

**ACTION, INC.  
AND AFFILIATE**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014  
(WITH ACCOMPANYING INDEPENDENT AUDITORS' REPORT)**

**ACTION, INC.  
AND AFFILIATE**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Action, Inc. and Affiliate

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Action, Inc. and Affiliate (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 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.

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 Action, Inc. and Affiliate as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 on page 17, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplemental Schedules on pages 25 and 26 are presented for purposes of additional analysis and are not a required part of the combined 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 February 9, 2016, 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.

***Bruce D. Norling, CPA, P.C.***

February 9, 2016

**ACTION, INC. AND AFFILIATE  
COMBINED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2015 AND 2014**

| <b>ASSETS</b>                           | <u>2015</u>          | <u>2014</u>          |
|---|----------------------|----------------------|
| <b>CURRENT ASSETS</b>                   |                      |                      |
| Cash & Cash Equivalents                 | \$ 950,347           | \$ 1,991,672         |
| Certificates of Deposit                 | 480,691              | 904,650              |
| Investments                             | 21,868               | 20,419               |
| Prepaid Expenses                        | 10,398               | 25,319               |
| Accounts Receivable                     | <u>6,444,560</u>     | <u>6,094,903</u>     |
| <b>TOTAL CURRENT ASSETS</b>             | <u>7,907,864</u>     | <u>9,036,963</u>     |
| <b>FIXED ASSETS</b>                     |                      |                      |
| Property & Equipment, Net               | 5,283,597            | 5,373,282            |
| <b>OTHER ASSETS</b>                     |                      |                      |
| Deposits                                | 18,297               | 2,658                |
| <b>LONG-TERM ASSETS</b>                 |                      |                      |
| Note Receivable                         | 300,000              | -                    |
| Certificates of Deposit                 | <u>250,000</u>       | <u>250,000</u>       |
| <b>TOTAL LONG-TERM ASSETS</b>           | <u>550,000</u>       | <u>250,000</u>       |
| <b>TOTAL ASSETS</b>                     | <u>\$ 13,759,758</u> | <u>\$ 14,662,903</u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                      |                      |
| <b>CURRENT LIABILITIES</b>              |                      |                      |
| Accounts Payable                        | \$ 1,278,908         | \$ 3,979,751         |
| Accrued Expenses                        | 332,932              | 277,040              |
| Security Deposits                       | 3,982                | 3,982                |
| Deferred Revenue                        | 560,298              | 567,907              |
| Current Portion of Long-Term Debt       | <u>55,061</u>        | <u>57,263</u>        |
| <b>TOTAL CURRENT LIABILITIES</b>        | <u>2,231,181</u>     | <u>4,885,943</u>     |
| <b>LONG-TERM DEBT</b>                   |                      |                      |
|   | <u>1,371,928</u>     | <u>1,410,083</u>     |
| <b>Total Liabilities</b>                | <u>3,603,109</u>     | <u>6,296,026</u>     |
| <b>NET ASSETS</b>                       |                      |                      |
| Net Assets - Temporarily Restricted     | 857,979              | 777,665              |
| Net Assets - Unrestricted               | <u>9,298,670</u>     | <u>7,589,212</u>     |
| <b>TOTAL NET ASSETS</b>                 | <u>10,156,649</u>    | <u>8,366,877</u>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u>\$ 13,759,758</u> | <u>\$ 14,662,903</u> |

The accompanying notes are an integral part of these financial statements.

