$86,356, respectively, and are included in salaries and related expenses in the accompanying consolidating statements of functional expenses.

**NOTE 14. OPERATING LEASE OBLIGATION**

During the year ended June 30, 2020, CS entered into a lease agreement through November 30, 2038, with MT, a related party, to rent space to operate its programs. The payment terms of the lease agreement were designed to reflect the repayment of debt in accordance with the Agency's NMTC program (Note 8). Under the NMTC program, the Agency is eligible for loan forgiveness after a compliance period of 7 years. Upon forgiveness of the related NMTC program debt, the terms of the lease agreement between CS and MT will be renegotiated.

For the year ended June 30, 2020, CS incurred rent expense of \$547,667, of which \$135,000 is included in occupancy and \$411,667 is included in straight line rent amortization in the accompanying consolidating statements of activities and changes in net assets and functional expenses. Related party transactions are eliminated in consolidation.

CS's future minimum lease payments to MT under the agreement are as follows:

<u>Years ending June 30:</u>	<u>Amount</u>
2021	\$ 180,000
2022	180,000
2023	180,000
2024	180,000
2025	270,000
Thereafter	<u>14,455,000</u>
	<u>\$ 15,445,000</u>

**NOTE 15. LABOR AGREEMENT**

In October 2019, the Agency completed negotiations for a three-year contract with Service Employees International Union Local 509 which superceded the previous contract between the two parties. Approximately 39% and 50% of the Agency's labor force was covered under this agreement at June 30, 2020 and 2019, respectively.

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 16. UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS**

COVID-19

In March of 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

Concentrations of Credit Risk

The Agency receives a significant portion of its total revenue and support (approximately 15% and 21% for the years ended June 30, 2020 and 2019, 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 consolidated financial position of the Agency as of June 30, 2020 and 2019, or on the changes in its net assets for the years then ended.

Approximately 35% and 52% of the Agency's accounts receivable at June 30, 2020 and 2019, respectively, are due from government agencies.

**NOTE 17. SUBSEQUENT EVENT**

On July 22, 2020, management received approval from the Attorney General of the Commonwealth of Massachusetts to dissolve CS Amory. During the year ended June 30, 2020, CS Amory's assets, liabilities and net assets were transferred to Community Servings in preparation for the dissolution. This transfer is included in the accompanying statement of activities and changes in net assets.

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

<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	\$ 1,182,473
Department of Public Health:			
HIV Care Formula Grants	93.917	INTF4944MM3181926015	90,000
Substance Abuse and Mental Health Services – Access to Recovery	93.275	TI # 023137	<u>75,400</u>
Total U.S. Department of Health and Human Services			<u>1,347,873</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>\$ 1,357,873</u></b>

**COMMUNITY SERVINGS, INC. AND AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**

**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, 2020. 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 consolidated 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.

Indirect Cost Rate

The Agency elected to use the 10% de minimis cost rate for its Federal programs.

**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 Community Servings, Inc. and Affiliates' major federal program for the year ended June 30, 2020. 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 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 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, 2020.



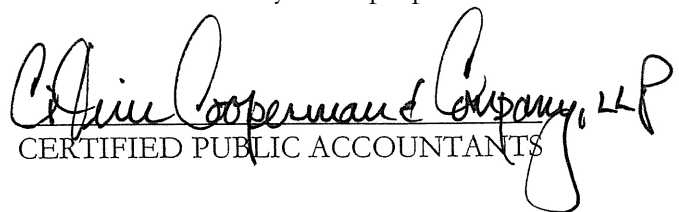
## Report on Internal Control over Compliance

Management of Community Servings, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community 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 21, 2020



**CITRIN COOPERMAN®**

Accountants and Advisors

**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 consolidated financial statements of Community Servings, Inc. and Affiliates (a nonprofit organization), which comprise the consolidating statement of financial position as of June 30, 2020, and the related consolidating statements of activities and changes in net assets, and functional expenses, and the consolidated statement cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Servings, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Servings, Inc. and Affiliates' consolidated 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 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 Community Servings, Inc. and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
October 21, 2020

**COMMUNITY SERVINGS, INC. AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**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 consolidated 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, 2020**

**A. FINANCIAL STATEMENT FINDINGS**

None

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

None