

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
FOR THE YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westbay Community Action, Inc.
and Westbay Housing Corporation
Warwick, Rhode Island

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Westbay Community Action, Inc., and Westbay Housing Corporation (nonprofit organizations, collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 audit. We conducted our audit 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 financial position of Westbay Community Action, Inc., and Westbay Housing Corporation as of June 30, 2021, and their changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 January 31, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its 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 Organization's 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 the Organization's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
January 31, 2022

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current assets	
Cash	\$ 1,911,112
Grants receivable	2,637,925
Accounts receivable, net of allowance of \$15,244	304,767
Inventory	78,574
Prepaid expenses and other	<u>140,352</u>
Total current assets	5,072,730
Property and equipment, net	<u>1,767,477</u>
TOTAL ASSETS	<u>\$ 6,840,207</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 1,810,412
Accrued payroll and related expenses	200,174
Unapplied grant revenue	111,330
Refundable advances (Note 12)	212,750
Current portion of long-term debt	<u>8,798</u>
Total current liabilities	2,343,464
Long-term debt, less current portion	<u>230,858</u>
Total liabilities	<u>2,574,322</u>
Commitments and contingencies (Notes 5, 10, and 13)	
Net assets	
Without donor restrictions:	
Undesignated	2,198,005
Invested in property and equipment	<u>883,352</u>
	<u>3,081,357</u>
With donor restrictions:	
Restricted for future periods	300,403
Property and equipment	<u>884,125</u>
	<u>1,184,528</u>
Total net assets	<u>4,265,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,840,207</u>

See notes to consolidated financial statements.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Grants and contracts	\$ 9,724,656	\$ 1,004,428	\$ 10,729,084
Program income	1,027,844	-	1,027,844
Contributions and fundraising, net of fundraising expense of \$5,520	79,037	-	79,037
In-kind donations	2,016,193	-	2,016,193
Other income	105,357	-	105,357
Net assets released from restrictions	<u>960,376</u>	<u>(960,376)</u>	<u>-</u>
Total revenue and support	<u>13,913,463</u>	<u>44,052</u>	<u>13,957,515</u>
Expenses:			
Program services:			
Nutrition	399,794	-	399,794
Farm	49,124	-	49,124
Market Place	2,234,130	-	2,234,130
Women, infants and children program	964,761	-	964,761
Children's services	706,839	-	706,839
Case Management	782,919	-	782,919
RSVP	113,042	-	113,042
Adult education	277,734	-	277,734
Family services	5,085,918	-	5,085,918
Housing	122,802	-	122,802
Weatherization	<u>1,254,095</u>	<u>-</u>	<u>1,254,095</u>
Total program expenses	<u>11,991,158</u>	<u>-</u>	<u>11,991,158</u>
Management and general	<u>958,164</u>	<u>-</u>	<u>958,164</u>
Total expenses	<u>12,949,322</u>	<u>-</u>	<u>12,949,322</u>
Change in net assets from operations	964,141	44,052	1,008,193
Gain on sale of property	<u>170,572</u>	<u>-</u>	<u>170,572</u>
Change in net assets	1,134,713	44,052	1,178,765
Net assets - beginning	<u>1,946,644</u>	<u>1,140,476</u>	<u>3,087,120</u>
NET ASSETS - ENDING	<u><u>\$ 3,081,357</u></u>	<u><u>\$ 1,184,528</u></u>	<u><u>\$ 4,265,885</u></u>

See notes to consolidated financial statements.

