

**COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

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

YEAR ENDED JUNE 30, 2021

**COMMUNITY SERVINGS, INC. AND AFFILIATES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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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 consolidated financial statements of Community Servings, Inc. and Affiliates (a nonprofit organization), which comprise the consolidating statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.



Adoption of New Accounting Pronouncements

As discussed in Note 2 to the consolidated financial statements, the Agency adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* as of July 1, 2020. Our opinion is not modified with respect to this matter.

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 consolidated 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 25, 2021, 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 25, 2021

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

| | 2021 | | | | |
|---|--------------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------------|
| | Community Servings, Inc. | Marbury Terrace, Inc. | Eliminations | Total | 2020 |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 6,841,694 | \$ 508,077 | \$ - | \$ 7,349,771 | \$ 8,262,815 |
| Restricted cash | 28,500 | - | - | 28,500 | - |
| Accounts receivable | 1,043,288 | - | - | 1,043,288 | 583,299 |
| Grants and contributions receivable, current portion | 500,293 | - | - | 500,293 | 1,062,775 |
| Food supplies | 73,710 | - | - | 73,710 | 64,873 |
| Prepaid expenses and other current assets | 176,877 | - | - | 176,877 | 133,282 |
| Due (to) from related party | <u>36,200</u> | <u>(36,200)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total current assets | <u>8,700,562</u> | <u>471,877</u> | <u>-</u> | <u>9,172,439</u> | <u>10,107,044</u> |
| Property and equipment, net | <u>402,339</u> | <u>25,307,872</u> | <u>-</u> | <u>25,710,211</u> | <u>25,831,932</u> |
| Other assets: | | | | | |
| Grants and contributions receivable, net of current portion | 395,306 | - | - | 395,306 | 576,275 |
| Deferred rent receivable | - | 1,051,667 | (1,051,667) | - | - |
| Notes receivable | <u>13,280,000</u> | <u>-</u> | <u>-</u> | <u>13,280,000</u> | <u>13,280,000</u> |
| Total other assets | <u>13,675,306</u> | <u>1,051,667</u> | <u>(1,051,667)</u> | <u>13,675,306</u> | <u>13,856,275</u> |
| TOTAL ASSETS | <u>\$22,778,207</u> | <u>\$ 26,831,416</u> | <u>\$ (1,051,667)</u> | <u>\$ 48,557,956</u> | <u>\$ 49,795,251</u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021

LIABILITIES AND NET ASSETS

| | 2021 | | | | 2020 |
|--|-------------------------------------|----------------------------------|------------------------------|-----------------------------|-----------------------------|
| | Community Servings, Inc. | Marbury Terrace, Inc. | Eliminations | Total | |
| Current liabilities: | | | | | |
| Notes payable, net of current portion | \$ 98,612 | \$ - | \$ - | \$ 98,612 | \$ 333,450 |
| Accounts payable | 280,121 | - | - | 280,121 | 195,171 |
| Accrued expenses | 522,296 | - | - | 522,296 | 449,309 |
| Refundable advances | <u>173,487</u> | <u>-</u> | <u>-</u> | <u>173,487</u> | <u>443,366</u> |
| Total current liabilities | <u>1,074,516</u> | <u>-</u> | <u>-</u> | <u>1,074,516</u> | <u>1,421,296</u> |
| Long-term liabilities: | | | | | |
| Deferred rent accrual | 1,051,667 | - | (1,051,667) | - | - |
| Other liabilities | - | - | - | - | - |
| Notes payable, net of current portion and deferred financing costs | <u>3,232,653</u> | <u>19,788,769</u> | <u>-</u> | <u>23,021,422</u> | <u>26,447,883</u> |
| Total long-term liabilities | <u>4,284,320</u> | <u>19,788,769</u> | <u>(1,051,667)</u> | <u>23,021,422</u> | <u>26,447,883</u> |
| Total liabilities | <u>5,358,836</u> | <u>19,788,769</u> | <u>(1,051,667)</u> | <u>24,095,938</u> | <u>27,869,179</u> |
| Net assets: | | | | | |
| Without donor restrictions: | | | | | |
| Operating | 4,027,623 | 1,402,510 | - | 5,430,133 | 6,187,801 |
| Board designated - reserve | 416,905 | 121,034 | - | 537,939 | 237,939 |
| Net investment in property and equipment | <u>10,351,074</u> | <u>5,519,103</u> | <u>-</u> | <u>15,870,177</u> | <u>12,330,599</u> |
| Total without donor restrictions | 14,795,602 | 7,042,647 | - | 21,838,249 | 18,756,339 |
| With donor restrictions | <u>2,623,769</u> | <u>-</u> | <u>-</u> | <u>2,623,769</u> | <u>3,169,733</u> |
| Total net assets | <u>17,419,371</u> | <u>7,042,647</u> | <u>-</u> | <u>24,462,018</u> | <u>21,926,072</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 22,778,207</u> | <u>\$ 26,831,416</u> | <u>\$ (1,051,667)</u> | <u>\$ 48,557,956</u> | <u>\$ 49,795,251</u> |

See accompanying notes to consolidated financial statements.

