WESTBAY COMMUNITY ACTION, INC.
AND
WESTBAY HOUSING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2018, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 *Governmental 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

MARCUMGROUP
MEMBER

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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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is required by the Uniform Guidance and is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 15, 2018, 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 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 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.

Marcum LLP

Providence, RI
November 15, 2018

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

Assets		
Current Assets		
Cash and cash equivalents	$	490,438
Grants receivable, net		1,005,324
Accounts receivable		104,052
Inventory		29,713
Other assets		34,757
Total Current Assets		1,664,284
Property and Equipment, Net		1,774,781
Total Assets	$	3,439,065
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$	251,360
Accrued payroll and related expenses		111,943
Unapplied grants		126,547
Long-term debt due within one year		7,462
Total Current Liabilities		497,312
Long-Term Liabilities		
Long-term debt, less current portion		255,337
Total Long-Term Liabilities		255,337
Total Liabilities		752,649
Net Assets		
Unrestricted:		
Undesignated		1,174,434
Invested in property and equipment		580,902
Total Unrestricted Net Assets		1,755,336
Temporarily restricted:		
Property		931,080
Total Temporarily Restricted Net Assets		931,080
Total Net Assets		2,686,416
Total Liabilities and Net Assets	$	3,439,065

See accompanying notes to consolidated financial statements.

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Changes in Unrestricted Net Assets	
Revenue and support:	
Grants	$ 7,196,644
Program income	967,296
Fundraising, net of related expense of $13,015	14,258
Contributions	28,572
In-kind donations	422,644
Loss on real estate and related improvements	(176,602)
Miscellaneous	45,469
Total Unrestricted Revenue and Support	8,498,281
Net Assets Released from Restrictions	
Satisfaction of restrictions	277,643
Total Unrestricted Public Support and Revenue	8,775,924
Expenses	
Program Services:	
Nutrition	326,851
Market place	698,555
Women, infants and children program	1,268,932
Children's services	688,402
Elder services	785,895
Adult education	197,821
Family services	2,874,529
Housing	103,274
Weatherization	1,234,868
Total Program Services	8,179,127
Support Services:	
Management and general	672,293
Total Expenses	8,851,420
Decrease in Unrestricted Net Assets	(75,496)
Changes in Temporarily Restricted Net Assets	
Contributions	27,816
Net assets released from restrictions	(277,643)
Changes in Temporarily Restricted Net Assets	(249,827)
Decrease in Net Assets	$ (325,323)

See accompanying notes to consolidated financial statements.

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

Unrestricted Net Assets:	
Beginning of year	$ 1,830,832
Decrease in unrestricted net assets	(75,496)
Unrestricted Net Assets at End of Year	1,755,336
Temporarily Restricted Net Assets:	
Beginning of year	1,180,907
Decrease in temporarily restricted net assets	(249,827)
Temporarily Restricted Net Assets at End of Year	931,080
Total Net Assets	$ 2,686,416

See accompanying notes to consolidated financial statements.

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities	
Change in net assets	$ (325,323)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	99,507
Loss on real estate and related improvements	176,602
(Increase) decrease in:	
Grants receivable	33,512
Accounts receivable	133,957
Inventory	329
Other assets	(30,156)
Increase (decrease) in:	
Accounts payable and accrued expenses	(274,413)
Accrued payroll and related expenses	15,185
Unapplied grants	35,162
Net Cash Used in Operating Activities	(135,638)
Cash Flows from Investing Activities	
Purchase of property and equipment	(55,345)
Net Cash Used in Investing Activities	(55,345)
Cash Flows from Financing Activities	
Repayment of long-term debt	(6,936)
Net Cash Used in Financing Activities	(6,936)
Net Decrease in Cash and Cash Equivalents	(197,919)
Cash and Cash Equivalents - Beginning of Year	688,357
Cash and Cash Equivalents - End of Year	$ 490,438

Supplemental Disclosure of Cash Flow Information

Cash paid for interest for the year end June 30, 2018 was approximately $14,867.

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Westbay Community Action, Inc. is a not-for-profit corporation located in Warwick, 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.

Westbay Housing Corporation is a not-for-profit organization established 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.

PRINCIPLES OF CONSOLIDATION

In accordance with accounting principles generally accepted in the United States of America, the consolidated financial statements include the accounts of Westbay Community Action, Inc. and Westbay Housing Corporation (collectively the Organization). The Organizations 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.