**ACTION, INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

|   | 2015              |                        | 2014              |                        |
|---|-------------------|------------------------|-------------------|------------------------|
|   | UNRESTRICTED      | TEMPORARILY RESTRICTED | UNRESTRICTED      | TEMPORARILY RESTRICTED |
| <b>PUBLIC SUPPORT AND REVENUES</b>          |                   |                        |                   |                        |
| Program revenue and other support           | \$ 55,293,009     | \$ -                   | \$ 48,254,446     | \$ -                   |
| Rental income                               | 260,918           | -                      | 277,349           | -                      |
| Contributions and Grants                    | 336,865           | 113,434                | 207,913           | -                      |
| In-kind contributions                       | 104,325           | -                      | 92,331            | -                      |
| Investment income                           | 17,016            | -                      | 11,505            | -                      |
| Net assets released from restrictions       | 33,120            | (33,120)               | 35,816            | (35,816)               |
| <b>TOTAL SUPPORT AND REVENUES</b>           | <b>56,045,253</b> | <b>80,314</b>          | <b>48,879,360</b> | <b>(35,816)</b>        |
|   |                   |                        |                   | <b>48,843,544</b>      |
| <b>EXPENSES</b>                             |                   |                        |                   |                        |
| Program expenses:                           |                   |                        |                   |                        |
| Fuel assistance                             | 1,679,447         | -                      | 1,834,466         | -                      |
| Weatherization                              | 575,427           | -                      | 466,692           | -                      |
| Energy management                           | 46,259,874        | -                      | 39,633,740        | -                      |
| Housing                                     | 647,881           | -                      | 487,495           | -                      |
| Emergency shelter                           | 537,757           | -                      | 489,120           | -                      |
| Youth compass program                       | 386,045           | -                      | 312,129           | -                      |
| Employment and training                     | 34,835            | -                      | 190,559           | -                      |
| Advocacy                                    | 231,394           | -                      | 223,845           | -                      |
| Homemaker                                   | 2,098,028         | -                      | 2,181,690         | -                      |
| Housing opportunities for persons with AIDS | 415,368           | -                      | 364,408           | -                      |
| Other                                       | 261,499           | -                      | 268,884           | -                      |
| <b>TOTAL PROGRAM EXPENSES</b>               | <b>53,127,555</b> | <b>-</b>               | <b>46,453,028</b> | <b>-</b>               |
| Supportive services:                        |                   |                        |                   |                        |
| Management and general                      | 1,198,225         | -                      | 1,019,082         | -                      |
| Fund raising                                | 10,015            | -                      | 18,091            | -                      |
| <b>TOTAL EXPENSES</b>                       | <b>54,335,795</b> | <b>-</b>               | <b>47,490,201</b> | <b>-</b>               |
| <b>CHANGES IN NET ASSETS</b>                |                   |                        |                   |                        |
| NET ASSETS, Beginning of Year               | 1,709,458         | 80,314                 | 1,389,159         | (35,816)               |
| NET ASSETS, End of Year                     | 7,589,212         | 777,665                | 6,200,053         | 813,481                |
|   | \$ 9,298,670      | \$ 857,979             | \$ 7,589,212      | \$ 777,665             |
|   |                   |                        |                   | \$ 8,366,877           |

The accompanying notes are an integral part of these financial statements.

**ACTION, INC. AND AFFILIATE  
COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

|   | <b>2015</b>        | <b>2014</b>         |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                     |
| Increase (Decrease) in Net Assets   | \$ 1,789,772       | \$ 1,353,343        |
| Adjustments to Reconcile Changes in Net Assets to Net Cash<br>Provided By (Used In) Operating Activities: |                    |                     |
| Net Unrealized Gain   | (1,587)            | (3,000)             |
| Depreciation  | 167,938            | 154,163             |
| Changes in Operating Assets:  |                    |                     |
| (Increase) Decrease in Accounts Receivable  | (349,657)          | (2,515,356)         |
| (Increase) Decrease in Prepaid Expenses   | 14,921             | (6,082)             |
| Changes in Operating Liabilities:   |                    |                     |
| Increase (Decrease) in Accounts Payable   | (2,700,843)        | 1,818,726           |
| Increase (Decrease) in Accrued Expenses   | 55,892             | 17,647              |
| Increase (Decrease) in Security Deposits  | -                  | 3,982               |
| Increase (Decrease) in Deferred Revenue   | (7,609)            | 61,039              |
|   | <u>(1,031,173)</u> | <u>884,462</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                     |
| (Increase) Decrease in Deposits   | (15,639)           | 1,147               |
| Increase in Notes Receivable  | (300,000)          | -                   |
| (Purchases) Maturities of Certificates of Deposit, Net  | 423,959            | (202,339)           |
| (Purchases) of Investments  | 138                | (264)               |
| (Purchases) of Property and Equipment   | (78,253)           | (314,257)           |
|   | <u>30,205</u>      | <u>(515,713)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                     |
| Loan Repayments   | (40,357)           | (242,972)           |
|   | <u>(40,357)</u>    | <u>(242,972)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | (1,041,325)        | 125,777             |
| <b>CASH, Beginning of year</b>  | <u>1,991,672</u>   | <u>1,865,895</u>    |
| <b>CASH, End of year</b>  | <u>\$ 950,347</u>  | <u>\$ 1,991,672</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>  |                    |                     |
| Interest Paid   | <u>\$ 41,694</u>   | <u>\$ 56,170</u>    |
| Non-Cash Activity:  |                    |                     |
| Increase in Long-Term Debt from Amortizing Discount   | <u>\$ 17,645</u>   | <u>\$ 17,086</u>    |

The accompanying notes are an integral part of these financial statements.

