



**FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

COMMUNITY ACTION, INC.

Contents
December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of
Community Action, Inc.:

Opinion

We have audited the financial statements of Community Action, Inc. (a Massachusetts nonprofit corporation) (the Agency), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Action, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
April 24, 2024

COMMUNITY ACTION, INC.Statements of Financial Position
December 31, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash	\$ 2,828,911	\$ 3,319,786
Accounts and contracts receivable, net of allowance for doubtful accounts of \$6,072 at December 31, 2023 and 2022	1,444,363	671,262
Prepaid expenses and deposits	70,174	63,907
Total current assets	<u>4,343,448</u>	<u>4,054,955</u>
Right-of-Use (ROU) Assets - Operating Leases	<u>152,287</u>	<u>199,167</u>
Property and Equipment:		
Land	239,898	239,898
Buildings, building improvements and condominiums	6,729,470	6,454,097
Leasehold improvements	545,132	545,132
Furniture and equipment	717,889	653,499
Motor vehicles	306,359	306,359
	<u>8,538,748</u>	<u>8,198,985</u>
Less - accumulated depreciation	<u>3,223,917</u>	<u>2,904,281</u>
Net property and equipment	<u>5,314,831</u>	<u>5,294,704</u>
Total assets	<u>\$ 9,810,566</u>	<u>\$ 9,548,826</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating lease liability	\$ 58,791	\$ 56,527
Current portion of long-term debt	90,221	86,010
Accounts payable and accrued expenses	746,238	599,236
Refundable advances	951,928	1,023,285
Total current liabilities	<u>1,847,178</u>	<u>1,765,058</u>
Operating Lease Liability, net of current portion	93,496	142,640
Long-Term Debt, net of current portion	919,002	1,005,789
Contingent Debt	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>3,859,676</u>	<u>3,913,487</u>
Net Assets:		
Without donor restrictions:		
Operating	2,100,705	1,739,977
Property and equipment	3,305,608	3,202,905
Total without donor restrictions	<u>5,406,313</u>	<u>4,942,882</u>
With donor restrictions	<u>544,577</u>	<u>692,457</u>
Total net assets	<u>5,950,890</u>	<u>5,635,339</u>
Total liabilities and net assets	<u>\$ 9,810,566</u>	<u>\$ 9,548,826</u>

COMMUNITY ACTION, INC.

Statements of Activities

For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Contracts	\$ 18,750,423	\$ -	\$ 18,750,423	\$ 17,104,363	\$ -	\$ 17,104,363
Contributions and grants	2,063,313	387,066	2,450,379	1,148,439	736,423	1,884,862
Program service fees	127,463	-	127,463	153,250	-	153,250
Interest and miscellaneous	77,789	-	77,789	14,969	-	14,969
In-kind	42,000	-	42,000	42,000	-	42,000
Rental income	21,800	-	21,800	45,669	-	45,669
Net assets released from restrictions:						
Satisfaction of time restrictions	30,900	(30,900)	-	18,400	(18,400)	-
Satisfaction of purpose restrictions	491,757	(491,757)	-	346,567	(346,567)	-
Total operating revenue	<u>21,605,445</u>	<u>(135,591)</u>	<u>21,469,854</u>	<u>18,873,657</u>	<u>371,456</u>	<u>19,245,113</u>
Expenses:						
Program services:						
Head Start	7,142,374	-	7,142,374	6,324,427	-	6,324,427
Energy	5,973,350	-	5,973,350	4,848,306	-	4,848,306
Women, infants and children	2,351,791	-	2,351,791	2,035,212	-	2,035,212
Family day care	2,032,679	-	2,032,679	2,133,940	-	2,133,940
Community services	1,686,730	-	1,686,730	1,473,958	-	1,473,958
Education and training	320,269	-	320,269	262,356	-	262,356
Housing services	281,164	-	281,164	226,838	-	226,838
Total program services	<u>19,788,357</u>	<u>-</u>	<u>19,788,357</u>	<u>17,305,037</u>	<u>-</u>	<u>17,305,037</u>
Support services:						
General and administrative	1,351,361	-	1,351,361	1,256,798	-	1,256,798
Development	44,588	-	44,588	49,954	-	49,954
Total support services	<u>1,395,949</u>	<u>-</u>	<u>1,395,949</u>	<u>1,306,752</u>	<u>-</u>	<u>1,306,752</u>
Total expenses	<u>21,184,306</u>	<u>-</u>	<u>21,184,306</u>	<u>18,611,789</u>	<u>-</u>	<u>18,611,789</u>
Changes in net assets from operations	<u>421,139</u>	<u>(135,591)</u>	<u>285,548</u>	<u>261,868</u>	<u>371,456</u>	<u>633,324</u>
Non-operating Revenue:						
Capital grants	30,003	-	30,003	579,328	50,000	629,328
Net assets released from capital restrictions	12,289	(12,289)	-	37,711	(37,711)	-
Total non-operating revenue	<u>42,292</u>	<u>(12,289)</u>	<u>30,003</u>	<u>617,039</u>	<u>12,289</u>	<u>629,328</u>
Changes in net assets	<u>\$ 463,431</u>	<u>\$ (147,880)</u>	<u>\$ 315,551</u>	<u>\$ 878,907</u>	<u>\$ 383,745</u>	<u>\$ 1,262,652</u>

