

**WESTBAY COMMUNITY ACTION, INC.
AND
WESTBAY HOUSING CORPORATION**

**Consolidated Financial Statements
June 30, 2010**

(With Independent Auditors' Report Thereon)

**WESTBAY COMMUNITY ACTION, INC
AND WESTBAY HOUSING CORPORATION**

Consolidated Financial Statements

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Westbay Community Action, Inc. and Westbay Housing Corporation (nonprofit organizations, collectively the Organization) as of June 30, 2010 and the related consolidated statement of activities and changes in net assets and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Westbay Community Action, Inc. and Westbay Housing Corporation as of June 30, 2010, and the changes in their consolidated net assets and consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6 2010 on our consideration of Organization's internal control over financial reporting and our tests of the Organization's compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010**

<u>ASSETS</u>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 662,705
Grants receivable	657,255
Accounts receivable	69,374
Other assets	30,252
<i>Total current assets</i>	1,419,586
<i>Property and equipment, net</i>	2,508,327
<i>Other assets:</i>	
Inventory	50,945
TOTAL ASSETS	\$ 3,978,858
<u>LIABILITIES AND NET ASSETS</u>	
<i>Current liabilities:</i>	
Accounts payable and accrued expenses	\$ 145,214
Accrued payroll and related expenses	141,377
Unapplied grants	221,102
Long-term debt due within one year	5,763
<i>Total current liabilities</i>	513,456
<i>Long-term liabilities:</i>	
Long-term debt, less current portion	450,010
<i>Total long-term liabilities</i>	450,010
TOTAL LIABILITIES	963,466
<i>Net assets:</i>	
Unrestricted:	
Undesignated	962,838
Invested in property and equipment	458,380
<i>Total unrestricted net assets</i>	1,421,218
Temporarily restricted:	
Property	1,594,174
<i>Total temporarily restricted net assets</i>	1,594,174
Total net assets	3,015,392
TOTAL LIABILITIES AND NET ASSETS	\$ 3,978,858

See accompanying notes to consolidated financial statements

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Changes in unrestricted net assets:

Revenue and support:

Grants	\$ 8,791,077
Program income	1,096,383
Fundraising, net of related expense of \$6,858	607
Contributions	52,761
In-kind donations	83,392
Miscellaneous	33,105
Total unrestricted revenue and support	10,057,325

Net assets released from restrictions:

Satisfaction of restrictions	46,284
Total unrestricted public support and revenue	10,103,609

Expenses:

Program services:

Nutrition	619,697
Market Place	327,806
WIC	1,415,563
Children's Center	907,479
Case Management	602,579
RSVP	138,051
Business Center	352,927
Family Services	3,448,893
Housing	162,514
Weatherization	1,357,835
Kidz Klozet	21,572
Total program services	9,354,916

Support services:

Management and general	549,175
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Total expenses	9,904,091
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Increase in unrestricted net assets	199,518
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Changes in temporarily restricted net assets:

Temporary restricted property	221,060
Net assets released from restrictions	(46,284)

Changes in temporarily restricted net assets	174,776
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Increase in net assets	\$ 374,294
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**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

<i>Unrestricted net assets:</i>	
Beginning of year	\$ 1,221,700
Increase in unrestricted net assets	<u>199,518</u>
<i>Unrestricted net assets at end of year</i>	<u>1,421,218</u>
<i>Temporarily restricted net assets:</i>	
Beginning of year	1,419,398
Increase in temporarily restricted net assets	<u>174,776</u>
<i>Temporarily restricted net assets at end of year</i>	<u>1,594,174</u>
<i>Total net assets</i>	<u>\$ 3,015,392</u>

See accompanying notes to consolidated financial statements

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

<i>Cash flows from operating activities:</i>	
Change in net assets	\$ 374,294
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	111,895
(Increase) decrease in:	
Grants receivable	(409,048)
Accounts receivable	(691)
Other assets	373
Inventory	(505)
Increase (decrease) in:	
Accounts payable and accrued expenses	13,562
Accrued payroll and related expenses	15,883
Unapplied grants	27,025
<i>Net cash provided by operating activities</i>	<u>132,788</u>
<i>Cash flows from investing activities:</i>	
Purchase of property and equipment	(277,113)
<i>Net cash used by investing activities</i>	<u>(277,113)</u>
<i>Cash flows from financing activities:</i>	
Repayment of long-term debt	(5,927)
<i>Net cash used by financing activities</i>	<u>(5,927)</u>
<i>Net decrease in cash and cash equivalents</i>	(150,252)
<i>Cash and cash equivalents at beginning of the year</i>	<u>812,957</u>
<i>Cash and cash equivalents at end of the year</i>	<u>\$ 662,705</u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest for the year end June 30, 2010 was approximately \$28,201.