ACTION, INC. AND AFFILIATE  
 COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

|                              | Program Expenses     | Management and General | Fund Raising     | 2015 Total           | Program Expenses     | Management and General | Fund Raising     | 2014 Total           |
|------------------------------|----------------------|------------------------|------------------|----------------------|----------------------|------------------------|------------------|----------------------|
| Salaries                     | \$ 2,610,814         | \$ 683,725             | \$ 1,867         | \$ 3,296,406         | \$ 2,408,311         | \$ 562,677             | \$ 3,980         | \$ 2,974,968         |
| Payroll taxes                | 197,654              | 52,371                 | 145              | 250,170              | 199,895              | 46,095                 | 351              | 246,341              |
| Fringe benefits              | 378,223              | 94,041                 | -                | 472,264              | 408,094              | 74,316                 | -                | 482,410              |
| Direct care consultants      | 1,712,452            | -                      | -                | 1,712,452            | 1,758,351            | -                      | -                | 1,758,351            |
| Consultants                  | 237,563              | 5,728                  | 200              | 243,491              | 237,950              | 6,796                  | -                | 244,746              |
| Temporary labor              | 446                  | 1,507                  | 205              | 2,158                | 25                   | 2,545                  | -                | 2,570                |
| Depreciation                 | 146,679              | 21,259                 | -                | 167,938              | 135,258              | 18,905                 | -                | 154,163              |
| Travel                       | 109,768              | 26,283                 | -                | 136,051              | 106,995              | 16,296                 | 106              | 123,397              |
| Occupancy                    | 162,192              | 28,830                 | -                | 191,022              | 159,297              | 26,627                 | -                | 185,924              |
| Interest                     | 50,431               | 8,908                  | -                | 59,339               | 61,532               | 11,724                 | -                | 73,256               |
| Utilities                    | 89,581               | 8,553                  | -                | 98,134               | 83,023               | 8,348                  | -                | 91,371               |
| Office supplies and expenses | 69,784               | 14,721                 | 655              | 85,160               | 48,454               | 12,472                 | 345              | 61,271               |
| Insurance                    | 49,258               | 14,834                 | -                | 64,092               | 28,361               | 29,083                 | -                | 57,444               |
| Equipment                    | 30,161               | 18,516                 | -                | 48,677               | 29,444               | 8,270                  | -                | 37,714               |
| Postage                      | 12,381               | 2,666                  | 1,261            | 16,308               | 8,582                | 4,436                  | -                | 16,084               |
| Printing                     | 7,629                | 5,963                  | 5,262            | 18,854               | 8,109                | 3,591                  | -                | 11,700               |
| Professional fees            | 33,132               | 44,986                 | -                | 78,118               | 32,261               | 33,447                 | -                | 65,708               |
| Telephone                    | 34,920               | 7,780                  | -                | 42,700               | 33,342               | 5,998                  | -                | 39,340               |
| Data processing              | 83,156               | 134,527                | -                | 217,683              | 84,207               | 129,834                | 850              | 214,891              |
| Licenses and dues            | 8,600                | 10,107                 | -                | 18,707               | 5,237                | 13,446                 | -                | 18,683               |
| Training                     | 36,092               | 4,922                  | 135              | 41,149               | 25,504               | 2,298                  | -                | 27,802               |
| Recognition                  | 9,819                | -                      | -                | 9,819                | 11,681               | -                      | -                | 11,681               |
| Fuel expense                 | 1,317,893            | -                      | -                | 1,317,893            | 1,461,529            | -                      | -                | 1,461,529            |
| Food                         | 29,801               | -                      | -                | 29,801               | 20,150               | -                      | -                | 20,150               |
| Other                        | 41,569               | 3,912                  | 285              | 45,766               | 45,438               | 1,808                  | 1,899            | 49,145               |
| Advertising                  | 7,086                | 3,311                  | -                | 10,397               | 7,412                | -                      | -                | 7,412                |
| Outside contracts            | 32,316               | 775                    | -                | 33,091               | 25,740               | 70                     | -                | 25,810               |
| Heating system               | 5,052,929            | -                      | -                | 5,052,929            | 2,377,709            | -                      | -                | 2,377,709            |
| Rent assistance              | 556,184              | -                      | -                | 556,184              | 501,800              | -                      | -                | 501,800              |
| Program operations           | 39,914,717           | -                      | -                | 39,914,717           | 36,047,006           | -                      | 7,494            | 36,054,500           |
| In-kind                      | 104,325              | -                      | -                | 104,325              | 92,331               | -                      | -                | 92,331               |
| <b>Totals</b>                | <b>\$ 53,127,555</b> | <b>\$ 1,198,225</b>    | <b>\$ 10,015</b> | <b>\$ 54,335,795</b> | <b>\$ 46,453,028</b> | <b>\$ 1,019,082</b>    | <b>\$ 18,091</b> | <b>\$ 47,490,201</b> |

The accompanying notes are an integral part of the financial statements.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Organization**

The accompanying financial statements reflect the combined financial statements of Action, Inc. and its Affiliate, Housing Together Community Housing Corporation, collectively referred to as the Agency. All interaffiliate transactions have been eliminated in the combined financial statements

Action, Inc. is a nonprofit organization, tax exempt under section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. The organization is organized under Chapter 180 of the Commonwealth of Massachusetts General Laws. The mission of Action, Inc. is to improve the lives of disadvantaged individuals and families on Cape Ann and beyond by minimizing the effects of poverty, promoting economic security, and advocating for social change. The major programs are shelter and housing assistance, homecare for the elderly, job training, and advocacy and energy programs for those in need. Funding for these programs comes from federal, state and private agencies.