WESTBAY COMMUNITY ACTION, INC. AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services											Total Program Services	Management and General	Total Expenses
	Nutrition	Farm	Market Place	Women, Infants and Children Program	Children's Services	Case Management	RSVP	Adult Education	Family Services	Housing	Weatherization			
Salaries	\$ 41,029	\$ 28,668	\$ 25,314	\$ 182,802	\$ 380,006	\$ 495,156	\$ 44,781	\$ 183,713	\$ 761,652	\$ 1,845	\$ 291,294	\$ 2,436,260	\$ 546,104	\$ 2,982,364
Payroll taxes and benefits	14,275	3,527	5,916	44,569	107,131	109,939	5,838	34,922	164,913	592	58,785	550,407	97,385	647,792
Workers compensation	235	140	143	957	1,877	2,483	225	919	3,731	10	1,424	12,144	16	12,160
Payroll service fees	243	137	144	998	1,836	2,450	230	900	3,676	9	1,394	12,017	2,693	14,710
Advertising	52	123	1,000	-	282	208	-	52	2,201	-	-	3,918	2,792	6,710
Boiler materials	-	-	-	-	-	-	-	-	-	-	592,774	592,774	-	592,774
Conferences and training	-	-	370	-	25	660	-	-	4,170	-	7,971	13,196	3,504	16,700
Consultants	328,873	-	-	3,234	19,203	54,175	15	-	5,380	-	6,443	417,323	18,915	436,238
Dues and fees	1,361	-	711	185	783	5,836	210	108	11,443	1,213	1,874	23,724	17,714	41,438
Emergency services - case management	-	-	-	-	1,440	4,298	-	-	213,792	-	-	219,530	-	219,530
Insurance	794	-	2,055	1,517	5,111	3,003	2,504	1,224	3,045	4,582	6,567	30,402	11,824	42,226
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	15,061	15,061
LIHEAP payments	-	-	-	-	-	-	-	-	3,684,088	-	-	3,684,088	-	3,684,088
Maintenance and repairs	460	2,668	10,534	353	56,896	10,995	1,575	1,817	13,872	23,565	10,640	133,375	45,875	179,250
Miscellaneous expense	-	1,190	15	-	4,433	-	-	-	545	20,052	3,695	29,930	14,335	44,265
Office expense	3,567	1,448	2,122	20,897	40,371	39,327	21,345	29,959	83,837	2,380	36,983	282,236	62,112	344,348
Professional fees	-	-	-	-	-	-	-	-	-	1,300	-	1,300	30,188	31,488
Program supplies	4,126	5,202	108,133	673,775	24,026	4,231	446	663	41,973	3,412	193,834	1,059,821	21,774	1,081,595
Property taxes	-	-	-	-	-	-	-	-	-	9,781	-	9,781	-	9,781
Raw food and prepared meals	-	-	69,975	-	27,042	-	-	-	-	-	-	97,017	-	97,017
Rent	3,574	-	36,666	32,730	-	37,410	17,906	23,436	69,838	-	28,586	250,146	4,750	254,896
Travel	520	101	4,576	354	-	1,698	1,270	21	154	178	3,535	12,407	193	12,600
Utilities	685	1,184	4,852	2,390	14,069	11,050	4,730	-	15,181	25,353	6,592	86,086	5,214	91,300
In-kind market	-	-	1,956,746	-	-	-	11,967	-	-	-	-	1,968,713	-	1,968,713
Depreciation	-	4,736	4,858	-	22,308	-	-	-	2,427	28,530	1,704	64,563	57,715	122,278
	<u>\$ 399,794</u>	<u>\$ 49,124</u>	<u>\$ 2,234,130</u>	<u>\$ 964,761</u>	<u>\$ 706,839</u>	<u>\$ 782,919</u>	<u>\$ 113,042</u>	<u>\$ 277,734</u>	<u>\$ 5,085,918</u>	<u>\$ 122,802</u>	<u>\$ 1,254,095</u>	<u>\$ 11,991,158</u>	<u>\$ 958,164</u>	<u>\$ 12,949,322</u>

See notes to consolidated financial statements.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities:	
Change in net assets	\$ 1,178,765
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	122,278
Gain on sale of property	(170,572)
Changes in operating assets and liabilities:	
Grants receivable	(1,927,148)
Accounts receivable	(13,665)
Inventory	(47,479)
Prepaid expenses and other	(24,973)
Accounts payable and accrued expenses	1,384,264
Unapplied grant revenue	(45,600)
Refundable advances	<u>20,659</u>
Net cash provided by operating activities	476,529
Cash flows from investing activities:	
Purchases of property and equipment	(275,006)
Proceeds from sale of property	<u>253,028</u>
Net cash used in investing activities	<u>(21,978)</u>
Cash used in financing activities, principal payments on long-term debt	<u>(8,189)</u>
Increase in cash	446,362
Cash - beginning	<u>1,464,750</u>
CASH - ENDING	<u>\$ 1,911,112</u>
Supplemental disclosures of cash flow information:	
Interest paid	<u>\$ 15,061</u>