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

ASSETS

| | <u>Community</u> <u>Servings, Inc.</u> | <u>Marbury</u> <u>Terrace, Inc.</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---|--|----------------------------|-----------------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 7,540,740 | \$ 722,075 | \$ - | \$ 8,262,815 |
| Accounts receivable | 583,299 | - | - | 583,299 |
| Grants and contributions receivable, current portion | 1,062,775 | - | - | 1,062,775 |
| Food supplies | 64,873 | - | - | 64,873 |
| Prepaid expenses and other current assets | 133,282 | - | - | 133,282 |
| Due (to) from related party | <u>36,200</u> | <u>(36,200)</u> | <u>-</u> | <u>-</u> |
| Total current assets | <u>9,421,169</u> | <u>685,875</u> | <u>-</u> | <u>10,107,044</u> |
| Property and equipment, net | <u>289,665</u> | <u>25,542,267</u> | <u>-</u> | <u>25,831,932</u> |
| Other assets: | | | | |
| Grants and contributions receivable, net of current portion | 576,275 | - | - | 576,275 |
| Deferred rent receivable | - | 411,667 | (411,667) | - |
| Notes receivable | <u>13,280,000</u> | <u>-</u> | <u>-</u> | <u>13,280,000</u> |
| Total other assets | <u>13,856,275</u> | <u>411,667</u> | <u>(411,667)</u> | <u>13,856,275</u> |
| TOTAL ASSETS | <u><u>\$ 23,567,109</u></u> | <u><u>\$ 26,639,809</u></u> | <u><u>\$ (411,667)</u></u> | <u><u>\$ 49,795,251</u></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

| | <u>Community</u> <u>Servings, Inc.</u> | <u>Marbury</u> <u>Terrace, Inc.</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---|--|----------------------------|-----------------------------|
| Current liabilities: | | | | |
| Notes payable, net of current portion | \$ 333,450 | \$ - | \$ - | \$ 333,450 |
| Accounts payable | 195,171 | - | - | 195,171 |
| Accrued expenses | 449,309 | - | - | 449,309 |
| Refundable advances | <u>443,366</u> | <u>-</u> | <u>-</u> | <u>443,366</u> |
| Total current liabilities | <u>1,421,296</u> | <u>-</u> | <u>-</u> | <u>1,421,296</u> |
| Long-term liabilities: | | | | |
| Deferred rent accrual | 411,667 | - | (411,667) | - |
| Notes payable, net of current portion and deferred financing costs | <u>6,712,682</u> | <u>19,735,201</u> | <u>-</u> | <u>26,447,883</u> |
| Total long-term liabilities | <u>7,124,349</u> | <u>19,735,201</u> | <u>(411,667)</u> | <u>26,447,883</u> |
| Total liabilities | <u>8,545,645</u> | <u>19,735,201</u> | <u>(411,667)</u> | <u>27,869,179</u> |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Operating | 5,211,293 | 976,508 | - | 6,187,801 |
| Board designated - reserve | 116,905 | 121,034 | - | 237,939 |
| Net investment in property and equipment | <u>6,523,533</u> | <u>5,807,066</u> | <u>-</u> | <u>12,330,599</u> |
| Total without donor restrictions | 11,851,731 | 6,904,608 | - | 18,756,339 |
| With donor restrictions | <u>3,169,733</u> | <u>-</u> | <u>-</u> | <u>3,169,733</u> |
| Total net assets | <u>15,021,464</u> | <u>6,904,608</u> | <u>-</u> | <u>21,926,072</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 23,567,109</u></u> | <u><u>\$ 26,639,809</u></u> | <u><u>\$ (411,667)</u></u> | <u><u>\$ 49,795,251</u></u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