BASIS OF PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. To enhance the usefulness of the consolidated financial statements to the reader, the significant accounting policies followed by the Organization are described below. The consolidated net assets of the Organization have been broken down into three different classifications as follows:

Unrestricted net assets - consist of unrestricted amounts, which are available for use in carrying out the mission of the Organization.

Temporarily restricted net assets - consist of those amounts which are donor restricted. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Permanently restricted net assets - result from contributions from donors who place restrictions on the use of donated funds mandating that the original principal remain invested in perpetuity. At year-end, the Organization had no permanently restricted net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less.

GRANTS AND OTHER RECEIVABLES, NET

The Organization carries its grants and other receivables 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 other receivables. 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. At year-end, based on an analysis of contracts and other receivables, management recorded an allowance for uncollectible accounts in the amount of $30,000. This has been recorded in the grants receivable, net line on the statement of financial position.

PROPERTY AND EQUIPMENT

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.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. As of June 30, 2018, there were no impairment losses recognized for long-lived assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected as a change in unrestricted net assets. The estimated useful lives for depreciation are as follows:

Building	40 years
Improvements	20 years
Furniture and equipment	5 – 10 years
Vehicles	5 years

INVENTORY

Inventory consists of food and clothing donated to the organization. The majority of the food distributed by the Organization is donated. This activity is recorded in the financial statements as a contribution based on per-pound values established by America's Second Harvest. West Bay Community Action maintains a perpetual inventory system which was used to determine the year-end inventory balances.

Clothing inventory is also donated to the Organization. Business clothes are supplied for low income clients to get them ready to enter the workforce. This activity is recorded in the financial statements as a contribution based on Thrift Store values.

REVENUE RECOGNITION

The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. In-kind contributions of property, goods and/or professional services received are recognized at their respective fair values at the date the contribution was made.

The Organization recognizes fees for service and grant/contract revenue when services to clients have been rendered and/or contractual obligations have been met.

ALLOCATION OF EXPENSES

Certain costs of the Organization benefit more than one program and/or support service. Accordingly, these costs have been allocated in a systematic and rational manner among the programs benefited.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB ASC 958, Not-for-Profit Entities.

This standard:

- Eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).

- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.

- Requires NFP entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.

- Requires NFP entities to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFP entities will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Qualitative information that communicates how a NFP entity manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of a NFP entity's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2017. Management is evaluating the impact of this new guidance.

On November 17, 2016, the FASB issued ASU 2016-18, Restricted Cash. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of this new guidance.

The FASB issued ASU 2016-02 Leases (Topic 842). Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the statement of financial position by adding lease-related assets and liabilities. This may affect the compliance with contractual agreements and loan covenants. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the statement of activities and changes in net assets as rent expense and in disclosure to the financial statements.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.

An entity that elects to apply practical expedients will use the effective date of the new leases standard as the date of initial application and will not have to adjust their comparative period financial statements for the effects of the new leases standard, or make the new required lease disclosures for periods before the effective date of periods beginning after December 15, 2018. The new transition method changes when an entity initially applies the transition requirements of ASC 842; however, it does not change how those requirements are applied.

FAIR VALUE MEASUREMENTS

The carrying amount of cash and cash equivalents approximates fair value. The carrying amount of grants receivable, accounts receivable and other assets, accounts payable, accrued expenses and unapplied grants approximates fair value due to their short term nature. The carrying amount of long-term debt approximates fair value as the interest rate approximates current market rates for debt with similar remaining maturities.

INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Rhode Island income taxes. However, income from certain activities not directly related to the Corporation's tax-exempt purpose may be subject to taxation as unrelated business income at both the state and federal levels. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States of America. As of June 30, 2018, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2018, the Organization's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 – PROPERTY AND EQUIPMENT

The components of property and equipment at year-end are as follows:

Land	$	138,275
Federally funded land		346,300
Federally funded properties		597,822
Building and improvements		1,443,728
Furniture and equipment		286,608
Vehicles		101,661
		2,914,394
Less accumulated depreciation		(1,139,613)
Property and equipment, net	$	1,774,781

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. Depreciation expense for the year ended June 30, 2018 was $99,507.

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 temporarily restricted net assets with a total of $931,080 (Note 6).

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. Bank advances on the line of credit are payable on demand and carry interest at a rate of prime (3.50% at June 30, 2018) plus 1%. 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. As of 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.

Debt consists of the following at June 30, 2018:

Mortgage Note	$	262,799
Less amounts currently payable		7,462
Long-Term Debt, Less Current Portion	$	255,337

The aggregate future maturities of long-term debt are as follows:

Year Ending		
June 30, 2019	$	7,462
June 30, 2020		7,833
June 30, 2021		8,328
June 30, 2022		8,798
June 30, 2023		9,294
Thereafter		221,084
Total	$	262,799

Interest expense for the year ending June 30, 2018 was $9,918.