The accompanying notes are an integral part of these statements.

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COMMUNITY ACTION, INC.Statements of Changes in Net Assets
For the Years Ended December 31, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2021	\$ 4,063,975	\$ 308,712	\$ 4,372,687
Changes in net assets	<u>878,907</u>	<u>383,745</u>	<u>1,262,652</u>
Balance, December 31, 2022	4,942,882	692,457	5,635,339
Changes in net assets	<u>463,431</u>	<u>(147,880)</u>	<u>315,551</u>
Balance, December 31, 2023	<u><u>\$ 5,406,313</u></u>	<u><u>\$ 544,577</u></u>	<u><u>\$ 5,950,890</u></u>

COMMUNITY ACTION, INC.

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 315,551	\$ 1,262,652
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	297,176	279,389
Gain on disposal of property and equipment	-	(3,000)
Capital grants	(30,003)	(629,328)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(773,101)	113,834
Prepaid expenses and deposits	(6,267)	1,367
Accounts payable and accrued expenses	147,002	90,284
Refundable advances	(71,357)	(307,867)
Net cash provided by (used in) operating activities	<u>(120,999)</u>	<u>807,331</u>
Cash Flows from Investing Activities:		
Proceeds from contingent debt	-	1,000,000
Proceeds from sale of property and equipment	-	3,000
Acquisition of property and equipment	(317,303)	(730,494)
Net cash provided by (used in) investing activities	<u>(317,303)</u>	<u>272,506</u>
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(82,576)	(175,332)
Capital grants	30,003	629,328
Payment from line of credit	-	(500,000)
Net cash used in financing activities	<u>(52,573)</u>	<u>(46,004)</u>
Net Change in Cash	<u>(490,875)</u>	<u>1,033,833</u>
Cash:		
Beginning of year	<u>3,319,786</u>	<u>2,285,953</u>
End of year	<u>\$ 2,828,911</u>	<u>\$ 3,319,786</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 49,287</u>	<u>\$ 64,992</u>