Home Together Community Housing Corporation is a nonprofit organization, tax exempt under section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. The purpose of the organization is to hold the title for a building and land that is used to provide families with affordable housing. The board members of Home Together Community Housing Corporation are also members of the board of Action, Inc., and therefore, Action, Inc. controls the organization.

**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:

*Permanently restricted net assets* - Assets that must be maintained by the Agency in perpetuity. At September 30, 2015 and 2014, the Agency had no permanently restricted net assets.

*Temporarily restricted net assets* - Assets whose use is limited by either donor-imposed time restrictions or purpose restrictions.

*Unrestricted net assets* - Assets that are available for support of operations and not subject to donor-imposed stipulations. They are neither temporarily restricted nor permanently restricted.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**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 \$5,000 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.

The Agency computes depreciation using the straight-line method over the following estimated lives:

|                       |               |
|-----------------------|---------------|
| Buildings             | 40 years      |
| Building Improvements | 19 - 40 years |
| Furniture & Equipment | 3 - 10 years  |

**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.

The Agency 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.

**Use of Estimates**

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.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**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.

**Certificates of Deposit**

Certificates of deposits are investments held that do not meet the criteria to be measured at fair value, therefore are recorded at their carrying value. Certificates of deposits with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposits with remaining maturities greater than one year are classified as long-term assets. The Agency holds various certificates of deposit, three of which have maturities greater than one year from September 30, 2015. The interest rates on the bank certificates of deposit range from 0.40% to 0.85%.

**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. The balance in the allowance for doubtful accounts was zero at September 30, 2015 and 2014. There is no finance charge assessed for overdue accounts receivable.

**Note Receivable**

The note receivable is carried at its unpaid principal balance. Management believes the note receivable is collectible; therefore, there is no allowance for loan losses.

**Nonprofit Status and Income Taxes**

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Agency is not a private foundation under Section 509(a)(1). Certain unrelated business income as defined in the Internal Revenue Code, is subject to federal income tax. For the year ended September 30, 2015, there was no liability for tax on unrelated business income.

The Agency adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles in the United

**ACTION, INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

States. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Agency has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Agency believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Agency's financial condition, results of operations or cash flows. Accordingly, the Agency has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2015. The Agency's policy is to classify income tax related interest and penalties in operating expenses. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency's federal and state income tax returns are generally open to examination for years after September 30, 2011.

**Fair Value Measurements**

Generally accepted accounting principles (GAAP) 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:** Quoted prices in active markets for identical assets or liabilities the Agency has the ability to access. The Agency currently has no Level 1 liabilities that are measured at fair value on a recurring basis.

**Level 2:** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of model or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

**Level 3:** Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also included practical expedient investments with notice periods for redemption of more than 90 days.

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. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

Fair values of financial instruments for which the Agency did not elect the fair value option includes cash and cash equivalents, receivables, mortgages, and accounts payable. Certain of these instruments are short term in nature and accordingly fair values are estimated to approximate carrying values.

**Investments and Investment Income**

Investments 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.

**Investment in 206 Main Street GP LLC**

In July 2015, Action, Inc. acquired 49% interest in 206 Main Street GP LLC (the LLC). Because the Agency has the ability to exercise significant influence, the Agency accounts for this investment using the equity method.

Under the equity method, the Agency's share of earnings from the LLC are reflected in income as earned, while distributions are credited against the investment in the LLC. However, in accordance with GAAP, the balance of the investment will not fall below zero unless the Agency has a requirement to fund losses.

**2. PENSION PLAN**

The Agency 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 years ended September 30, 2015 and 2014 amounted to \$78,057 and \$73,010, respectively.

**3. FIXED ASSETS**

Land, buildings and equipment consist of the following:

|                          | <u>2015</u>         | <u>2014</u>         |
|--------------------------|---------------------|---------------------|
| Land                     | \$ 735,270          | \$ 735,270          |
| Buildings                | 2,785,468           | 2,785,468           |
| Building Improvements    | 2,780,078           | 2,898,873           |
| Furniture & Equipment    | <u>349,805</u>      | <u>325,593</u>      |
| Total Fixed Assets       | 6,650,621           | 6,745,204           |
| Less: Accum Depreciation | <u>(1,367,024)</u>  | <u>(1,371,922)</u>  |
| Total                    | <u>\$ 5,283,597</u> | <u>\$ 5,373,282</u> |

**4. CASH**

At September 30, 2015, 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. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**5. INVESTMENTS**