NOTE 5 – OPERATING LEASES

The Organization leases a property which is used for its Working Wardrobe program. The lease is on a month-to-month basis with monthly rent payments of $850. Rental expense related to this lease for the year ended June 30, 2018 was approximately $10,050.

The Organization also rents a property used in the operation of its WIC program. The lease is on a month-to-month basis with monthly rent payments of $1,300. Rental expense related to this lease for the year ended June 30, 2018 was approximately $15,600.

The Organization leases property used to conduct social service program activities. The term of the lease is for 36 months beginning on February 5, 2017 and ending February 5, 2020. Rental expense related to this lease for the year ended June 30, 2018 was approximately $79,090.

The Organization leases a property which is used for its Adult Education program. The term of the lease is for 24 months beginning on May 1, 2017 and ending April 30, 2019. Rental expense related to this lease for the year ended June 30, 2018 was approximately $20,652.

The Organization leases various office equipment, all under three-year to five-year, noncancelable operating lease agreements. 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	Buildings	Office Equipment	Total
2019	96,302	23,722	120,024
2020	52,728	21,132	73,860
2021	--	19,371	19,371
	$ 149,030	$ 64,225	$ 213,255

The total rent for 2018 was approximately $125,365 and is included in operating expenses.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets are available for the following purposes:

East Avenue Property – Supportive Housing	$ 109,535
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	140,409
Building and leasehold improvements	134,466
Land – East	26,000
Land – Warwick Ave	53,000
Land – Earl	69,000
Land – Marlboro	--
Land – Belt Street	48,000
Land – Vine Street	52,300
Land – Wilson Street	48,000
Land – Lincoln	50,000
Less accumulated depreciation	(554,794)
Total	$ 931,080

NOTE 7 – 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. Approximately $423,000 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 generally accepted accounting principles was met.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

The Organization maintains a retirement plan under Internal Revenue Code Section 401(k). The 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 plan on a discretionary basis.

During the year ended June 30, 2018, contributions made to this plan were 2.75% of eligible participating employee's annual wages. Pension expense under this plan for the year ended June 30, 2018 was approximately $40,351.

The Organization also makes contributions to a pension plan sponsored by the employee's labor union (Note 9). Contributions to the plan 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, 2018, the Organization made contributions of approximately $17,684 to this plan.

NOTE 9 – EMPLOYEE UNION

Approximately one-quarter of the Organization's labor force belongs to an employee union, subject to a collective bargaining agreement which expired September 30, 2018 and was renewed through June 30, 2021. At year-end, management expects no interruption in operations related to the agreement with this Union.

NOTE 10 – RELATED PARTY TRANSACTIONS

Two members of the Organization's Board of Directors are employed at agencies that receive grant funding from the Organization's programs. Payments to these agencies totaled $64,731 during the year ended June 30, 2018.

NOTE 11 – CONCENTRATION OF CREDIT RISK AND MARKET RISK

Financial instruments which potentially subject the Organization to concentrations of credit and market risks are cash, cash equivalents and accounts receivable.

Occasionally during the year, due to the payment terms of grants and contracts with its funding sources, the Organization's cash balance in its checking account exceeded the amount covered by insurance through the Federal Deposit Corporation (FDIC). Management does not believe that significant credit risk exists at year-end.

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 85% 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 year-end, management expects all current grants and contracts to continue into the foreseeable future.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Organization received federal and state grants for specific purposes that are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes such disallowances, if any, would be immaterial.

NOTE 13 – SUBSEQUENT EVENTS

The Organization also rents a property used in the operation of its North Kingstown WIC program. The term of the lease is for 12 months beginning on July 1, 2018 and ending on June 30, 2019 with monthly rent payments of $400.

Subsequent events have been evaluated through November 15, 2018, which is the date the financial statements were available to be issued.

COMPLIANCE REPORTING SECTION

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

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

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 (collectively the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year ended June 30, 2018, and have issued our report thereon dated November 15, 2018.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MARCUMGROUP
MEMBER

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, RI
November 15, 2018

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Westbay Community Action, Inc. and Westbay Housing Corporation's (collectively known as the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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 were not identified.

Purpose of this Report

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.