| | Community Servings, Inc. | | | Marbury Terrace, Inc. | Eliminations | Total | | Total |
|---|-------------------------------|----------------------------|----------------------|--------------------------|------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | | Without Donor Restrictions | With Donor Restrictions | |
| Operating activities: | | | | | | | | |
| Revenue and support: | | | | | | | | |
| Grants and contributions | \$ 3,659,190 | \$ 2,310,878 | \$ 5,970,068 | \$ - | \$ - | \$ 3,659,190 | \$ 2,310,878 | \$ 5,970,068 |
| Contracts | 2,111,941 | - | 2,111,941 | - | - | 2,111,941 | - | 2,111,941 |
| Program income | 3,161,876 | - | 3,161,876 | - | - | 3,161,876 | - | 3,161,876 |
| Events | 1,513,688 | - | 1,513,688 | - | - | 1,513,688 | - | 1,513,688 |
| Donated goods and services | 106,782 | - | 106,782 | - | - | 106,782 | - | 106,782 |
| Rental income | - | - | - | 822,000 | (822,000) | - | - | - |
| Other income | - | - | - | 23,640 | - | 23,640 | - | 23,640 |
| Net assets released from donor restrictions | <u>2,856,842</u> | <u>(2,856,842)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,856,842</u> | <u>(2,856,842)</u> | <u>-</u> |
| Total revenue and support | <u>13,410,319</u> | <u>(545,964)</u> | <u>12,864,355</u> | <u>845,640</u> | <u>(822,000)</u> | <u>13,433,959</u> | <u>(545,964)</u> | <u>12,887,995</u> |
| Program services: | | | | | | | | |
| Nutrition | 7,642,529 | - | 7,642,529 | 812,686 | (697,657) | 7,757,558 | - | 7,757,558 |
| Training | 169,419 | - | 169,419 | - | - | 169,419 | - | 169,419 |
| Policy | <u>581,586</u> | <u>-</u> | <u>581,586</u> | <u>-</u> | <u>(14,187)</u> | <u>567,399</u> | <u>-</u> | <u>567,399</u> |
| Total program services | <u>8,393,534</u> | <u>-</u> | <u>8,393,534</u> | <u>812,686</u> | <u>(711,844)</u> | <u>8,494,376</u> | <u>-</u> | <u>8,494,376</u> |
| Supporting expenses: | | | | | | | | |
| General and administrative | 1,074,740 | - | 1,074,740 | 123,113 | (30,877) | 1,166,976 | - | 1,166,976 |
| Fundraising | <u>1,443,379</u> | <u>-</u> | <u>1,443,379</u> | <u>-</u> | <u>(79,279)</u> | <u>1,364,100</u> | <u>-</u> | <u>1,364,100</u> |
| Total supporting expenses | <u>2,518,119</u> | <u>-</u> | <u>2,518,119</u> | <u>123,113</u> | <u>(110,156)</u> | <u>2,531,076</u> | <u>-</u> | <u>2,531,076</u> |
| Total operating expenses | <u>10,911,653</u> | <u>-</u> | <u>10,911,653</u> | <u>935,799</u> | <u>(822,000)</u> | <u>11,025,452</u> | <u>-</u> | <u>11,025,452</u> |
| Changes in net assets from operations | <u>2,498,666</u> | <u>(545,964)</u> | <u>1,952,702</u> | <u>(90,159)</u> | <u>-</u> | <u>2,408,507</u> | <u>(545,964)</u> | <u>1,862,543</u> |
| Non-operating activities: | | | | | | | | |
| Capital contributions | 94,499 | - | 94,499 | - | - | 94,499 | - | 94,499 |
| Capital planning expenses | (147,243) | - | (147,243) | - | - | (147,243) | - | (147,243) |
| Forgiveness of debt | 543,238 | - | 543,238 | - | - | 543,238 | - | 543,238 |
| Investment income | 176,115 | - | 176,115 | 294 | - | 176,409 | - | 176,409 |
| Gain (loss) on sale of assets | <u>6,500</u> | <u>-</u> | <u>6,500</u> | <u>-</u> | <u>-</u> | <u>6,500</u> | <u>-</u> | <u>6,500</u> |
| Total non-operating activities | <u>673,109</u> | <u>-</u> | <u>673,109</u> | <u>294</u> | <u>-</u> | <u>673,403</u> | <u>-</u> | <u>673,403</u> |
| Changes in net assets | 3,171,775 | (545,964) | 2,625,811 | (89,865) | - | 3,081,910 | (545,964) | 2,535,946 |
| Net assets - beginning | <u>11,851,731</u> | <u>3,169,733</u> | <u>15,021,464</u> | <u>6,904,608</u> | <u>-</u> | <u>18,756,339</u> | <u>3,169,733</u> | <u>21,926,072</u> |
| Transfers of net assets | <u>(227,904)</u> | <u>-</u> | <u>(227,904)</u> | <u>227,904</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET ASSETS - ENDING | <u>\$ 14,795,602</u> | <u>\$ 2,623,769</u> | <u>\$ 17,419,371</u> | <u>\$ 7,042,647</u> | <u>\$ -</u> | <u>\$ 21,838,249</u> | <u>\$ 2,623,769</u> | <u>\$ 24,462,018</u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

