

ACTION, INC.

Financial Statements
and
Auditors' Report

September 30, 2009 with Comparative Totals for 2008



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The Board of Directors
Action, Inc.

Independent Auditors' Report

We have audited the accompanying statement of financial position of Action, Inc. as of September 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Action's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Action's 2008 financial statements, and in our report dated February 10, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Action, Inc. as of September 30, 2009, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


February 11, 2010

Action, Inc.
Statement of Financial Position
September 30, 2009
With Comparative Totals for 2008

	2009	2008
Assets		
<i>Current Assets:</i>		
Cash	\$ 1,957,688	\$ 535,074
Certificate of deposit	693,086	581,651
Prepaid expenses	3,280	6,385
Accounts receivable	<u>2,900,482</u>	<u>2,922,899</u>
Total current assets	5,554,536	4,046,009
<i>Fixed Assets:</i>		
Property and equipment	3,762,901	3,123,416
<i>Other Assets:</i>		
Deposits	2,631	2,363
Advance to subrecipients	68,883	-
Loan receivable	<u>-</u>	<u>687</u>
Total assets	<u>\$ 9,388,951</u>	<u>\$ 7,172,475</u>
Liabilities and Net Assets		
<i>Current Liabilities:</i>		
Accounts payable	\$ 1,652,597	\$ 1,524,183
Accrued expenses	197,970	240,837
Deferred revenue	1,976,677	356,210
Current portion of notes payable	<u>60,565</u>	<u>51,736</u>
Total current liabilities	3,887,809	2,172,966
<i>Long-Term Debt</i>	<u>1,441,141</u>	<u>1,491,148</u>
Total liabilities	<u>5,328,950</u>	<u>3,664,114</u>
<i>Net Assets:</i>		
Net assets - temporarily restricted	255,820	484,162
Net assets - unrestricted	<u>3,804,181</u>	<u>3,024,199</u>
Total net assets	<u>4,060,001</u>	<u>3,508,361</u>
Total liabilities and net assets	<u>\$ 9,388,951</u>	<u>\$ 7,172,475</u>

See accompanying notes to financial statements

Action, Inc.
Statement of Activities
For the Year Ended September 30, 2009
With Summarized Comparative Totals for 2008

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2009 Total</i>	<i>2008 Total</i>
<i>Revenue and Support</i>				
Program revenue and other support	\$ 20,514,092	\$ -	\$ 20,514,092	\$ 17,272,773
Rental income	189,194	-	189,194	167,072
Contributions	268,315	55,000	323,315	798,846
In-kind contributions	101,751	-	101,751	88,861
Interest income	33,098	-	33,098	42,329
Net assets released from program restrictions	<u>283,342</u>	<u>(283,342)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>21,389,792</u>	<u>(228,342)</u>	<u>21,161,450</u>	<u>18,369,881</u>
<i>Expenses</i>				
<i>Program expenses:</i>				
Fuel assistance	2,524,159	-	2,524,159	1,814,586
Weatherization	1,366,562	-	1,366,562	581,869
Energy management	11,964,553	-	11,964,553	9,645,740
Headstart	412,438	-	412,438	1,443,949
Housing	194,046	-	194,046	285,284
Emergency shelter	407,552	-	407,552	380,558
Youth compass program	180,052	-	180,052	145,884
Employment and training	281,594	-	281,594	282,952
Advocacy	139,136	-	139,136	145,269
Homemaker	1,798,119	-	1,798,119	1,631,140
Waste water alternative	146,764	-	146,764	102,918
Housing opportunities for persons with AIDS	405,915	-	405,915	401,978
Other	<u>108,372</u>	<u>-</u>	<u>108,372</u>	<u>90,651</u>
Total program expenses	19,929,262	-	19,929,262	16,952,778
<i>Supportive services:</i>				
Management and general	673,272	-	673,272	655,712
Fund raising	<u>7,276</u>	<u>-</u>	<u>7,276</u>	<u>12,910</u>
Total expenses	<u>20,609,810</u>	<u>-</u>	<u>20,609,810</u>	<u>17,621,400</u>
Change in net assets	779,982	(228,342)	551,640	748,481
Net assets at beginning of year	<u>3,024,199</u>	<u>484,162</u>	<u>3,508,361</u>	<u>2,759,880</u>
Net assets at end of year	<u>\$ 3,804,181</u>	<u>\$ 255,820</u>	<u>\$ 4,060,001</u>	<u>\$ 3,508,361</u>