COMMUNITY ACTION, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	2023											2022	
	Program Services							Support Services				Total	
	Head Start	Energy	Women, Infants and Children	Family Day Care	Community Services	Education and Training	Housing Services	Total Program Services	General and Adminis- trative	Develop- ment	Total Support Services		
Personnel and Related Costs:													
Salaries and wages	\$ 4,259,597	\$ 400,191	\$ 322,361	\$ 368,774	\$ 666,714	\$ 240,658	\$ 168,805	\$ 6,427,100	\$ 866,242	\$ 22,587	\$ 888,829	\$ 7,315,929	\$ 6,455,921
Payroll taxes and fringe benefits	1,108,712	75,656	132,909	75,629	188,786	45,554	31,804	1,659,050	201,975	3,181	205,156	1,864,206	1,732,564
Total personnel and related costs	5,368,309	475,847	455,270	444,403	855,500	286,212	200,609	8,086,150	1,068,217	25,768	1,093,985	9,180,135	8,188,485
Occupancy:													
Repairs and maintenance	285,962	9,486	7,798	11,490	41,875	-	10,948	367,559	18,844	2,955	21,799	389,358	389,345
Depreciation	182,312	12,674	10,417	8,658	18,887	-	1,266	234,214	62,962	-	62,962	297,176	279,389
Utilities	76,628	6,889	5,662	4,706	14,096	-	7,497	115,478	16,633	-	16,633	132,111	123,658
Facility lease	45,920	-	12,615	-	51,630	-	-	110,165	4,320	-	4,320	114,485	110,350
Interest	38,030	4,341	1,460	1,213	2,524	-	177	47,745	1,542	-	1,542	49,287	64,992
Total occupancy	628,852	33,390	37,952	26,067	129,012	-	19,888	875,161	104,301	2,955	107,256	982,417	967,734
Consumer Expenses	769	5,343,620	1,829,453	-	472,278	-	-	7,646,120	-	-	-	7,646,120	6,218,493
Provider Reimbursements	170,420	-	-	1,496,322	-	-	15,666	1,682,408	-	-	-	1,682,408	1,738,897
Other:													
Program supplies	375,806	50,054	769	14,949	46,105	11,108	37	498,828	-	596	596	499,424	242,989
Consultants/contracted services	122,597	-	-	83	51,913	-	7,260	181,853	-	-	-	181,853	105,013
Office supplies	64,437	18,187	16,143	10,462	33,699	10,535	4,818	158,281	20,275	-	20,275	178,556	231,495
Food	151,220	200	-	2,405	5,281	-	-	159,106	101	4,448	4,549	163,655	135,408
Dues and subscriptions	33,932	11,643	4,576	11,379	41,395	1,999	866	105,790	38,716	684	39,400	145,190	162,622
Staff training and travel	106,596	7,199	3,381	7,651	3,989	60	793	129,669	8,160	-	8,160	137,829	287,659
Professional fees	-	-	-	-	-	-	-	-	81,531	-	81,531	81,531	90,532
Insurance	30,740	4,365	2,657	9,508	6,609	240	1,231	55,350	13,167	-	13,167	68,517	59,828
Miscellaneous	8,244	-	-	-	14,960	-	29,880	53,084	4,958	8,342	13,300	66,384	20,118
Leased equipment and vehicles	25,824	10,642	934	4,898	7,317	10,070	108	59,793	5,799	768	6,567	66,360	77,203
Vehicle maintenance	43,704	-	-	3,524	-	-	-	47,228	-	-	-	47,228	48,636
Advertising	5,604	6,717	-	-	18,019	-	-	30,340	50	973	1,023	31,363	9,966
Printing and postage	5,025	11,486	656	952	653	45	8	18,825	6,086	54	6,140	24,965	23,531
Program transportation	295	-	-	76	-	-	-	371	-	-	-	371	3,180
Total other	974,024	120,493	29,116	65,887	229,940	34,057	45,001	1,498,518	178,843	15,865	194,708	1,693,226	1,498,180
Total operating expenses	\$ 7,142,374	\$ 5,973,350	\$ 2,351,791	\$ 2,032,679	\$ 1,686,730	\$ 320,269	\$ 281,164	\$ 19,788,357	\$ 1,351,361	\$ 44,588	\$ 1,395,949	\$ 21,184,306	\$ 18,611,789