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Westbay Community Action, Inc. is a not-for-profit corporation located in Warwick, Rhode Island. This community action agency provides various social and rehabilitative services including fuel assistance, childcare, supportive housing, and nutrition programs to the elderly and low-income residents of Warwick, West Warwick, Coventry, East Greenwich, and other areas of Rhode Island.

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

Principles of Consolidation

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

Basis of Presentation

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

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

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

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

Cash and Cash Equivalents

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

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Receivables

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

The Organization does not accrue interest on grants and other receivables. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense. At year-end, based on an analysis of contracts and other receivables, management did not consider an allowance for uncollectible accounts to be necessary.

Property and Equipment

All expenditures for property and equipment in excess of \$1,000 are capitalized; the fair market value of donated assets is similarly recorded. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

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

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

Inventory

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

Clothing inventory is also donated to the organization. The children's clothing inventory is sold at discount and the business clothes are supplied for low income clients to get them ready to enter the workforce. This activity is recorded in the financial statements as a contribution based on Thrift Store rates.

Revenue Recognition

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

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

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Allocation of Expenses

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

Fair Value Measurements

The Organization adopted generally accepted accounting principle "Fair Value Measurements and Disclosures" for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning January 1, 2010.

Generally accepted accounting principles for Fair Value Measurements establishes a framework for measuring fair value, is effective for years beginning after November 15, 2007. 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Basis of Fair Value Measurement

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

The Organization evaluates its uncertain tax positions using the guidance for contingencies as contained in United States generally accepted accounting principles. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred on the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Organization has not recognized any liabilities for uncertain tax positions as of June 30, 2010.

Estimates and Assumptions

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

Subsequent Events

Subsequent events have been evaluated through October 6, 2010, which is the date the financial statements were issued. Management does not believe there have been any events which have occurred that require adjustment to the financial information as presented, or further disclosure.

2. PROPERTY AND EQUIPMENT

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

Land	\$ 138,275
Federal funded land	473,900
Federal funded properties	923,479
Building and improvements	1,153,956
Furniture and equipment	350,032
Vehicles	269,528
	<hr/>
	3,309,170
Less accumulated depreciation	(800,843)
	<hr/>
Property and equipment, net	<u>\$ 2,508,327</u>

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**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

2. PROPERTY AND EQUIPMENT (Continued)

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

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

At year-end, the total appraised value of the aforementioned real estate is included in temporarily restricted net assets (note 6).

3. LINE OF CREDIT

The Organization has a \$250,000 line of credit available with a commercial bank, secured by substantially all of its unrestricted assets. Bank advances on the line of credit are payable on demand and carry interest at a rate of prime (3.25% at June 30, 2010) plus 1%. At year-end the Organization had no outstanding balance on its line of credit.

4. LONG-TERM DEBT

On June 12, 2008, the Organization entered into commercial mortgage payable by obtaining \$320,000 from a local financial institution. The term of the mortgage payable is 30 years and calls for monthly principal and interest payments of approximately \$1,817 with an initial fixed rate of 5.5% for the first fifteen years.

As of July 2023, the interest rate on the aforementioned mortgage will be determined according to the weekly average yield on United States Securities, adjusted to a constant maturity of five years as made available by the Federal Reserve Board, forty-five days before each interest rate change date, plus two point seventy-five percentage points (2.75%). The mortgage is secured by the property located at 216-224 Buttonwoods Avenue in Warwick, Rhode Island.

On September 7, 2006, the Organization entered into a Secured Promissory Note in the amount of \$148,000 with Rhode Island Housing. The term of the mortgage payable is 40 years; payments of \$899 including interest at a yearly interest rate of 6.8% are due monthly. The mortgage is secured by the property located at 48 Weaver Street in Warwick, Rhode Island.