See accompanying notes to financial statements

Action, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2009
With Summarized Comparative Totals for 2008

	<i>Program Expenses</i>	<i>Management and General</i>	<i>Fund Raising</i>	<i>2009 Total</i>	<i>2008 Total</i>
Salaries	\$ 2,993,713	\$ 340,641	\$ -	\$ 3,334,354	\$ 3,004,780
Payroll taxes	281,416	28,935	-	310,351	279,766
Fringe benefits	363,738	61,335	-	425,073	365,761
Contract wages	-	-	-	-	2,016
Consultants	430,389	6,334	-	436,723	349,592
Temporary labor	460	-	-	460	8,553
Fund raising	-	-	60	60	5,454
Depreciation	104,682	2,566	-	107,248	106,858
Travel	96,206	6,546	9	102,761	101,595
Occupancy	59,422	20,988	-	80,410	66,886
Interest	56,101	33,115	-	89,216	105,408
Utilities	53,228	20,615	-	73,843	85,174
Office supplies and expenses	24,655	18,938	-	43,593	32,972
Insurance	36,342	7,022	-	43,364	48,266
Equipment	21,181	1,771	-	22,952	9,264
Postage	10,597	4,589	1,834	17,020	14,027
Printing	10,653	2,567	4,959	18,179	15,309
Professional fees	11,249	44,469	-	55,718	51,670
Telephone	34,355	8,521	-	42,876	36,991
Data processing	48,127	54,325	-	102,452	73,941
Licenses and dues	9,638	1,535	-	11,173	14,030
Training	41,537	1,295	-	42,832	8,228
Recognition	16,589	-	-	16,589	8,878
Fuel expense	1,973,172	-	-	1,973,172	1,374,493
MHFA contractor payments	9,708	-	-	9,708	108,470
Food	14,321	-	-	14,321	13,682
Other	26,545	6,036	414	32,995	27,071
Advertising	4,961	1,129	-	6,090	2,709
Scholarships	16,106	-	-	16,106	51,413
Outside contracts	207,428	-	-	207,428	216,828
Heating system	1,930,857	-	-	1,930,857	931,772
Rent assistance	401,276	-	-	401,276	375,163
Program operations	10,126,421	-	-	10,126,421	8,191,570
Headstart	412,438	-	-	412,438	1,443,949
In-kind	101,751	-	-	101,751	88,861
Totals	<u>\$ 19,929,262</u>	<u>\$ 673,272</u>	<u>\$ 7,276</u>	<u>\$ 20,609,810</u>	<u>\$ 17,621,400</u>

See accompanying notes to financial statements

Action, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2009
With Comparative Totals for 2008

	2009	2008
<i>Cash flow from operating activities:</i>		
Change in net assets	\$ 551,640	\$ 748,481
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	107,248	106,858
(Increase) decrease in assets:		
Accounts receivable	23,104	(538,921)
Prepaid expenses	3,105	188
Advance to subrecipients	(68,883)	-
Deposits	(268)	9,940
Increase (decrease) in liabilities:		
Accounts payable	128,414	(70,214)
Accrued expenses	(42,867)	23,075
Deferred revenue	<u>1,620,467</u>	<u>(47,863)</u>
Net cash from operating activities	<u>2,321,960</u>	<u>231,544</u>
<i>Cash flow from investing activities:</i>		
Purchase of investments	(693,086)	(581,651)
Sale of investments	581,651	103,421
Purchase of property and equipment	<u>(746,733)</u>	<u>(76,048)</u>
Net cash from investing activities	<u>(858,168)</u>	<u>(554,278)</u>
<i>Cash flow from financing activities:</i>		
Loan proceeds	123,059	-
Loan repayments	<u>(164,237)</u>	<u>(282,819)</u>
Net cash from financing activities	<u>(41,178)</u>	<u>(282,819)</u>
Net change in cash	1,422,614	(605,553)
Cash, beginning of year	<u>535,074</u>	<u>1,140,627</u>
Cash, end of year	<u>\$ 1,957,688</u>	<u>\$ 535,074</u>
<i>Supplemental information:</i>		
Interest expense paid	<u>\$ 89,216</u>	<u>\$ 105,408</u>

See accompanying notes to financial statements

Action, Inc.
Notes to Financial Statements
September 30, 2009

1. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization

Action, Inc. (the Agency) is a nonprofit organization, tax exempt under section 501(c)(3) of the Internal Revenue Code. The agency is organized under Chapter 180 of the Commonwealth of Massachusetts General Laws. The purpose of Action, Inc. is to operate programs that assist the low income, homeless, and elderly. The major programs are Shelter for the homeless, Homemaker Program for the elderly, and Advocacy and Energy programs for those in need.