See notes to consolidated financial statements.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of organization and principles of consolidation

In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the consolidated financial statements include the accounts of Westbay Community Action, Inc. ("WCA") and Westbay Housing Corporation ("WHC") (collectively, the "Organization"). WCA and WHC have substantially the same Board of Directors and share office space and certain employees. Inter-company transactions have been eliminated so as not to overstate the consolidated financial position and consolidated total change in net assets of the Organization.

WCA is a not-for-profit corporation established on January 27, 1966 in accordance with the laws of the State of Rhode Island. This community action agency provides various social and rehabilitative services including fuel assistance, childcare, supportive housing, and nutrition programs to the elderly and low-income residents of Warwick, West Warwick, Coventry, East Greenwich, and other areas of Rhode Island.

WHC is a not-for-profit organization established on October 14, 2003 in accordance with the laws of the State of Rhode Island. The purpose of Westbay Housing Corporation is to assist low to moderate income individuals and families to achieve and sustain self-sufficiency by providing home ownership and rental opportunities.

Recently issued but not yet effective accounting pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. The FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842* and ASU No. 2018-11, *Leases: Targeted Improvements* in July 2018. These updates provide 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 Organization to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulated effect adjustment to the opening statement of financial position. The FASB also issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provides for deferral of the adoption of ASU 2016-02 for another year. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures, but has not yet selected a transition method or determined the timing of adoption.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decrease in net assets without donor restrictions. Gains and losses on investments or other assets or liabilities are reported as increase or decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Contributions

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as unrestricted revenue.

Revenue recognition

The Organization recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606 *Revenue from Contracts with Customers* ("Topic 606"). Under Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of the third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or rendering a service to a customer. The Organization determines the transaction price based on contractually agreed upon rates, as adjusted for any variable consideration.

Revenue subject to recognition under Topic 606 includes revenue derived from case management and child care services. Case management revenue is recognized monthly on a fee-for-service basis, as services are rendered. Child care revenue is recognized weekly on a fee-for-service basis, as the care is provided. At June 30, 2021, case management and childcare revenue totaled \$552,298 and \$273,912, respectively, and are included in program income in the accompanying consolidated statement of activities and changes in net assets. Accounts receivable, net related to revenue recognized under ASC 606 totaled \$304,767 and \$291,102 at June 30, 2021 and 2020, respectively.

Disaggregation of revenues

The Organization provides its case management and child care services to individuals within the State of Rhode Island, primarily those who reside in the Kent County communities.

Grants and contracts

The Organization's grant and contract revenue is derived primarily from cost-reimbursable and/or unit-rate federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided the related services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as unapplied grant revenue in the consolidated statement of financial position.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and contracts (continued)

Grants and contracts are subject to audit by agents of the granting authority; the purpose of which is to ensure compliance with conditions precedent to the granting of funds or awarding of contracts. Any liability for reimbursement which might arise out of these audits is not considered by the Organization to be material.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of six months or less to be cash equivalents. There were no cash equivalents as of June 30, 2021.

Grants and accounts receivable

The Organization reports its grants and accounts receivable at net realizable value. On a periodic basis, the Organization evaluates its contracts and other receivables and establishes an allowance for doubtful accounts as necessary, based on a history of past bad debt expense and collections and current credit conditions.