The Agency holds an investment account with a brokerage firm. At September 30, 2015 and 2014 the balance of this account was \$21,868 and \$20,419, respectively. The balance consisted of the following at September 30:

|                    |                         |                         |
|--------------------|-------------------------|-------------------------|
|                    | <u>2015</u>             | <u>2014</u>             |
| Money Market Funds | \$14,638                | \$ 14,645               |
| Common Stocks      | 7,230                   | 5,774                   |
| <b>Total</b>       | <b><u>\$ 21,868</u></b> | <b><u>\$ 20,419</u></b> |

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value:

| <u>September 30, 2015</u> | <u>Fair Value</u>       | <u>Quoted Prices<br/>In Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</u> |
|---------------------------|-------------------------|---|
| Money Market Funds        | \$14,638                | \$14,638  |
| Common Stocks             | 7,230                   | 7,230   |
| <b>Total</b>              | <b><u>\$ 21,868</u></b> | <b><u>\$ 21,868</u></b>   |
|                           |                         |   |
| <u>September 30, 2014</u> |                         |   |
| Money Market Funds        | \$ 14,645               | \$ 14,645   |
| Common Stocks             | 5,774                   | 5,774   |
| <b>Total</b>              | <b><u>\$ 20,419</u></b> | <b><u>\$ 20,419</u></b>   |

Investment income from cash, certificates of deposit, and investments is comprised of the following for the years ended September 30, 2015 and 2014:

|                                     |                        |                        |
|-------------------------------------|------------------------|------------------------|
|                                     | <u>2015</u>            | <u>2014</u>            |
| Interest and Dividends, Net of Fees | \$15,429               | \$ 8,505               |
| Net Unrealized Gains                | 1,587                  | 3,000                  |
| <b>Total Investment Income</b>      | <b><u>\$17,016</u></b> | <b><u>\$11,505</u></b> |

**6. IN-KIND CONTRIBUTIONS**

The Agency receives in-kind contributions consisting of donated goods that include food, clothes, medical and household supplies for the Shelter. The Agency recognizes contribution of services if the services received required specified skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services of \$29,280 and \$25,120 and goods of \$75,045 and \$67,211 received in FY15 and FY14, respectively, are included with in-kind expense on the statement of functional expenses and revenue on the statement of activities.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**7. COMMITMENTS**

The Agency leases commercial space to tenants at will and under noncancelable leases with terms of one to three years. In addition, the Agency rents apartments to clients at will through its housing programs. The following is a schedule by year of future minimum rentals under the leases at September 30, 2015:

|              |                         |
|--------------|-------------------------|
| FY2016       | <u>20,700</u>           |
| <b>Total</b> | <b><u>\$ 20,700</u></b> |

**8. LONG-TERM DEBT**

|   | 2015    | 2014    |
|---|---------|---------|
| 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 Ipswich Bank, 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 \$2,226 including principal and interest. The interest rate in 2015 and 2014 was 4.89%.                       | 265,928 | 279,104 |
| Adjustable rate first mortgage payable in 2028 to First Ipswich Bank, 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 \$4,671 including principal and interest. The interest rate in 2015 and 2014 was 4.5% and 4.89% respectively. | 451,566 | 485,640 |
| Interest free, note payable to the City of Gloucester, secured by buildings located on Main Street in Gloucester. This note was paid in full in July 2015.  | 0       | 2,500   |
| Interest free, note payable to the City of Gloucester, secured by buildings located on Main Street in Gloucester. This note was paid in full in July 2015.  | 0       | 2,400   |

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

Interest free, note payable in 2040 to the Community Economic Development Assistance Corporation in the amount of \$227,539, secured by buildings located on 370 Main Street, in the City of Gloucester, MA. The loan has an effective rate of 4.3% and an unamortized discount of \$148,116 as of September 30, 2015. 79,423      76,149

Adjustable rate first mortgage payable in 2028 to First Ipswich Bank, secured by the buildings located at 26-28 Marsh Street, in the city of Gloucester, MA. Mortgage is payable in monthly installments of \$1,112 including principal and interest. The interest rate in 2015 and 2014 was 6.150%. 117,042      122,894

Interest free, note payable in 2043 to the Department of Housing and Community Development in the amount of \$575,145, secured by the buildings located at 26-28 Marsh Street, in the City of Gloucester, MA. The loan has an effective rate of 3.0% and an unamortized discount of \$324,201 as of September 30, 2015. 250,944      243,554

Interest free, note payable in 2033 to the North Shore HOME Consortium in the amount of \$400,000, secured by the buildings located at 26-28 Marsh Street, in the City of Gloucester, MA. The loan has an effective rate of 3.0% and an unamortized discount of \$162,914 as of September 30, 2014. 237,086      230,105

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Subtotal             | 1,426,989          | 1,467,346          |
| Less Current Portion | 55,061             | 57,263             |
| Long Term-Debt       | <u>\$1,371,928</u> | <u>\$1,410,083</u> |

The following are maturities of long-term debt:

|                    |                     |
|--------------------|---------------------|
| September 30, 2016 | \$ 55,061           |
| 2017               | 57,899              |
| 2018               | 60,883              |
| 2019               | 64,023              |
| 2020               | 67,326              |
| Thereafter         | <u>1,121,797</u>    |
| Total              | <u>\$ 1,426,989</u> |

**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 the Agency's financial statements. Accordingly, no provision for any liability that may result has been made in financial statements.