Financial Statement Presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting.

Net assets of the Agency are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted Net Assets* - net assets that are available for support of operations and not subject to donor-imposed stipulations. They are neither temporarily restricted nor permanently restricted.
- *Temporarily Restricted Net Assets* - assets whose use is limited by either donor-imposed time restrictions or purpose restrictions.
- *Permanently Restricted Net Assets* – assets that must be maintained by the Agency in perpetuity. At September 30, 2009 and 2008, the Agency had no permanently restricted net assets.

Revenue and Expenses

Revenue and expenses are recognized on the accrual basis of accounting.

Fixed Assets

Acquisitions of property, improvements, furniture, and equipment in excess of \$2,000 and having an estimated useful life of more than one year, are capitalized at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight line method.

Headstart Program

The Agency has delegated the operation of its Headstart Program to Child Development Programs of Cape Ann, Inc., a social service agency located in Gloucester, Massachusetts.

Action, Inc.
Notes to Financial Statements
September 30, 2009

1. Summary of Significant Accounting Policies - Continued

Contributions

The Agency recognizes all contributions at their fair values in the period the contribution is received or promised. The Agency also distinguishes between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Action, Inc. reports any gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue.

Revenue Recognition

Grants and contracts received from government agencies are generally cost reimbursement agreements. Accordingly, grant and contract income equals expenses incurred; therefore, the excess (deficit) is carried as a liability (deferred revenue) or as an asset (accounts receivable), respectively.

Estimates and Assumptions

In preparing financial statements in conformity with generally accepted accounting principles, management is required 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 and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Action, Inc.'s financial statements for the year ended September 30, 2008, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

Deferred revenue represents amounts received in advance of incurring expenses for particular program activities that are considered exchange transactions. Such amounts are recorded as support when the related program expenditure is made.

Action, Inc.
Notes to Financial Statements
September 30, 2009

1. Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The balance in the allowance for doubtful accounts was zero at September 30, 2009 and 2008.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually. The Agency evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year financial statements. At September 30, 2009 the Agency believes that it has no uncertain tax positions within any of its open tax years.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Action, Inc.
Notes to Financial Statements
September 30, 2009

1. Summary of Significant Accounting Policies – continued

Investments and Investment Income

Investments in certificates of deposits with readily determinable fair values are carried at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Interest income is included in the change in net assets in the accompanying Statement of Activities.

2. Pension Plan

Action, Inc. maintains a defined contribution retirement plan available to all employees who work at least 20 hours per week. Under the plan, participants may contribute a percentage of their annual salary, not to exceed the limits set by the Internal Revenue Code. The Agency matches employee contributions up to 8% of their annual salary. Pension expense for the year ended September 30, 2009 and 2008 amounted to \$70,678 and \$66,040, respectively.

3. Fixed Assets

Land, buildings and equipment consists of the following:

	2009	2008
Land	\$ 410,270	\$ 410,270
Building	1,574,214	1,562,793
Building improvements	2,301,760	1,572,768
Furniture & equipment	<u>215,398</u>	<u>209,078</u>
Total fixed assets	4,501,642	3,754,909
Accumulated depreciation	<u>(738,741)</u>	<u>(631,493)</u>
Total	<u>\$ 3,762,901</u>	<u>\$ 3,123,416</u>

4. Cash

At September 30, 2009, cash balances are held at financial institutions with Federal insured limits of up to \$250,000 for each financial institution. Balances held at these institutions during the year can exceed this limit. Action, Inc. has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

5. In Kind Revenue

Action, Inc. receives in-kind contributions consisting of donated goods that include food, clothes, medical and household supplies for the Shelter. Action, Inc. recognizes contribution of services if the services received require specified skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Action, Inc.
Notes to Financial Statements
September 30, 2009