| | Community Servings, Inc. | | | Marbury Terrace, Inc. | CS Amory, Inc. | Eliminations | Total Without Donor Restrictions | Total With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|--------------------------|----------------|------------------|--|-------------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | | | | | |
| 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 | 1,859,060 | - | 1,859,060 | - | - | - | 1,859,060 | - | 1,859,060 |
| Events | 1,009,982 | - | 1,009,982 | - | - | - | 1,009,982 | - | 1,009,982 |
| Program income | 1,302,060 | - | 1,302,060 | - | - | - | 1,302,060 | - | 1,302,060 |
| Donated goods and services | 243,980 | - | 243,980 | 26,100 | - | - | 270,080 | - | 270,080 |
| 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>8,202,813</u> | <u>2,592,411</u> | <u>10,795,224</u> | <u>573,767</u> | <u>-</u> | <u>(547,667)</u> | <u>8,228,913</u> | <u>2,592,411</u> | <u>10,821,324</u> |
| Operating expenses: | | | | | | | | | |
| Program services: | | | | | | | | | |
| Nutrition | 5,586,833 | - | 5,586,833 | 895,085 | 313 | (414,438) | 6,067,793 | - | 6,067,793 |
| 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>895,085</u> | <u>313</u> | <u>(473,225)</u> | <u>6,655,744</u> | <u>-</u> | <u>6,655,744</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> |
| 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>(58,424)</u> | <u>2,592,411</u> | <u>2,533,987</u> | <u>(321,318)</u> | <u>(313)</u> | <u>-</u> | <u>(380,055)</u> | <u>2,592,411</u> | <u>2,212,356</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) | - |
| Investment income | 200,719 | - | 200,719 | 2,786 | - | - | 203,505 | - | 203,505 |
| 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>1,339,436</u> | <u>(1,028,364)</u> | <u>311,072</u> | <u>1,263,863</u> | <u>-</u> | <u>-</u> | <u>2,603,299</u> | <u>(1,028,364)</u> | <u>1,574,935</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 | 11,748,585 | 1,605,686 | 13,354,271 | 4,781,992 | 2,518 | - | 16,533,095 | 1,605,686 | 18,138,781 |
| Transfer of net assets | (1,177,866) | - | (1,177,866) | 1,180,071 | (2,205) | - | - | - | - |
| NET ASSETS - ENDING | <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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Nutrition | Training | Policy | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Eliminations | Total |
|---|---------------------|-------------------|-------------------|------------------------------|-------------------------------|---------------------|---------------------------------|---------------------|----------------------|
| Community Servings, Inc.: | | | | | | | | | |
| Salaries and related | \$ 3,391,790 | \$ 127,244 | \$ 392,452 | \$ 3,911,486 | \$ 867,778 | \$ 742,402 | \$ 1,610,180 | \$ - | \$ 5,521,666 |
| Food and kitchen supplies | 1,804,026 | 1,156 | - | 1,805,182 | - | - | - | - | 1,805,182 |
| Contracted services | 247,029 | 29,878 | 112,261 | 389,168 | 103,010 | 267,394 | 370,404 | - | 759,572 |
| Occupancy | 737,354 | 625 | 14,723 | 752,702 | 32,045 | 82,279 | 114,324 | (182,000) | 685,026 |
| Delivery | 360,093 | - | - | 360,093 | - | - | - | - | 360,093 |
| Event expenses | - | - | - | - | - | 221,455 | 221,455 | - | 221,455 |
| Office expenses | 122,123 | 3,741 | 16,279 | 142,143 | 20,114 | 29,020 | 49,134 | - | 191,277 |
| Other expenses | 100,379 | 1,741 | 24,540 | 126,660 | 12,634 | 19,680 | 32,314 | - | 158,974 |
| Equipment | 141,848 | 3,210 | 9,933 | 154,991 | 14,357 | 17,471 | 31,828 | - | 186,819 |
| Donated goods and services | 106,782 | - | - | 106,782 | - | - | - | - | 106,782 |
| Depreciation | 87,917 | 1,824 | 352 | 90,093 | 762 | 1,952 | 2,714 | - | 92,807 |
| Straight line rent amortization (Note 14) | 543,188 | - | 11,046 | 554,234 | 24,040 | 61,726 | 85,766 | (640,000) | - |
| Subtotal | <u>7,642,529</u> | <u>169,419</u> | <u>581,586</u> | <u>8,393,534</u> | <u>1,074,740</u> | <u>1,443,379</u> | <u>2,518,119</u> | <u>(822,000)</u> | <u>10,089,653</u> |
| Marbury Terrace, Inc.: | | | | | | | | | |
| Depreciation | 811,532 | - | - | 811,532 | - | - | - | - | 811,532 |
| Financing fees | - | - | - | - | 69,545 | - | 69,545 | - | 69,545 |
| Interest expense | - | - | - | - | 53,568 | - | 53,568 | - | 53,568 |
| Rental operating expenses | 1,154 | - | - | 1,154 | - | - | - | - | 1,154 |
| Subtotal | <u>812,686</u> | <u>-</u> | <u>-</u> | <u>812,686</u> | <u>123,113</u> | <u>-</u> | <u>123,113</u> | <u>-</u> | <u>935,799</u> |
| TOTAL EXPENSES | <u>\$ 8,455,215</u> | <u>\$ 169,419</u> | <u>\$ 581,586</u> | <u>\$ 9,206,220</u> | <u>\$ 1,197,853</u> | <u>\$ 1,443,379</u> | <u>\$ 2,641,232</u> | <u>\$ (822,000)</u> | <u>\$ 11,025,452</u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