The Organization does not accrue interest on grants and accounts receivable. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. All expenditures for property and equipment in excess of \$1,000 are capitalized. The fair value of donated assets is similarly recorded. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Buildings	40 years
Improvements	20 years
Furniture and equipment	5-10 years
Vehicles	5 years

Impairment of long-lived assets

The Organization evaluates long-lived assets held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization did not record an impairment loss during the year ended June 30, 2021. The Organization believes no assets are impaired as a result of the effects of the coronavirus (COVID-19) pandemic on operations for the year ended June 30, 2021.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of food and clothing donated to the Organization. Food activity is recorded in the consolidated financial statements as a contribution based on per-pound values established by America's Second Harvest. Business clothing is supplied for low income clients to get them ready to enter the workforce. Clothing activity is recorded in the consolidated financial statements as a contribution based on Thrift Store values.

In-kind donations

Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded as in-kind donations at their fair values in the period received. The Organization records in-kind donations for food and clothing donated to the Organization (Note 8) based on published values as previously described.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities and change in net assets. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries, payroll taxes, and benefits	Time and effort
Consultants	Time and effort
Insurance	Time and effort, square footage
Office expense	Time and effort, consumption
Program supplies	Usage, consumption
Rent	Square footage
Maintenance and repairs	Square footage, usage, consumption
Utilities	Square footage, consumption
Depreciation	Square footage, usage

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

WCA and WHC qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code ("IRC"). As not-for-profit entities, WCA and WHC are subject to unrelated business income tax ("UBIT"), if applicable. In accordance with FASB ASC 740, *Income Taxes*, WCA and WHC apply the "more likely than not" threshold to the recognition and derecognition of tax positions for its consolidated financial statements. Management has evaluated WCA and WHC's tax positions and has concluded that there were no uncertain tax positions that qualified for either recognition or disclosure in these consolidated financial statements.

WCA and WHC file income tax returns in the U.S. federal jurisdiction.

Subsequent events

The Organization has evaluated subsequent events through January 31, 2022, the date that the accompanying consolidated financial statements were available to be issued. Except for the matter discussed in Note 12, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

Land	\$ 138,275
Federally funded land	320,300
Federally funded properties	488,287
Buildings and improvements	1,420,675
Furniture and equipment	287,806
Vehicles	<u>236,473</u>
	2,891,816
Less accumulated depreciation	<u>(1,124,339)</u>
	<u>\$ 1,767,477</u>

Depreciation expense for the year ended June 30, 2021 totaled \$122,278.

The Organization has received federal funding passed through various state and municipal agencies for the acquisition and rehabilitation of properties to be used in its supportive housing program. The properties are to be used in the supportive housing program for a minimum of 15 years. Under the terms of these agreements, if the Organization sells, assigns, transfers or encumbers the premises, or any part of the premises, or if any part of the premises is sold and no longer used as supportive housing as prescribed by the applicable federal programs, the Organization is considered in breach of the agreements and will be liable to repay the funding received for acquisition and rehabilitation of the properties.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2. PROPERTY AND EQUIPMENT (CONTINUED)

The Organization also holds title to certain parcels of land related to a low-income first time buyer program. The Organization and the purchasers of these homes have entered into a 99- year land lease for the lot on which the purchased home is located.

At year-end, the net book value of the aforementioned real estate is included in net assets with donor restrictions in the amount of \$884,125 (Note 7).

NOTE 3. LINE OF CREDIT

The Organization has a \$250,000 line of credit available with a commercial bank, secured by substantially all of its unrestricted assets. The line of credit is set to expire on February 28, 2022. As of June 30, 2021, bank advances on the line of credit are payable on demand and carry interest at the London InterBank Offered Rate ("LIBOR") plus 3%. At year-end the Organization had no outstanding balance on its line of credit.

NOTE 4. LONG-TERM DEBT

On June 12, 2008, the Organization entered into a commercial mortgage payable by obtaining \$320,000 from a local financial institution. The term of the mortgage payable is 30 years and calls for monthly principal and interest payments of approximately \$1,817 with an initial fixed rate of 5.5% for the first fifteen years. At July 2023, the interest rate will be determined according to the weekly average yield on United States Securities, adjusted to a constant maturity of five years as made available by the Federal Reserve Board, forty-five days before each interest rate change date, plus two point seventy-five percentage points (2.75%). The mortgage is secured by the property located at 216-224 Buttonwoods Avenue in Warwick, Rhode Island.