COMMUNITY ACTION, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services							Support Services				
			Women, Infants and Children	Family Day Care	Community Services	Education and Training	Housing Services	Total Program Services	General and Adminis- trative	Develop- ment	Total Support Services	Total
	Head Start	Energy										
Personnel and Related Costs:												
Salaries and wages	\$ 3,701,693	\$ 372,266	\$ 286,774	\$ 401,421	\$ 626,282	\$ 175,671	\$ 136,046	\$ 5,700,153	\$ 717,142	\$ 38,626	\$ 755,768	\$ 6,455,921
Payroll taxes and fringe benefits	996,067	67,935	112,519	100,197	165,560	43,676	31,822	1,517,776	205,988	8,800	214,788	1,732,564
Total personnel and related costs	4,697,760	440,201	399,293	501,618	791,842	219,347	167,868	7,217,929	923,130	47,426	970,556	8,188,485
Occupancy:												
Repairs and maintenance	285,451	9,071	8,109	9,423	57,083	-	2,412	371,549	17,796	-	17,796	389,345
Depreciation	167,672	12,466	11,146	9,435	22,061	-	7,508	230,288	49,101	-	49,101	279,389
Utilities	80,314	6,763	6,047	4,604	14,655	-	816	113,199	10,459	-	10,459	123,658
Facility lease	45,600	-	12,615	-	47,815	-	4,320	110,350	-	-	-	110,350
Interest	37,334	2,192	1,960	2,211	3,724	-	264	47,685	17,307	-	17,307	64,992
Total occupancy	616,371	30,492	39,877	25,673	145,338	-	15,320	873,071	94,663	-	94,663	967,734
Consumer Expenses	1,133	4,251,753	1,569,555	-	396,052	-	-	6,218,493	-	-	-	6,218,493
Provider Reimbursements	208,718	-	-	1,521,712	-	-	8,467	1,738,897	-	-	-	1,738,897
Other:												
Program supplies	145,435	55,910	565	6,039	23,104	11,881	37	242,971	-	18	18	242,989
Consultants/contracted services	76,688	-	-	-	21,865	-	6,460	105,013	-	-	-	105,013
Office supplies	65,968	14,421	16,392	10,466	46,714	27,889	3,551	185,401	46,094	-	46,094	231,495
Food	133,840	-	-	75	1,379	-	-	135,294	114	-	114	135,408
Dues and subscriptions	41,577	26,337	4,545	7,384	28,117	258	7,927	116,145	46,477	-	46,477	162,622
Staff training and travel	233,799	5,671	1,436	28,848	4,034	17	684	274,489	13,135	35	13,170	287,659
Professional fees	-	-	-	-	-	-	-	-	90,532	-	90,532	90,532
Insurance	26,774	4,204	2,400	8,495	2,700	280	975	45,828	14,000	-	14,000	59,828
Miscellaneous	2,976	-	-	-	-	-	15,394	18,370	1,748	-	1,748	20,118
Leased equipment and vehicles	23,453	4,653	509	14,486	9,668	2,661	147	55,577	20,846	780	21,626	77,203
Vehicle maintenance	43,070	-	-	5,566	-	-	-	48,636	-	-	-	48,636
Advertising	2,162	4,909	-	-	1,567	-	-	8,638	691	637	1,328	9,966
Printing and postage	4,212	9,755	640	889	1,578	23	8	17,105	5,368	1,058	6,426	23,531
Program transportation	491	-	-	2,689	-	-	-	3,180	-	-	-	3,180
Total other	800,445	125,860	26,487	84,937	140,726	43,009	35,183	1,256,647	239,005	2,528	241,533	1,498,180
Total operating expenses	\$ 6,324,427	\$ 4,848,306	\$ 2,035,212	\$ 2,133,940	\$ 1,473,958	\$ 262,356	\$ 226,838	\$ 17,305,037	\$ 1,256,798	\$ 49,954	\$ 1,306,752	\$ 18,611,789

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

1. OPERATIONS AND NONPROFIT STATUS

Community Action, Inc. (the Agency) is a Massachusetts corporation, not-for-profit, founded in November 1965, to address the causes and consequences of poverty in the Greater Haverhill, Amesbury and Newburyport areas of Massachusetts. The Agency's chartered mission provides resources and opportunities for individuals, families and communities to overcome poverty. The Agency envisions strong, thriving communities free of poverty. The Agency values include building hope and offering assistance with respect and understanding.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Lease Accounting

The Agency determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The Agency's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Agency separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities. The Agency has elected to combine lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Agency determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU assets equal the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Agency uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Agency uses the risk-free rate on the commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Agency is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting (Continued)

The Agency has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

Operating represents funds available to carry on the operations of the Agency.

Property and equipment reflect the net book value of the activities relating to the Agency's property and equipment and ROU assets, net of related debt and lease obligations.

Net assets with donor restrictions represent amounts received or committed by donors with purpose, time, or capital restrictions that have not yet been met. These donations are recorded as net assets with donor restrictions until they are expended for their designated operating or capital purposes or the time restrictions have lapsed (see Note 4).