| | Nutrition | Training | Policy | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | 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 |
| Food and kitchen supplies | 1,278,409 | 8,331 | - | 1,286,740 | - | - | - | - | 1,286,740 |
| Contracted services | 85,716 | - | 100,242 | 185,958 | 122,220 | 166,924 | 289,144 | - | 475,102 |
| Occupancy | 451,705 | 51,104 | 10,451 | 513,260 | 28,703 | 58,855 | 87,558 | (136,000) | 464,818 |
| Donated goods and services | 243,980 | - | - | 243,980 | - | - | - | - | 243,980 |
| Event expenses | - | - | - | - | - | 219,348 | 219,348 | - | 219,348 |
| Delivery | 200,803 | - | - | 200,803 | - | - | - | - | 200,803 |
| Office expenses | 90,998 | 5,727 | 2,809 | 99,534 | 13,530 | 23,191 | 36,721 | - | 136,255 |
| Equipment | 91,144 | 10,456 | 2,193 | 103,793 | 13,361 | 13,349 | 26,710 | - | 130,503 |
| Other expenses | 81,113 | 2,975 | 8,339 | 92,427 | 1,902 | 8,965 | 10,867 | - | 103,294 |
| Depreciation | 85,606 | 3,850 | 738 | 90,194 | 1,667 | 4,155 | 5,822 | - | 96,016 |
| Straight line rent amortization (Note 14) | <u>311,521</u> | <u>36,943</u> | <u>7,101</u> | <u>355,565</u> | <u>16,423</u> | <u>39,679</u> | <u>56,102</u> | <u>(411,667)</u> | <u>-</u> |
| 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>(547,667)</u> | <u>7,713,570</u> |
| Marbury Terrace, Inc.: | | | | | | | | | |
| Depreciation | 774,415 | - | - | 774,415 | - | - | - | - | 774,415 |
| Financing fees | 68,505 | - | - | 68,505 | - | - | - | - | 68,505 |
| Interest expense | 50,373 | - | - | 50,373 | - | - | - | - | 50,373 |
| Rental operating expenses | <u>1,792</u> | <u>-</u> | <u>-</u> | <u>1,792</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,792</u> |
| Subtotal | <u>895,085</u> | <u>-</u> | <u>-</u> | <u>895,085</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>895,085</u> |
| CS Amory, Inc.: | | | | | | | | | |
| Occupancy | <u>313</u> | <u>-</u> | <u>-</u> | <u>313</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>313</u> |
| TOTAL EXPENSES | <u>\$ 6,482,231</u> | <u>\$ 355,726</u> | <u>\$ 291,012</u> | <u>\$ 7,128,969</u> | <u>\$ 965,282</u> | <u>\$ 1,062,384</u> | <u>\$ 2,027,666</u> | <u>\$ (547,667)</u> | <u>\$ 8,608,968</u> |

See accompanying notes to consolidated financial statements.

**COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|-----------------------------|
| Operating activities: | | |
| Changes in net assets | \$ 2,535,946 | \$ 3,787,291 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Forgiveness of debt | (543,238) | - |
| Depreciation | 904,114 | 870,431 |
| Grants and contributions restricted for long-term purposes, net | (12,491) | (494,284) |
| (Gain) loss on sale of assets | (6,500) | 2,959 |
| Noncash interest | 50,004 | 50,373 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (459,989) | (269,830) |
| Grants and contributions receivable | 264,333 | (152,718) |
| Food supplies | (8,837) | 3,124 |
| Prepaid expenses and other current assets | (43,595) | 11,730 |
| Accounts payable | 84,950 | (1,166,426) |
| Accrued expenses | 72,987 | 141,364 |
| Refundable advances | (413,366) | 412,366 |
| Unearned revenue | <u>143,487</u> | <u> </u> |
| Net cash provided by operating activities | <u>2,567,805</u> | <u>3,196,380</u> |
| Investing activities: | | |
| Acquisition of property and equipment | (782,393) | (4,377,724) |
| Proceeds from sale of assets | <u>6,500</u> | <u>(2,959)</u> |
| Net cash used in investing activities | <u>(775,893)</u> | <u>(4,380,683)</u> |
| Financing activities: | | |
| Capital grants and contributions received | 491,609 | 1,301,819 |
| Proceeds from long-term debt | - | 543,238 |
| Payments on long-term debt | (3,171,629) | (1,131,215) |
| Bond financing costs | <u>26,100</u> | <u>(36,700)</u> |
| Net cash provided by (used in) financing activities | <u>(2,653,920)</u> | <u>677,142</u> |
| Net decrease in cash and cash equivalents, including restricted cash | (862,008) | (507,161) |
| Cash and cash equivalents, including restricted cash - beginning | <u>8,262,815</u> | <u>8,769,976</u> |
| CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH - ENDING | <u>\$ 7,400,807</u> | <u>\$ 8,262,815</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | <u>\$ 122,566</u> | <u>\$ 442,533</u> |
| Reconciliation of cash and cash equivalents, including restricted cash: | | |
| Cash and cash equivalents | \$ 7,349,771 | \$ 8,262,815 |
| Restricted cash | <u>28,500</u> | <u>-</u> |
| Total cash and cash equivalents, including restricted cash | <u>\$ 7,378,271</u> | <u>\$ 8,262,815</u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 3,500 people annually across Massachusetts using more than 57,000 pounds of produce which is donated each year by local farms and purveyors. Community Servings hosts more than 75 volunteers daily, Monday through Friday, 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. Only 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.