Mortgage note payable	\$ 239,656
Less: current portion of long-term debt	<u>(8,798)</u>
Mortgage note payable, less current portion	<u>\$ 230,858</u>

At June 30, 2021, aggregate future maturities of long-term debt are as follows:

Year Ending June 30:

2022	\$ 8,798
2023	9,294
2024	9,818
2025	10,372
2026	10,957
Thereafter	<u>190,417</u>
Total	<u>\$ 239,656</u>

Interest expense for the year ended June 30, 2021 totaled \$13,614.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5. OPERATING LEASES

The Organization leases various properties and office equipment for use in its Working Wardrobe, WIC, Adult Education, and other social service programs. The terms of the leases extend through various dates through March 2037. In August 2020, the Organization's main office lease was amended to include expanded space.

Aggregate rental commitments, excluding real estate taxes and CAM charges for the noncancelable portion of operating leases for the years ending June 30, are as follows:

Year ending June 30:

2022	\$ 221,304
2023	232,235
2024	241,092
2025	245,145
2026	253,204
Thereafter	<u>2,845,711</u>
	<u>\$ 4,038,691</u>

Total rent and CAM charges for 2021 amounted to \$254,896 and are included in rent expense in the accompany consolidated statement of functional expenses.

NOTE 6. LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end:

Cash	\$ 1,911,112
Grants receivable, net	2,637,925
Accounts receivable, net	<u>304,767</u>
Total financial assets at year-end	4,853,804
Less amounts not available to be used within one year, restricted for designated purposes	<u>(300,403)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,553,401</u>

The Organization's goal is generally to maintain financial assets to meet two month's worth of operating expenses (approximately \$2,155,000). The Organization has a \$250,000 line of credit available to meet cash flow needs (Note 3).

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions are available for the following purposes:

Restricted for Future Periods:

School Lunch Program	\$ 183,151
LIHEAP	<u>117,252</u>
	<u>300,403</u>

Housing and Related:

Warwick Avenue Property - Supportive Housing	212,000
Earl Street Property - Supportive Housing	276,287
22 Astral Street - Improvements	266,877
Weatherization and LIHEAP transportation and equipment	189,899
Building and leasehold improvements	134,466
Land - Warwick Ave	53,000
Land - Earl	69,000
Land - Belt Street	48,000
Land - Vine Street	52,300
Land - Wilson Street	48,000
Land - Lincoln	50,000
Less accumulated depreciation	<u>(515,704)</u>
	<u>884,125</u>

Total \$ 1,184,528

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Depreciation	\$ 53,717
Net book value of East Avenue property for which the restriction expired in January 2019, and was sold in June 2021	82,456
Expenditures related to restricted purposes	<u>824,203</u>
	<u><u>\$ 960,376</u></u>

NOTE 8. DONATED SERVICES, MATERIALS AND FACILITIES

The Organization receives services from a variety of unpaid volunteers assisting the Organization in its administrative and program service and the volunteer hours do not qualify for accounting recognition. At June 30, 2021, \$2,016,193 in donations for clothing and food have been recognized in the accompanying consolidated statement of activities and changes in net assets because the criteria for recognition in the consolidated financial statements in accordance with U.S. GAAP was met.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9. EMPLOYEE RETIREMENT PLANS

The Organization maintains a retirement plan under IRC Section 401(k). The retirement plan covers all non-union employees who are at least twenty-one years of age and have completed three months of service. The Organization makes contributions to the retirement plan on a discretionary basis. During the year ended June 30, 2021, contributions made were 2.75% of eligible participating employee's annual wages. Pension expense for the year ended June 30, 2021 was approximately \$50,300.

The Organization also makes contributions to a defined contribution pension plan sponsored by the employee's labor union (Note 10). Contributions in accordance with the Organization's agreement with the Union are 8% of eligible participating union member's annual wages. During the year ended June 30, 2021, the Organization made contributions of approximately \$18,400.