Revenue Recognition and Refundable Advances

Contracts, Contributions and Grants

In accordance with ASC *Subtopic 958-605, Revenue Recognition*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 10).

Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional. Assets received before the barrier is overcome are accounted for as refundable advances.

The Agency's primary sources of revenue are derived from cost-reimbursable and unit-rate Federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. These contracts are considered nonreciprocal transactions because the general public receives the benefit as the result of the assets transferred. Amounts are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions.

Grants and contributions are recorded as revenue and net assets without donor restrictions when unconditionally committed. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statements of activities as net assets released from restrictions as costs are incurred, time or program restrictions have lapsed, or capital improvements have been placed into service.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Refundable Advances (Continued)

Program Revenue

The Agency generally measures revenue from exchange transactions (program revenue) based on the amount of consideration the Agency expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract. In accordance with Accounting Standards Update ASC Topic 606, *Revenue from Contracts with Customer*, the Agency uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Program service fees are recognized as services are provided and primarily include Family Day Care parent fees. Parent fees are recognized as services are provided based on a set daily rate calculated using a sliding fee scale. The performance obligations of delivering daycare services are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as daycare services are provided. Timing of revenue is based on the input measurement of attendance.

The timing of revenue recognition of billings and cash collections may result in billed accounts receivable and deferred revenue (contract liabilities) in the accompanying statements of financial position. Accounts receivable and deferred revenue related to parent fees were immaterial at December 31, 2023 and 2022.

Other Revenue

Rental income is recognized over the lease term. All other revenue is recognized as services are provided.

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities. Non-operating revenue includes capital activity.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any, as well as a general reserve for accounts receivable, which is based on the Agency's collection history.

Property and Equipment

Purchased property and equipment are recorded at cost if the cost exceeds \$5,000. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings, building improvements and condominiums	30 - 32 years
Leasehold improvements	Life of lease
Furniture and equipment	5 - 7 years
Motor vehicles	5 years

Land is not depreciated.

As of December 31, 2023 and 2022, the Agency had approximately \$1,996,000 and \$1,966,000, respectively, of assets acquired with funding from the U.S. Department of Health and Human Services, Administration for Children and Families (ACF). ACF retains a reversionary interest in these assets, including a lien on a certain deeded property (see Note 9).

The Agency accounts for the carrying value of its property, plant and equipment in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. As of December 31, 2023 and 2022, the Agency has not recognized any reduction in the carrying value of its property and equipment in consideration of the requirement.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated on a square footage basis; and office supplies, which are allocated based on usage studies conducted annually.

Advertising

The Agency expenses advertising costs as they are incurred.

In-kind Goods and Services

The Agency recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

In-kind is reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor restrictions specify how donated assets must be used. The Agency utilizes all in-kind goods and services for programs and supporting services and does not monetize the in-kind received.

The Agency receives in-kind rent at one of its locations for the Head Start program. This in-kind rent is reflected in the accompanying financial statements based on the difference between the estimated appraised value of the space and the amount the Agency pays for annual rent. The value of donated rent for 2023 and 2022 was \$42,000, for each of the two years, and is included in in-kind revenue and facility lease expense in the accompanying financial statements.

The Agency receives services from a large number of volunteers primarily for its Head Start program, but which do not meet the criteria for financial statement recognition. The value of these services is not reflected in the accompanying financial statements, since the services by the donating volunteers do not meet the recognition criteria outlined in U.S. GAAP. For 2023 and 2022, the estimated value of these donated services was approximately \$220,000 and \$159,000, respectively.

As part of the Head Start program, the U.S. Department of Health and Human Services requires the Agency to match 20% of the cost of operating the program through cash or in-kind contributions. The amount matched by the Agency for 2023 and 2022 was \$1,404,900 and \$1,196,470, respectively, which includes the in-kind rent and donated volunteer services.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2023 and 2022. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 24, 2024, which is the date the financial statements were available to be issued. There were no events that met the criteria for disclosure in the financial statements.

3. FUNDING

The Agency receives income from various funding sources for services rendered under cost-reimbursement and unit-rate contracts. These contracts are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of December 31, 2023 and 2022, or on its changes in its net assets for the years then ended.