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**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

4. LONG-TERM DEBT (Continued)

Debt consists of the following at June 30, 2010:

Mortgage Note	\$	310,727
Promissory Note		145,046
		455,773
Less amounts currently payable		5,763
Long-term debt, less current portion	\$	450,010

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

<u>Year Ending</u>		
June 30, 2011	\$	5,763
June 30, 2012		6,101
June 30, 2013		6,459
June 30, 2014		6,839
June 30, 2015		7,241
Thereafter		423,370
Total	\$	455,773

Interest expense for the year ending June 30, 2010 was \$26,824.

5. OPERATING LEASES

The Organization leases a property which is used for its Working Wardrobe program. The lease is on a month-to-month basis with monthly rent payments of \$825. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$9,900.

The Organization leases a property which is used for its Kidz Klozet program. The lease is on a month-to-month basis with monthly rent payments of \$825. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$9,900.

The Organization leases a property which is used for its Nutrition program. The lease is on a month-to-month basis with monthly rent payments of \$1,050. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$12,600.

The Organization also rents a property used in the operation of its WIC program. The lease is for a twelve-month period ending in June, 2010. The lease calls for monthly payments of \$998. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$11,976.

The Organization leases property used to conduct social service program activities. The term of the lease is for 36 months beginning on February 1, 2010 and ending January 1, 2013. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$88,452.

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

5. OPERATING LEASES

The Organization leases a property which is used for its Adult Education program. The lease is on a month-to-month basis with monthly rent payments of \$1,200. Rental expense related to this lease for the year ending June 30, 2010 was approximately \$13,200.

The Organization leases various office equipment, all under two- to five-year, noncancelable operating lease agreements. Aggregate rental commitments, excluding real estate taxes, for the noncancelable portion of operating leases for the years ending June 30 are as follows:

Year	Buildings	Office Equipment	Total
2011	\$ 74,490	\$ 19,856	\$ 94,346
2012	74,490	13,698	88,188
2013	43,453	5,790	49,243
	\$ 192,433	\$ 39,344	\$ 231,777

The total rent for 2010 was \$146,028, and is included in operating expenses.

6. TEMPORARILY RESTRICTED NET ASSETS

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

East Avenue Property – Supportive Housing	\$ 109,535
Warwick Avenue Property – Supportive Housing	212,000
Earl Street Property – Supportive Housing	276,287
Marlborough Street property – Supportive Housing	187,760
Weaver Street – Property – NOP	137,897
22 Astral Street – Improvements	244,564
Weatherization transportation equipment	119,787
Land – East	26,000
Land – Warwick Ave	53,000
Land – Earl	69,000
Land – Marlboro	43,600
Land – Belt Street	48,000
Land – Vine Street	52,300
Land – Wilson Street	48,000
Land – Weaver	34,000
Land – Logan Street	50,000
Land – Lincoln	50,000
Less depreciation	(167,556)
Total	\$ 1,594,174

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

7. DONATED SERVICES, MATERIALS AND FACILITIES

The Organization receives services from a variety of unpaid volunteers assisting the Organization in its administrative and program service. No amounts have been recognized in the accompanying consolidated statement of activities and changes in net assets because the criteria for recognition in the consolidated financial statements in accordance with SFAS 116 for in-kind services are not satisfied.

9. EMPLOYEE RETIREMENT PLANS

The Organization maintains a retirement plan under Internal Revenue Code Section 401(k). The plan covers all non-union employees who are at least twenty-one years of age and have completed three months of service. The Organization makes contributions to the plan on a discretionary basis.

During the year ending June 30, 2010, contributions made to this plan were 2.75% of eligible participating employee's annual wages. Pension expense under this plan for the year ended June 30, 2010 was approximately \$28,233

The Organization also makes contributions to a pension plan sponsored by the employee's labor union (note 10). Contributions to the plan in accordance with the Organization's agreement with the union are 8% of eligible participating union member's annual wages. During the year ending June 30, 2010, the Organization made contributions of approximately \$25,822 to this plan.

10. EMPLOYEE UNION

Approximately one-quarter of the Organization's labor force belongs to an employee union, subject to a collective bargaining agreement which will expire September 30, 2010. At year-end, management expects no interruption in operations related to the agreement with this union.