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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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.

Restricted Cash

Restricted cash includes a replacement reserve to fund repairs and replacements for the building.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

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 \$112,300 and \$162,500 at June 30, 2021 and 2020, respectively, which relates to the Agency's capital campaign as a general reserve.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020, the Agency has determined that no long-lived assets are impaired.

Refundable Advances

Refundable advances include advances on conditional contracts and sponsorship payments received in advance of the conditions that are met or the event. The Agency held refundable advances at June 30, 2021 and 2020, totaling \$173,487 and \$443,366, respectively.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$374,977 at June 30, 2021 and 2020, respectively, and accumulated amortization totaled \$148,423 and \$94,855, respectively.

Revenue Recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Year Ended December 31, 2020

The Agency adopted ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on July 1, 2020. With the adoption of Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Agency recognizes revenue when it satisfies performance obligations by transferring control over a product or service to a customer. Event income consists of special event ticket sales, which is offered throughout the year by the Agency, and are recognized at the time a special event is held. The Agency's services represent a bundle of services that are not capable of being distinct and as such, are treated as single performance obligation that is satisfied as the services are rendered. The Agency determines the transaction price based on contractually agreed upon rates, adjusted for variable consideration, if any.

Event revenue is recognized over the period of time that the event takes place, or the transfer of goods occurs.

Year Ended December 31, 2019

For the year ended June 30, 2020 the Agency recognized revenue when (1) the service was performed and the Agency had no significant obligations remaining to be performed; (2) a final understanding as to specific nature and terms of the agreed upon transaction had occurred; (3) price was fixed and determinable; and (4) collection was assured. Services generally met these criteria, and revenue was recognized, when services were rendered.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 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).

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, 2021 and 2020, management believes that the Agency has no material uncertain tax positions.

Advertising Costs

The Agency expenses advertising costs as incurred. Advertising costs incurred were \$125,732 and \$65,852 for the years ended June 30, 2021 and 2020, 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.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement of Operations

The consolidated statements of activities and changes in net assets report the changes in 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.

Recently Issued But Not Yet Effective Accounting Pronouncements

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 enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the 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 balance sheet. In June 2020, the FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. 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 evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In-kind Contributions - In September 2020, FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Agency is evaluating the effect that ASU 2020-07 will have on its consolidated financial statements and related disclosures.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Implemented Accounting Pronouncements

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”), with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, was also issued. The updated standard replaces most existing revenue recognition and certain cost guidance under U.S. GAAP. Collectively, we refer to Topic 606 and Subtopic 340-40 as “ASC 606”. ASC 606 amends existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods and services. The Agency adopted ASC 606 effective July 1, 2020 using the modified retrospective approach. Use of the modified retrospective approach means the Agency’s comparative periods prior to initial application are not restated. The Agency has determined that the adjustments using the modified retrospective approach did not have a material impact on the date of the initial application along with the disclosure of the effect on prior periods. The Agency did not apply any practical expedients in implementing ASC 606.

Reclassifications

Certain amounts included in the 2020 consolidated financial statements have been reclassified to conform to the 2021 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, 2021, through the date which the consolidated financial statements were available to be issued, October 25, 2021, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Agency's available financial assets as of June 30, 2021:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 7,349,771 |
| Accounts receivable | 1,043,288 |
| Grants and contributions receivable, net | <u>895,599</u> |
| Total financial assets available | 9,288,658 |
| Less: | |
| Financial assets with donor restrictions | (2,623,769) |
| Financial assets with board designations | <u>(537,939)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 6,126,950</u> |

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3. AVAILABILITY AND LIQUIDITY (CONTINUED)

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, 2021 and 2020. Contributions receivable at June 30, 2021 and 2020, are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|---------------------|
| Contributions for programs | \$ 201,500 | \$ 465,833 |
| Contributions for capital campaign | <u>940,635</u> | <u>1,482,452</u> |
| Gross contributions receivable | 1,142,135 | 1,948,285 |
| Less allowance for doubtful accounts | 112,300 | 162,500 |
| Less unamortized discount | <u>134,236</u> | <u>146,735</u> |
| Net contributions receivable | <u>\$ 895,599</u> | <u>\$ 1,639,050</u> |
| Gross contributions receivable: | | |
| Receivable in less than one year | \$ 500,293 | \$ 1,062,775 |
| Receivable in one to five years | <u>641,842</u> | <u>885,510</u> |
| | <u>\$ 1,142,135</u> | <u>\$ 1,948,285</u> |

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, 2021 and 2020.