NOTE 10. EMPLOYEE UNION

Approximately one-quarter of the Organization's labor force belongs to an employee union, subject to a collective bargaining agreement effective through June 30, 2024. At year-end, management expects no interruption in operations related to the agreement with this Union.

NOTE 11. CONCENTRATION OF CREDIT RISK AND MARKET RISK

Cash

At June 30, 2021, the Organization had \$1,433,206 of cash on deposit with a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). Management regularly monitors the financial condition of the banking institutions holding the Organization's deposits in order to minimize potential risk.

Revenue and receivables

Most of the Organization's outstanding receivables at year-end are from federal and state governmental agencies. Based on collections to date and past history of collections, the Organization has determined that the credit risk related to these receivables is minimal.

The Organization receives approximately 75% of its revenue through Federal, State and Municipal grants and contracts. According to the grant and contract provisions, any grant or contract may be terminated within 90 days upon written notice from either party. At June 30, 2021, management expects all current grants and contracts to continue into the foreseeable future.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12. PAYCHECK PROTECTION PROGRAM LOANS AND SUBSEQUENT EVENT

On May 13, 2020, the Organization received loan proceeds in the amount of \$533,775 under the Paycheck Protection Program ("PPP"). On February 1, 2021, the Organization received a second round of PPP funding in the amount of \$598,442. 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 expense of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks as 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 for the loan to be eligible for forgiveness. At least 60% of the amount forgiven must be attributable to payroll costs, as defined by the PPP.

If not forgiven, the PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first ten months and payable in 54 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

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 Organization has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Organization recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Organization deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. The Organization recognized \$577,783 and \$341,684 in grant revenue under the PPP loan program during the years ended June 30, 2021 and 2020, respectively. Grant revenue from the PPP loan is included in grants and contracts on the consolidated statement of activities and changes in net assets. As of June 30, 2021, \$212,750 is included in refundable advances on the consolidated statement of financial position related to the PPP loan program.

On September 16, 2021, the Organization was informed by the Small Business Administration ("SBA") that forgiveness of its first PPP loan had been granted. The Organization acknowledges that if it is determined that the Organization was not eligible to receive the PPP loan or that the Organization has not adequately complied with the rules, regulations, and procedures applicable to the SBA's loan program, the Organization could be subject to penalties, and could be required to repay the amounts previously forgiven.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12. PAYCHECK PROTECTION PROGRAM LOANS AND SUBSEQUENT EVENT (CONTINUED)

The Organization currently intends to use the proceeds from the second round PPP loan for purposes consistent with the PPP, however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that the Organization will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part. The Organization has applied for forgiveness of its second PPP loan, and is currently awaiting a determination from the SBA.

NOTE 13. UNCERTAINTY

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to constitute a "Public Health Emergency of International Concern". The COVID-19 outbreak has affected certain of the Organization's operational activities, including the transitioning of programs to virtual formats, and additional payroll expenses incurred in order to maintain the same level of services to the community. Due to the continued uncertainty of the situation, the Organization applied for and received two rounds of PPP loan funding, as described in Note 12. Given the on-going uncertainty of this pandemic, any potential disruption to the Organization's activities and the related financial impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
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	Grant Number/Pass- through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture:			
Pass-through programs from the State of Rhode Island Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	4R1700705	\$ 297,369
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) - Vouchers	10.557	4R1700705	<u>672,153</u>
			969,522
Pass-through program from the State of Rhode Island Department of Elementary and Secondary Education:			
Child and Adult Care Food Program	10.558	N/A	<u>26,462</u>
Pass-through program from the State of Rhode Island Department of Human Services:			
Emergency Food and Shelter National Board Program	97.024	17174RI810Y8105	<u>54,392</u>
Total U.S. Department of Agriculture			<u>1,050,376</u>
U.S. Department of Energy			
Pass-through program from the State of Rhode Island Energy Office:			
Weatherization Assistance for Low-Income Persons	81.042	N/A	<u>32,033</u>
U.S. Department of Housing and Urban Development:			
Pass-through programs from the City of Warwick:			
CDBG - Entitlement Grants Cluster: Community Development Block Grants	14.218	N/A	93,691
COVID-19 Community Development Block Grants	14.218	N/A	<u>151,792</u>
			245,483
Pass-through program from Rhode Island Housing:			
Supportive Housing Program	14.235	N/A	<u>49,536</u>
Total U.S. Department of Housing and Urban Development			<u>295,019</u>