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**10. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

|  | <u>2015</u>             | <u>2014</u>              |
|--|-------------------------|--------------------------|
| Fuel Assistance Program                        | \$122,748               | \$ 124,789               |
| Affordable Housing                             | 562,115                 | 501,486                  |
| Shelter Program                                | 148,116                 | 151,390                  |
| Job Training                                   | <u>25,000</u>           | <u>0</u>                 |
| <b>Total Temporarily Restricted Net Assets</b> | <b><u>\$857,979</u></b> | <b><u>\$ 777,665</u></b> |

**11. AFFORDABLE HOUSING PARTNERSHIP**

During FY15, Action, Inc. formed 206 Main Street Limited Partnership (Partnership) and 206 Main Street GP LLC (LLC) with the North Shore Community Development Coalition (NSCDC) for the purpose of developing and operating affordable rental housing. The LLC is the owner of the Partnership and Action, Inc. owns 49% of the LLC. The remaining 51% is owned by the NSCDC.

The Partnership acquired real property located at 200-206 Main Street and 5-7 Elm Street in Gloucester and is applying for funding to develop affordable rental housing. The purchase of the property and predevelopment costs were financed with a \$300,000 note payable to Action, Inc. and \$1,077,500 note payable to Boston Community Loan Fund, Inc. (BCLF). Funds are drawn from BCLF as expenses are incurred. The project is projected to be completed before the end of FY2019.

The following table presents the change in net assets attributable to Action's interest in the LLC and Partnership:

|                       |              |
|-----------------------|--------------|
| 10/1/14 Net Assets    | \$ 0         |
| Capital Contributions | 49           |
| Income (Loss)         | <u>0</u>     |
| 9/30/15 Net Assets    | <u>\$ 49</u> |

At September 30, 2015, the Partnership's assets and liabilities consisted of:

|                          |                            |
|--------------------------|----------------------------|
| <b>ASSETS</b>            |                            |
| Cash                     | 258                        |
| Real Property            | 975,000                    |
| Capitalized Costs        | 143,301                    |
| <b>TOTAL ASSETS</b>      | <b><u>\$ 1,118,559</u></b> |
| <b>LIABILITIES</b>       |                            |
| Loan - Action            | 300,000                    |
| Loan - BCLF              | 728,998                    |
| Due to NSCDC             | 89,561                     |
| <b>TOTAL LIABILITIES</b> | <b><u>\$ 1,118,559</u></b> |

**ACTION, INC. AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**12. NOTE RECEIVABLE**

To assist in financing the 206 Main Street Limited Partnership acquisition of real property and development described above, Action, Inc. loaned the partnership \$300,000 on August 5, 2015. The Note Receivable secured by this real property is subordinate to a loan given to the Partnership by Boston Community Loan Fund, Inc. for \$1,077,500. The note receivable provides for Action, Inc. to be repaid with interest at 4.75% by the earlier of August 5, 2020 or when the partnership receives construction financing for the project.

**13. SURPLUS REVENUE RETENTION**

The Agency has no liability to the Commonwealth of Massachusetts under the Division of Purchased Services "Surplus Revenue Retention Policy" pursuant to 808 CMR 1.19(3). In accordance with this policy, the Agency is entitled to retain an annual net surplus of up to five percent (5%) per year of the total revenue attributable to Commonwealth purchasing agencies. The cumulative amount retained may not exceed twenty percent (20%) of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retained net asset.

Such surplus may be retained as unrestricted net assets to further its charitable purposes, provided that no portion of the surplus be used for any non-reimbursable cost set forth in 808 CMR 1.15. The following is an analysis of the Agency's deficit revenue retention net asset pool included in unrestricted net assets:

|  |                       |
|--|-----------------------|
| Cumulative Deficit, September 30, 2014 | \$ (2,793,721)        |
| 2015 Deficit                           | <u>(577,951)</u>      |
| Cumulative Deficit, September 30, 2015 | <u>\$ (3,371,672)</u> |

**14. SIGNIFICANT FUNDING**

Over 70% of program revenue and expenses relate to the energy management program contract that is privately funded. The Agency receives a fee as lead agency for administering this program statewide. The contract covers through December 31, 2018.

**15. SUBSEQUENT EVENTS**

The Agency did not have any recognized or non-recognized subsequent events after September 30, 2015, the date of the statement of financial position, other than the item disclosed below. Subsequent events have been evaluated through February 9, 2016, the date the financial statements were available to be issued.