Marcum LLP

Providence, RI
November 15, 2018

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Program Title	Pass-Through Identifying Number	CFDA Number	Federal Expenditures
U. S. Department of Agriculture:			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	4R1700705	10.557	$ 267,148
Special Supplemental Food Program for Women, Infants and Children (WIC) - Vouchers	4R1700705	10.557	1,002,558
Passed through the State of Rhode Island Department of Health			1,269,706
Child and Adult Care food		10.558	28,500
Passed through Rhode Island Department of Elementary and Secondary Education			28,500
Food Distribution Cluster			
Emergency Food Assistance Program - Administrative	17174RI810Y8105	10.568	76,507
Emergency Food Assistance Program - Commodities	17174RI810Y8105	10.569	96,563
Passed through the State of Rhode Island Department of Human Services			173,070
Total U.S. Department of Agriculture			1,471,276
U.S. Department of Housing and Urban Development:			
Community Development Block Grant		14.218	66,500
Passed through the City of Warwick			66,500
Supportive Housing Program		14.235	28,527
Lead Hazard - program		14.907	27,986
Passed through Rhode Island Housing			56,513
Total U.S. Department of Housing and Urban Development			123,013

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Program Title	Pass-Through Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Project Opportunity	1801RITANF	93.558	1,500
Passed through Rhode Island Department of Education			1,500
Healthy Homes Program - Lead Poisoning		93.197	46,881
Passed through the State of Rhode Island Department of Health			46,881
Special Programs for the Ageing - SHIP	16AARIT3SS	93.071	24,496
Special Programs for the Ageing - SMP	16AARIT3SS	93.048	18,445
Special Programs for the Ageing - ADRC	16AARIT3SS	93.052	57,276
Aging Cluster			
Special Programs for the Ageing - Title IIIB	16AARIT3SS	93.044	103,777
Special Programs for the Ageing - Nutrition Services	18AARIT3CM	93.045	116,277
Special Programs for the Ageing - Nutrition Services	18AARIT3CM	93.045	153,516
Special Programs for the Ageing - Preventative Health		93.043	25,735
Special Programs for the Ageing - Title III NFCG	17AARIT3SS	93.044	32,140
Passed through Rhode Island Department of Elderly Affairs			531,662
LIHEAP	G18R1RILIEA	93.568	2,198,518
LIHEAP - Administration	G18R1RILIEA	93.568	264,958
LIHEAP - Administration	G17B1RILIEA	93.568	88,724
Weatherization - Assistance Program HHS	G18R1RILIEA	93.568	282,850
Boiler Repair & Replacement Program	G18R1RILIEA	93.568	180,103
Passed through the Rhode Island State Energy Office			3,015,153
Community Service Block Grant	G-18BIRICOSR	93.569	375,636
Temporary Assistance for Needy Families - Working Wardrobe		93.558	17,260
Temporary Assistance for Needy Families - Youth Success		93.558	94,131
Passed through the Rhode Island Department Human Services			487,027

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Program Title	Pass-Through Identifying Number	CFDA Number	Federal Expenditures
CDC Diabetes Prevention Program		93.757	30,100
Passed through the Rhode Island Department of Health			30,100
Total U. S. Department of Health and Human Services			4,112,323
Corporation for National and Community Service:			
Retired Senior Volunteer Program		94.002	48,251
Retired Senior Volunteer Program		94.002	24,403
Direct Federal Funding			72,654
Total for Corporation for National and Community Service			72,654
U.S. Department of Labor:			
TRADE	TA-25312-1455-A44	17.245	3,546
Passed through Rhode Island Department of Education			3,546
Total U.S. Department of Labor			3,546
Department of Homeland Security			
Emergency Food Assistant Program		97.024	7,500
Passed through the United Way			7,500
Total Expenditures of Federal Awards			$ 5,790,312

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of Westbay Community Action, Inc. and Westbay Housing Corporation and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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 contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Westbay Community Action, Inc. and Westbay Housing Corporation have not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified Opinion*

Internal control over financial reporting:

- Material Weakness identified? ______ Yes __X_ No
- Significant Deficiency identified? ______ Yes __X_ None reported

Non-compliance material to consolidated financial statements noted? ______Yes _X__ None reported

Federal Awards

Internal control over major programs:

- Material weakness identified? ______ Yes __X_ No
- Significant deficiency identified? ______ Yes __X_ None reported

Type of auditors' report issued on compliance for major award programs: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ______ Yes __X_ No

Identification of major program:

Special Supplemental Nutrition Program for Women, Infants and Children..CFDA #10.557

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ___X__ Yes ______ No

WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

None noted.

PRIOR YEAR FINDINGS:

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS:

None noted.

PRIOR YEAR FINDINGS:

None noted.