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.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6. PROPERTY AND EQUIPMENT, NET

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------|----------------------|
| Land | \$ 3,599,628 | \$ 3,599,628 |
| Buildings and improvements | 23,294,027 | 22,987,921 |
| Kitchen equipment | 1,973,584 | 1,720,391 |
| Office equipment | 613,043 | 547,313 |
| Vehicles | 604,097 | 534,786 |
| Furniture | 169,268 | 169,268 |
| Construction in progress | <u>7,952</u> | <u>-</u> |
| | 30,261,599 | 29,559,307 |
| Less accumulated depreciation | <u>4,551,388</u> | <u>3,727,375</u> |
| Property and equipment, net | <u>\$ 25,710,211</u> | <u>\$ 25,831,932</u> |

Construction in progress at June 30, 2021, of \$7,952, consisted of equipment purchased for the new building for the Agency's program operations on Amory Street, not yet placed into service.

Depreciation expense for the years ended June 30, 2021 and 2020, totaled \$904,339 and \$870,431, 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.

During the year ended June 30, 2021, CS transferred kitchen equipment related to the the 179 Amory Street building, totaling \$227,904 to MT. This transfer is included in the accompanying consolidating statement of activities and changes in net assets.

NOTE 7. LINE OF CREDIT

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 2021, and 2020, there was no outstanding balance on the line of credit.

NOTE 8. NOTES PAYABLE

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.

**COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 8. NOTES PAYABLE (CONTINUED)

The details of notes payable are as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Community Servings, Inc.: | | |
| 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. | 1,688,882 | 3,251,447 |
| 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. | 1,642,383 | 3,251,447 |
| 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 |
| Marbury Terrace, Inc.: | | |
| 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. The note also requires that \$1,500 be deposited monthly into a separate bank account, as a reserve to be used for replacements and repairs. | 6,500,000 | 6,500,000 |

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8. NOTES PAYABLE (CONTINUED)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| 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 |
| 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 | 23,346,588 | 27,061,455 |
| Less deferred financing costs, net | <u>226,554</u> | <u>280,122</u> |
| Total long-term debt, net | <u>\$ 23,120,034</u> | <u>\$ 26,781,333</u> |

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8. NOTES PAYABLE (CONTINUED)

The Agency must comply with various covenants under these loan agreements. Maturities of long-term debt for the five years and thereafter at June 30, 2021, are as follows:

| <u>Years</u> | <u>Amount</u> |
|--------------|----------------------|
| 2022 | \$ 98,612 |
| 2023 | 101,076 |
| 2024 | 103,604 |
| 2025 | 106,197 |
| 2026 | 2,921,776 |
| Thereafter | <u>20,015,323</u> |
| | <u>\$ 23,346,588</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

In April 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 twenty four 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 PPP, for the loan to be eligible for forgiveness.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. 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 the 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 because 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.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9. PAYROLL PROTECTION PROGRAM (CONTINUED)

The Agency applied for PPP loan forgiveness and received approval from the Small Business Administration ("SBA") in December 2020. The Agency recognized the \$543,238 in forgiveness of debt during the year ended June 30, 2021, which is included in the consolidating statement of activities and changes in net assets. If it is determined that the Agency was not eligible to receive the PPP Loan or that the Agency has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Agency could be subject to penalties and could be required to repay the amounts previously forgiven.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Purpose restrictions: | | |
| COVID-19 Response | \$ 330,000 | \$ 2,478,025 |
| FIM accelerator | 150,000 | 105,875 |
| Other programs | <u>350,339</u> | <u>75,000</u> |
| Total purpose restrictions | 830,339 | 2,658,900 |
| Time restrictions | <u>1,793,430</u> | <u>510,833</u> |
| Total net assets with donor restrictions | <u>\$ 2,623,769</u> | <u>\$ 3,169,733</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 \$490,442 and \$508,334 as of June 30, 2021 and 2020, 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 \$2,366,400 and \$2,966,778 as of June 30, 2021 and 2020, respectively.