On October 16, 2015, Action, Inc. closed on the purchase of real property located at 93 Prospect Street in Gloucester. The Agency is renovating the property to be used for affordable housing.

**ACTION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE  | PROGRAM TYPE | FEDERAL CFDA | PASS-THROUGH ENTITY IDENTIFYING NUMBER | EXPENDITURES |
|---|--------------|--------------|--|--------------|
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b><br><i>Passed through Commonwealth of Massachusetts:</i><br>Community Services Block Grant | B            | 93.569       | OCD SCOCDD42001060BG02000              | \$ 278,218   |
| Low-Income Home Energy Assistance Program - LIHEAP  | A            | 93.568       | OCD POOCD44001058LP10000               | 1,605,738    |
| Heating Emergency Assistance Retrofit Task Weatherization Assistance Program - HEARTWAP   | A            | 93.568       | OCD SCOCDD44001058HW02000              | 170,160      |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |              |              | Total 93.568                           | 1,775,898    |
|   |              |              |  | 2,054,116    |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b><br>Supportive Housing Program   | B            | 14.235       |  | 156,792      |
| Housing Opportunities for Persons With AIDS   | A            | 14.241       |  | 404,058      |
| <i>Passed through Commonwealth of Massachusetts:</i><br>Emergency Shelter Grants Program  | B            | 14.231       | WEL4092510                             | 27,541       |
| <i>Passed through City of Gloucester:</i><br>Community Development Block Grant  | B            | 14.218       | 10042                                  | 20,000       |
| <b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>   |              |              |  | 608,391      |
| <b>U.S. DEPARTMENT OF ENERGY</b><br><i>Passed through Commonwealth of Massachusetts:</i><br>Weatherization Assistance Program                 | A            | 81.042       | OCD SCOCDD390096100240000              | 541,342      |
| <b>TOTAL U.S. DEPARTMENT OF ENERGY</b>  |              |              |  | 541,342      |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b><br>Emergency Food And Shelter National Board Program  | B            | 97.024       |  | 20,794       |
| <b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>  |              |              |  | 20,794       |
| <b>U.S. DEPARTMENT OF LABOR</b><br><i>Passed through Southern Essex Reg. Employment Board:</i><br>WIA Youth Activities                        | B            | 17.259       |  | 148,307      |
| <b>TOTAL DEPARTMENT OF LABOR</b>  |              |              |  | 148,307      |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |              |              |  | \$ 3,372,950 |

**NOTES TO SCHEDULE OF FEDERAL AWARDS**

- 1. Definition of Reporting Entity**  
This Schedule of Expenditures of Federal Awards includes the federal grant activity of Action, Inc. ("The Agency"). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- 2. Summary of Significant Accounting Policies**
  - A. Basis of Presentation - This Schedule of Federal Awards is presented using the accrual method of accounting, which is described in note 1 to the financial statements.
  - B. The Agency identified the larger Federal Programs (Program Type A) as those programs that exceed \$300,000. All other programs are labeled as Program Type B.

# Bruce D. Norling, CPA, P.C.

## 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  
Action, Inc. and Affiliate

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 financial statements of Action, Inc. and Affiliate (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Action, Inc. and Affiliate'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Action, Inc. and Affiliate'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. 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 Action, Inc. and Affiliate's 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 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 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.

*Bruce D. Norling, CPA, P.C.*

February 9, 2016

# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of  
Action, Inc. and Affiliate

### **Report on Compliance for Each Major Federal Program**

We have audited Action, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Action, Inc. and Affiliate's major federal programs for the year ended September 30, 2015. Action, Inc. and Affiliate's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Action, Inc. and Affiliate'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Action, Inc. and Affiliate'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 Action, Inc. and Affiliate's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Action, Inc. and Affiliate 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 September 30, 2015.

## **Report on Internal Control Over Compliance**

Management of Action, Inc. and Affiliate 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 Action, Inc. and Affiliate'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 OMB Circular A-133, 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 Action, Inc. and Affiliate'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Bruce D. Norling, CPA, P.C*

February 9, 2016

**ACTION, INC. AND AFFILIATE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Action, Inc. and Affiliate (the Agency).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Agency were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Agency expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were:  
  
U.S. Department of Health and Human Services  
CFDA #93.568, Low-Income Home Energy Assistance (LIHEAP) and Heating Emergency Assistance Retrofit Task Weatherization Assistance Program (HEARTWAP)
8. The threshold for distinguishing Types A and B programs was \$300,000. Type A programs are those that exceed \$300,000.
9. The Agency was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT – NONE**