See independent auditor's report and accompanying notes to
schedule of expenditures of federal awards.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
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	Grant Number/Pass- through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services:			
477 Cluster:			
Pass-through program from the State of Rhode Island Department of Education:			
Temporary Assistance for Needy Families - Project Opportunity	93.558	N/A	\$ <u>11,403</u>
Pass-through programs from the State of Rhode Island Department of Human Services:			
Community Service Block Grant	93.569	G-19BIRICOSR	307,043
COVID-19 Community Service Block Grant	93.569	N/A	<u>110,295</u>
			417,338
Temporary Assistance for Needy Families - Working Wardrobe	93.558	N/A	21,473
Temporary Assistance for Needy Families - Youth Success	93.558	N/A	<u>156,435</u>
			<u>177,908</u>
Total 477 Cluster			606,649
Pass-through program from the State of Rhode Island Department of Health:			
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	N/A	<u>22,075</u>
Pass-through programs from the State of Rhode Island Office of Healthy Aging:			
Aging Cluster:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	19AARIT3SS	222,789
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	19AARIT3CM	307,983
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	19AARIT3CM	<u>95,361</u>
Total Aging Cluster			626,133

See independent auditor's report and accompanying notes to
schedule of expenditures of federal awards.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
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	Grant Number/Pass- through Entity Identifying Number	Total Federal Expenditures
U.S Department of Health and Human Services (Continued):			
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	19AARIT3PH	\$ <u>48,638</u>
			<u>674,771</u>
Pass-through programs from the State of Rhode Island Energy Office:			
Low-Income Home Energy Assistance Program ("LIHEAP")	93.568	G19R1RILIEA	3,684,089
LIHEAP - Administration	93.568	G19R1RILIEA	824,201
LIHEAP - Assurance 16	93.568	G19R1RILIEA	137,933
COVID-19- LIHEAP COVID CARES	93.568	G19R1RILIEA	20,498
LIHEAP - Weatherization Assistance Program HHS	93.568	G19R1RILIEA	631,154
LIHEAP - Boiler Repair & Replacement Program	93.568	G19R1RILIEA	<u>278,250</u>
			<u>5,576,125</u>
Total U.S. Department of Health and Human Services			<u>6,879,620</u>
Corporation for National and Community Service:			
Retired and Senior Volunteer Program	94.002	N/A	<u>76,965</u>
Total Expenditures of Federal Awards			<u>\$ <u>8,334,013</u></u>

See independent auditor's report and accompanying notes to
schedule of expenditures of federal awards.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Westbay Community Action, Inc. and Westbay Housing Corporation (a Nonprofit Organization) (the "Organization") under programs of the federal government for the year ended June 30, 2021. The information in this 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 operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. 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 in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3. AWARDS TO SUBRECIPIENTS

For the year ended June 30, 2021, the Organization did not pass through federal funds to subrecipients.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Westbay Community Action, Inc. and Westbay Housing Corporation
Warwick, Rhode Island

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 Westbay Community Action, Inc. and Westbay Housing Corporation (a Nonprofit Organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

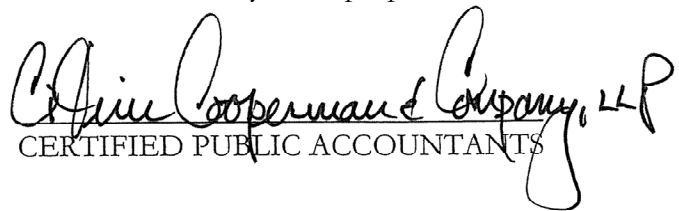
As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
January 31, 2022

**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
Westbay Community Action, Inc. and Westbay Housing Corporation
Warwick, Rhode Island

Report on Compliance for Major Federal Program

We have audited Westbay Community Action, Inc. and Westbay Housing Corporation's (a Nonprofit Organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's 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 Westbay Community Action, Inc. and Westbay Housing Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's 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 its major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program

In our opinion, Westbay Community Action, Inc. and Westbay Housing Corporation 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.