6. Long Term Debt

	2009	2008
Adjustable rate construction mortgage payable in 2014 to First National Bank of Ipswich, secured by a building located on 370 Main Street, Gloucester, used as an energy building. Mortgage is payable in monthly installments of \$910 including principal and interest. The interest rate in 2009 was 6.25%.	\$ 123,059	\$ -
Adjustable rate first mortgage payable in 2026 to First National Bank of Ipswich, secured by a building located on Washington Street, Gloucester, used as an energy building. Mortgage is payable in monthly installments of \$1,293 including principal and interest. The interest rate in 2009 and 2008 was 6.25%.	136,273	140,635
Interest free, deferred payment loan payable to the City of Gloucester. Loan proceeds were used to aid in the establishment of a shelter for the homeless on Main Street, Gloucester. No repayment is required unless the property is sold, transferred, or used for purposes other than a permanent shelter.	25,000	25,000
Adjustable rate first mortgage payable in 2028 to First National Bank of Ipswich, secured by buildings located on 180 Main Street, 370 Main Street, and 47 Washington Street, all in the City of Gloucester. Mortgage is payable in monthly installments of \$2,476 including principal and interest. The interest rate in 2009 and 2008 was 5.50%.	355,096	364,709
Adjustable rate first mortgage payable in 2028 to First National Bank of Ipswich, secured by buildings located on 180 Main Street, 370 Main Street, and 47 Washington Street, all in the City of Gloucester. Mortgage is payable in monthly installments of \$5,322 including principal and interest. The interest rate in 2009 and 2008 was 6.25%.	718,455	736,185
Adjustable rate first mortgage payable in 2029 to First National Bank of Ipswich, secured by buildings located on 95 Prospect Street, in the City of Gloucester. Mortgage is payable in monthly installments of \$3,392 including principal and interest. The interest rate in 2009 and 2008 was 6.25%.	114,423	242,055
Interest free, note payable in 2015 to the City of Gloucester, secured by buildings located on 180 Main Street, in the city of Gloucester, MA. The note is payable in annual installments of \$2,500.	15,000	17,500

Action, Inc.
Notes to Financial Statements
September 30, 2009

6. *Long Term Debt – Continued*

	2009	2008
Interest free, note payable in 2015 to the City of Gloucester, secured by buildings located on 370 Main Street, in the City of Gloucester. The note is payable in annual installments of \$2,400.	<u>14,400</u>	<u>16,800</u>
Subtotal	1,501,706	1,542,884
Less current portion	<u>60,565</u>	<u>51,736</u>
Long term-debt	<u>\$ 1,441,141</u>	<u>\$ 1,491,148</u>

The following are maturities of long-term debt for each of the next five years and thereafter:

September 30, 2010	\$ 60,565
2011	64,625
2012	68,431
2013	72,481
2014	76,790
Thereafter	<u>1,158,814</u>
Total	<u>\$ 1,501,706</u>

7. *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Fuel Assistance Program	\$ 240,165	\$ 422,662
Compass Youth Program	15,655	-
WRAP Program	-	50,000
Housing Assistance Program	<u>-</u>	<u>11,500</u>
Total temporarily restricted net assets	<u>\$ 255,820</u>	<u>\$ 484,162</u>

Purpose restriction accomplished:

Fuel Assistance Program	\$ 197,497
Compass Youth Program	24,345
Housing Assistance Program	11,500
WRAP Program	<u>50,000</u>
Net assets released from program restrictions	<u>\$ 283,342</u>

Action, Inc.
Notes to Financial Statements
September 30, 2009

8. Lease Commitments

Action Inc. leases commercial space to tenants under noncancelable operating leases with terms of one to three years. The following is a schedule by years of future minimum rentals under the leases at September 30, 2009:

September 30, 2010	\$ 33,835
2011	18,000
2012	<u>15,000</u>
Total	<u>\$ 66,835</u>

Action Inc. leases one facility under an operating lease agreement that expires in 2010. The future minimum lease payment due in 2010 is \$5,400.

9. Contingency

The expenses reflected in the accompanying financial statements relating to Federal contracts are subject to audit by the funding sources. The possible disallowance of any items recorded as contract costs cannot be determined at this time. However, management does not believe that any such disallowance would be material to Action, Inc.'s financial statements. Accordingly, no provision for any liability that may result has been made in financial statements.

10. Subsequent Events

The Agency has evaluated subsequent events through February 11, 2010, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.