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS – NONE**

**ACTION, INC. AND AFFILIATE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

**Prior Audit Findings: None**

**ACTION, INC. AND AFFILIATE**  
**SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2015**

|   | <u>ACTION, INC.</u>  | <u>HTCHC<br/>AFFILIATE</u> | <u>TOTAL</u>      |
|---|----------------------|----------------------------|-------------------|
| <b>CURRENT ASSETS</b>                     |                      |                            |                   |
| Cash & Cash Equivalents                   | \$ 873,848           | 76,499                     | \$ 950,347        |
| Investments - Short Term                  | 480,691              | -                          | 480,691           |
| Investments                               | 21,868               | -                          | 21,868            |
| Prepaid Expense                           | 10,398               | -                          | 10,398            |
| Accounts Receivable                       | 6,444,560            |                            | 6,444,560         |
| <b>TOTAL CURRENT ASSETS</b>               | <u>7,831,365</u>     | <u>76,499</u>              | <u>7,907,864</u>  |
| <b>NON-CURRENT ASSETS</b>                 |                      |                            |                   |
| Land                                      | 410,270              | 325,000                    | 735,270           |
| Building                                  | 1,574,215            | 1,211,254                  | 2,785,469         |
| Building Improvements                     | 2,770,298            | 9,780                      | 2,780,078         |
| Equipment                                 | 349,805              | -                          | 349,805           |
| Accumulated Depreciation                  | (1,290,673)          | (76,352)                   | (1,367,025)       |
| <b>Net Fixed Assets</b>                   | <u>3,813,915</u>     | <u>1,469,682</u>           | <u>5,283,597</u>  |
| Deposits                                  | 18,297               | -                          | 18,297            |
| Note Receivable                           | 300,000              |                            | 300,000           |
| Long-Term Certificates of Deposit         | 250,000              | -                          | 250,000           |
| <b>TOTAL ASSETS</b>                       | <u>12,213,577</u>    | <u>1,546,181</u>           | <u>13,759,758</u> |
| <b>CURRENT LIABILITIES</b>                |                      |                            |                   |
| Accounts Payable                          | 1,278,908            | -                          | 1,278,908         |
| Accrued Expenses                          | 332,932              | -                          | 332,932           |
| Deferred Revenue                          | 560,298              | -                          | 560,298           |
| Security Deposits                         | 1,978                | 2,004                      | 3,982             |
| Current Portion of Long Term Debt         | 48,728               | 6,333                      | 55,061            |
| <b>TOTAL CURRENT LIABILITIES</b>          | <u>2,222,844</u>     | <u>8,337</u>               | <u>2,231,181</u>  |
| <b>NON-CURRENT LIABILITIES</b>            |                      |                            |                   |
| Long-Term Debt                            | 773,189              | 598,739                    | 1,371,928         |
| Due To (From) Affiliate                   | (344,624)            | 344,624                    | -                 |
| <b>TOTAL LIABILITIES</b>                  | <u>2,651,409</u>     | <u>951,700</u>             | <u>3,603,109</u>  |
| <b>NET ASSETS</b>                         | 9,562,168            | 594,481                    | 10,156,649        |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b> | <u>\$ 12,213,577</u> | <u>1,546,181</u>           | <u>13,759,758</u> |

See Independent Auditors' Report on Supplementary Information.

**ACTION, INC. AND AFFILIATE**  
**SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

|                                      | <u>ACTION, INC.</u> | <u>HTCHC<br/>AFFILIATE</u> | <u>TOTAL</u>         |
|--------------------------------------|---------------------|----------------------------|----------------------|
| <b>PUBLIC SUPPORT AND REVENUES</b>   |                     |                            |                      |
| Program revenue and other support    | \$ 55,293,009       | \$ -                       | \$ 55,293,009        |
| Rental income                        | 196,783             | 64,135                     | 260,918              |
| Contributions                        | 450,299             | -                          | 450,299              |
| In-kind contributions                | 104,325             | -                          | 104,325              |
| Investment income                    | 17,016              | -                          | 17,016               |
| <b>TOTAL SUPPORT AND REVENUES</b>    | <u>56,061,432</u>   | <u>64,135</u>              | <u>56,125,567</u>    |
| <b>EXPENSES</b>                      |                     |                            |                      |
| Program expenses                     | 53,044,158          | 83,397                     | 53,127,555           |
| Management and general               | 1,198,225           | -                          | 1,198,225            |
| Fund raising                         | 10,015              | -                          | 10,015               |
| <b>TOTAL EXPENSES</b>                | <u>54,252,398</u>   | <u>83,397</u>              | <u>54,335,795</u>    |
| <b>CHANGES IN NET ASSETS</b>         | 1,809,034           | (19,262)                   | 1,789,772            |
| <b>NET ASSETS, Beginning of Year</b> | <u>7,753,134</u>    | <u>613,743</u>             | <u>8,366,877</u>     |
| <b>NET ASSETS, End of Year</b>       | <u>\$ 9,562,168</u> | <u>\$ 594,481</u>          | <u>\$ 10,156,649</u> |

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