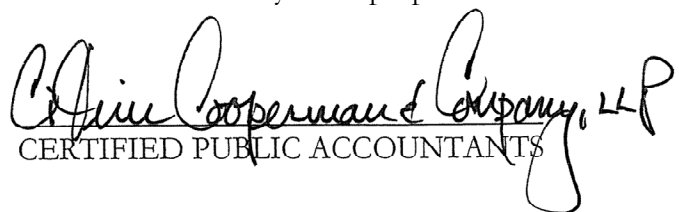
Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the Organization's 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
January 31, 2022

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	_____ <u>x</u> no
Significant deficiency(ies) identified?	_____ <u>x</u>	yes	_____
Noncompliance material to financial statements noted?	_____	yes	_____ <u>x</u> no

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	_____	yes	_____ <u>x</u> no
Significant deficiency(ies) identified?	_____	yes	_____ <u>x</u> none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ <u>x</u> no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
_____ 93.568 _____	_____ Low-Income Home Energy Assistance Program (LIHEAP) _____

Dollar threshold used to distinguish between Type A and Type B programs:	_____ \$750,000 _____
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Auditee qualified as low-risk auditee?	_____ <u>x</u>	yes	_____	no
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**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

2021-001 Accounts Receivable

Condition

During the performance of audit procedures over accounts receivable, it was noted that for three receivables for which a third-party confirmation response was not received, documentation was not available to support the amounts remaining in accounts receivable.

Criteria

Accounting principles generally accepted in the United States of America ("U.S. GAAP") require that amounts recorded in the financial statements as accounts receivable represent valid receivables.

Cause

Three invoices were entered into the accounting system multiple times, therefore creating an overstatement in the accounts receivable balance.

Effect

Based on the results of the audit procedures performed, the total known error amounted to approximately \$56,000, and the projected overstatement was approximately \$15,600.

Recommendation

Management should enhance its internal control procedures over accounts receivable. Management should consider implementing such procedures as signing off on invoices after they have been posted to ensure that they are not entered again, and performing a more detailed review of the accounts receivable aging on a routine basis to ensure that all items outstanding represent valid receivables.

View of responsible officials and planned corrective actions

Management acknowledges this situation occurred. It happened because the Staff Accountant who was newly trained on entering accounts receivable invoices did not properly check if an invoice had already been entered before entering it again. During management's review over accounts receivable, each of these invoices had received payment once, so the duplicates were not evident on reports. In addition, these specific invoices historically have taken up to a year to be paid, so the issue was not apparent upon routine reviews. Further, the Organization has experienced significant growth over the last year, which has resulted in the existing staff being spread very thin.

These are the steps the Organization is taking to ensure this does not occur again:

The employee in question has already received a warning where the gravity and implications of what seemed to be minor errors were explained in detail. This employee will receive re-training on the proper procedures for entering invoices into the accounting system, and the Senior Accountant will enhance their review procedures over the Staff Accountant's work. On a daily basis the Staff Accountant will be required to send an email to the Senior Accountant and CFO listing, in detail, all of the tasks they completed that day, so that any potential issues can be investigated and addressed quickly. In addition to this review, the Senior Accountant will expand their monthly review from open accounts receivable to all recorded revenue transactions to ensure that no duplicates have been entered. On a quarterly basis, the CFO will expand their review of revenue and accounts receivable to ensure that all recorded revenue and receivables are valid.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings (Continued)

Lastly, management will also explore the financial feasibility of adding an additional finance staff member to increase the capacity of the department which would allow ample time for all tasks to be completed and reviewed with the detail required.

Section III – Federal Award Findings

No matters were reported.