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:

| | 2021 | | |
|--------------------------------|-----------------------|--------------------|-------------------|
| | Community Servings | Marbury Terrace | Total |
| Equipment | \$ 416,905 | \$ - | \$ 416,905 |
| Marbury Terrace | <u>-</u> | <u>121,034</u> | <u>121,034</u> |
| Total board designated reserve | <u>\$ 416,905</u> | <u>\$ 121,034</u> | <u>\$ 537,939</u> |

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11. BOARD DESIGNATED NET ASSETS (CONTINUED)

| | 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 |

NOTE 12. DONATED GOODS AND SERVICES

The Agency received \$106,782 and \$270,080, of donated goods and services for the years ended June 30, 2021 and 2020, respectively. The value of donated goods and services for the years ended June 30, 2021 and 2020, is as follows:

| | 2021 | 2020 |
|--|------------|------------|
| Recorded in the consolidated financial statements: | | |
| Food and kitchen supplies | \$ 106,782 | \$ 208,183 |
| Legal services | - | 61,897 |
| Subtotal | 106,782 | 270,080 |
| Not recorded in the consolidated financial statements: | | |
| Volunteers | 413,327 | 561,939 |
| Total | \$ 520,109 | \$ 832,019 |

The Agency receives services of volunteers to fulfill other aspects of its programs. These individuals contributed over 31,000 and 46,000 hours of services for the years ended June 30, 2021 and 2020, respectively. The values of these services, which are determined by management at approximately \$12.75 and \$13.50 per hour for the years ended June 30, 2021 and 2020, 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*.

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 one year 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, 2021 and 2020, pension contributions were \$153,430 and \$102,605, respectively, and are included in salaries and related expenses in the accompanying consolidating statements of functional expenses.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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. Upon forgiveness of the related NMTC program debt, the terms of the lease agreement 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. between CS and MT will be renegotiated.

For the year ended June 30, 2021, CS incurred rent expense of \$822,000, of which \$182,000 is included in occupancy and \$640,000 is included in straight line rent amortization in the accompanying consolidating statements of activities and changes in net assets and functional expenses. 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. Intercompany 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> |
|------------------------------|----------------------|
| 2022 | \$ 180,000 |
| 2023 | 180,000 |
| 2024 | 180,000 |
| 2025 | 270,000 |
| 2026 | 717,000 |
| Thereafter | <u>13,738,000</u> |
| | <u>\$ 15,265,000</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 44% and 39% of the Agency's labor force was covered under this agreement at June 30, 2021 and 2020, respectively.

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 to avoid program disruptions and to keep the workforce safe. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

COMMUNITY SERVINGS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 16. UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS
(CONTINUED)

Concentrations of Credit Risk

The Agency receives a significant portion of its total revenue and support (approximately 16% and 15% for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, or on the changes in its net assets for the years then ended.

Approximately 35% of the Agency's accounts receivable at June 30, 2021 and 2020 are due from government agencies.

SUPPLEMENTARY INFORMATION

**COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|------------------------------------|---|--|---|
| U.S. Department of Health and Human Services: | | | | |
| Pass-through programs from: | | | | |
| Boston Public Health Commission: | | | | |
| HIV Emergency Relief Project Grants | 93.914 | FY20 021300A | \$ - | \$ 1,155,523 |
| Department of Public Health: | | | | |
| HIV Care Formula Grants | 93.917 | INTF4944MM3181926015 | - | 90,000 |
| Direct programs from: | | | | |
| National Institute of Health: | | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 1R01DK127365-01 | <u>-</u> | <u>139,314</u> |
| Total U.S. Department of Health and Human Services | | | <u>-</u> | <u>1,384,837</u> |
| U.S. Department of Homeland Security: | | | | |
| Pass-through programs from: | | | | |
| Suffolk County Local Board: | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 455000-110 | <u>-</u> | <u>90,000</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ -</u></u> | <u><u>\$ 1,474,837</u></u> |

See accompanying notes to consolidated financial statements.

COMMUNITY SERVINGS, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Consolidated 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, 2021. 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, 2021. 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, 2021.



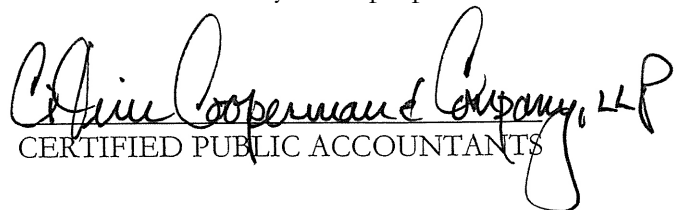
Report on Internal Control over Compliance

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.


CITRINCOOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
October 25, 2021

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, 2021, 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 25, 2021.

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") as a basis for designing 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.



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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.


CITRINCOOPERMAN COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
October 25, 2021

**COMMUNITY SERVINGS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE 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
FOR THE YEAR ENDED JUNE 30, 2021**

A. FINANCIAL STATEMENT FINDINGS

None

B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None