Approximately 60% of total revenues were received from various departments of the Commonwealth during 2023 and 2022. Approximately 27% and 29% of total revenues were received from the U.S. Department of Health and Human Services during 2023 and 2022, respectively.

Approximately 35% and 52% of accounts and contracts receivable at December 31, 2023 and 2022, respectively, were due from the various departments of the Commonwealth. Approximately 15% and 28% of accounts and contracts receivable as of December 31, 2023 and 2022, respectively, were due from the U.S. Department of Health and Human Services. Approximately 42% of accounts and contracts receivable as of December 31, 2023, were due from another nonprofit agency for services rendered under the Agency's energy program.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following as of December 31:

	<u>2023</u>	<u>2022</u>
Purpose restrictions	\$ 482,077	\$ 661,768
Time restrictions	62,500	18,400
Capital restrictions	<u>-</u>	<u>12,289</u>
	<u>\$ 544,577</u>	<u>\$ 692,457</u>

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

5. LINE OF CREDIT

The Agency has available up to \$650,000 under a line of credit agreement with a bank. During 2021, the borrowing limit within the agreement was \$400,000 until modified to allow for borrowings up to \$700,000 through September 2022, at which time the available borrowing was reset to \$400,000 until modified again in December 2023 to allow for borrowings up to \$650,000 through September 2024.

Borrowings are due on demand and interest is payable monthly at the bank's base lending rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively), plus 0.5%. The line of credit is secured by an assignment of various state and Federal contract receivables and certain equipment. Under this agreement, the Agency must meet certain administrative covenants. The Agency was in compliance with these covenants as of December 31, 2023 and 2022. The line of credit is renewable annually in September.

6. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
4.53% note payable to a bank, due in monthly installments of principal and interest of \$7,414. The interest rate is based on the Five-Year Federal Home Loan Bank of Boston Regular Classic Advance Rate (the Index), plus 2.15%, through May 2034, the note's maturity date. The note is secured by a first mortgage and an assignment of leases on certain property located in Haverhill, Massachusetts (see Note 9).	\$ 760,366	\$ 812,371
3.5% note payable to a bank, due in monthly installments of principal and interest of \$3,348. In October 2021, the interest rate changed based on the Federal Home Loan Bank of Boston Five-Year Classic Advance Rate plus 2.25%, with a floor of 3.5%, through the next adjustment date of November 1, 2026. The note matures in December 2030. This note is secured by a first mortgage and an assignment of leases on all property located in Essex County, Massachusetts.	248,857	279,428
	1,009,223	1,091,799
Less - current maturities	<u>90,221</u>	<u>86,010</u>
	<u>\$ 919,002</u>	<u>\$ 1,005,789</u>

Aggregate maturities of long-term debt over the next five years are as follows:

2024	\$ 90,221
2025	\$ 94,052
2026	\$ 97,992
2027	\$ 101,907
2028	\$ 106,335
Thereafter	\$ 518,716

The note payable agreements contain various covenants with which the Agency must comply. The Agency was in compliance with these covenants at December 31, 2023 and 2022.

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

7. PENSION PLAN

The Agency has a defined contribution pension plan (the Plan) covering all eligible employees in accordance with IRC Section 403(b). Employees become eligible to participate after attaining the age of 21. The Agency contributes up to 3% of each employee's annual salary. The Agency contributes up to 5% of employee's annual salary for those who have been employed for at least ten consecutive years at the Agency. Employer contributions are fully vested upon completion of fifteen months of service. Pension expense was \$159,281 and \$143,081 for the years ended December 31, 2023 and 2022, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

8. LEASE AGREEMENTS

Facility - Lessee

The Agency leases space under various short-term operating leases expiring through March 2024. The Agency is currently in the process of negotiating a new lease. The Agency also occupies certain program space under tenant-at-will arrangements. Total rent expense under all facility leases was approximately \$114,000 and \$110,000, including \$42,000 of donated rent (see Note 2), for the years ended December 31, 2023 and 2022, respectively, and is included in facility lease in the accompanying statements of functional expenses.

Certain lease agreements contain renewal options, which have not been exercised.

Facility - Lessor

The Agency leases office space to a nonprofit organization and a quasi-government agency under tenant-at-will lease agreements. Rental income pertaining to these agreements was \$21,800 and \$45,669 for the years ended December 31, 2023 and 2022, respectively, and is included in rental income in the accompanying statements of activities.

Equipment Lease

The Agency has operating leases for office equipment that expire at various dates through May 2027. These leases require monthly payments ranging from \$189 to \$3,106.

The following is a schedule of future minimum lease payments in accordance with the lease agreements as of December 31, 2023:

Year Ending December 31

2024	\$ 58,791
2025	58,791
2026	36,945
2027	<u>944</u>
Total	155,471
Less - present value discount	(3,184)
Less - current portion	<u>(58,791)</u>
Lease liability, net of current portion	<u>\$ 93,496</u>

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

8. LEASE AGREEMENTS (Continued)**Equipment Lease (Continued)**

The following summarizes the line items in the accompanying financial statements, which include amounts for operating leases as of December 31:

	<u>2023</u>	<u>2022</u>
Equipment Lease Costs:		
Operating lease costs	\$ 57,848	\$ 56,527
Add - variable lease costs	<u>8,512</u>	<u>5,022</u>
Total equipment lease costs	<u>\$ 66,360</u>	<u>\$ 61,549</u>
Other Information:		
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	<u>\$ 55,288</u>	<u>\$ 56,227</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ 8,408</u>	<u>\$ -</u>
Weighted-average remaining lease term (years)	2.94 years	3.67 years
Weighted-average discount rate	1.48%	1.37%

9. CONTINGENCIES

The Agency is contingently liable for approximately \$1,330,000 granted by ACF associated with the purchase and renovation of property located in Haverhill, Massachusetts. The property is occupied and utilized by the Agency's Head Start program. ACF retains a reversionary interest in this property (see Note 2). ACF recorded a lien on the deed to the property in order to enforce the restrictions on the use of the facility. This lien is subordinate to a mortgage loan with a bank for this property (see Note 6).

10. CONDITIONAL GRANTS

During 2023 and 2022, the Agency received grants and contributions (including government contracts) totaling approximately \$8,900,000 and \$9,800,000, respectively, that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. The Agency recognizes these grants and contributions, including government contracts, when donor-imposed conditions are substantially met (see Note 2).

Conditional promises to give consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Subject to measurable performance barriers	\$ 5,726,313	\$ 6,860,823
Incurring qualifying expenses	<u>3,125,201</u>	<u>2,951,666</u>
Total conditional promises to give	<u>\$ 8,851,514</u>	<u>\$ 9,812,489</u>

COMMUNITY ACTION, INC.

Notes to Financial Statements
December 31, 2023 and 2022

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency's financial assets available within one year from the statements of financial position date for general operating expenses are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,828,911	\$ 3,319,786
Accounts and contracts receivable, net	<u>1,444,363</u>	<u>671,262</u>
Total financial assets	4,273,274	3,991,048
Contractual or donor-imposed restrictions:		
Funds restricted by donors - capital	<u>-</u>	<u>(12,289)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,273,274</u>	<u>\$ 3,978,759</u>

The Agency has certain donor-restricted assets limited to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the financial assets available to meet cash needs for general expenditures within one year. Other assets limited to use for capital purposes are not available for general expenditures within the next year and are not reflected in the amount above. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In the event of an unanticipated liquidity need, the Agency also could draw upon \$650,000 of available line of credit funds through September 2024 (see Note 5).

12. CONTINGENT DEBT

In 2021, the Agency was notified it was awarded a \$1,000,000 grant from a funding source for capital renovations at the Agency's childcare program facility. These capital renovations were completed in 2021 and the grant funds were received in 2022. The agreement requires that the property be used for childcare purposes and that the Agency will continue to be an eligible facility licensed by the Commonwealth as a childcare center for the entire term of the grant (twenty-five years). If these conditions are not met, a portion of the grant is due back to the funding source over the following terms:

Prior to year 9:	100%
Between years 9 and 16:	67%
Between years 16 and 25 years and 6 months:	33%
After 25 years:	0%

The Agency has recorded contingent debt of \$1,000,000 as of December 31, 2023 and 2022, in the accompanying statements of financial position.

13. RECLASSIFICATIONS

Certain amounts in the 2022 financial statements have been reclassified to conform with 2023 presentation.