11. RELATED PARTY TRANSACTIONS

One member of the Organization's Board of Directors is employed at a financial institution at which the Organization maintains a mortgage. No fees were paid to the financial institutions during the year ending June 30, 2010.

12. CONCENTRATION OF CREDIT RISK AND MARKET RISK

The Organization is required by Financial Accounting Standards (SFAS) 105, "Disclosure of Information about Financial Instruments with Concentrations of Credit Risk," to disclose concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit and market risks are cash, accounts receivable and revenue.

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

(CONTINUED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010**

12. CONCENTRATION OF CREDIT RISK AND MARKET RISK (Continued)

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

The Organization receives approximately 87% of its revenue through Federal, State, and Municipal grants and contracts. According to the grant and contract provisions, any grant or contract may be terminated within 90 days upon written notice from either party. At year-end, management expects all current grants and contracts to continue into the foreseeable future.

13. COMMITMENTS AND CONTINGENCIES

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

14. FUNCTIONAL ALLOCATION OF EXPENSES

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

(CONCLUDED)

**WESTBAY COMMUNITY ACTION, INC.
and WESTBAY HOUSING CORPORATION**

**Reports Required by
Government Auditing Standards and
OMB Circular A-133 - Audits of States,
Local Governments and Non-profit Organizations**

June 30, 2010

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

Federal Grantor Program Title	CFDA Number	Federal Expenditures
<u>U. S. Department of Agriculture:</u>		
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	224,509
Special Supplemental Food Program for Women, Infants and Children (WIC) - Vouchers	10.557	1,184,677
<i>Passed through the State of Rhode Island</i>		
<i>Department of Health</i>		
		1,409,186
Child and Adult Care food	10.558	33,927
<i>Passed through Rhode Island Department of Elementary and Secondary Education</i>		
		33,927
Emergency Food Assistance Program	10.568	3,743
Emergency Food Assistance Program	10.568	148,850
ARRA - Emergency Food Assistance Program	10.568	10,000
ARRA - Emergency Food Assistance Program	10.568	6,494
<i>Passed through the State of Rhode Island</i>		
<i>Department of Human Services</i>		
		169,087
Total U.S. Department of Agriculture		1,612,200
<u>U.S. Department of Housing and</u>		
Community Development Block Grant	14.218	93,100
Community Development Block Grant	14.218	170,687
Community Development Block Grant	14.218	25,000
Lead Hazard Reduction Program	14.905	13,948
<i>Passed through the City of Warwick</i>		
		302,735
Supportive Housing Program	14.235	50,757
<i>Passed through Rhode Island Housing</i>		
		50,757
ARRA - HPRP	14.257	119,324
Lead Hazard Reduction Program	14.905	21,917
<i>Passed through the State of Rhode Island</i>		
<i>Housing Resource Commission</i>		
		141,241
Total U.S. Department of Housing Urban Development		494,733

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

Federal Grantor Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Labor:</u>		
ARRA - Workforce Investment Act	17.259	30,502
<i>Passed through Department of Labor and Training</i>		30,502
Total U.S. Department of Labor		30,502
<u>U.S. Department of Energy:</u>		
ARRA - Weatherization - Assistance Program	81.042	403,614
Weatherization - Assistance Program	81.042	99,609
Weatherization - Assistance Program	81.042	570,624
Weatherization - Assistance Program	81.042	110,665
<i>Passed through the Rhode Island State Energy Office</i>		1,184,512
Total U.S. Department of Energy		1,184,512
<u>U.S. Department of Health and Human Services:</u>		
Adult Education	84.002	91,000
<i>Passed through Rhode Island Department of Education</i>		91,000
MIPPA - Medicare Outreach	93.044	8,662
Senior Health Insurance Program	93.044	22,466
Senior Medicare Patrol	93.044	13,899
Regional Case Management Services	93.044	46,830
Disaster Assistance for the Aging	93.044	3,686
Title IIIB-Supportive Serv/Case Manager	93.044	37,003
Congregate Nutrition Services - Senior Dining	93.045	129,603
Congregate Nutrition Services - Senior Dining	93.045	193,511
ARRA -Congregate Nutrition Services - Senior Dining	93.707	45,327
National Family Caregiver	93.052	21,456
National Family Caregiver	93.052	18,374
<i>Passed through Rhode Island Department of Elderly Affairs</i>		540,817

**WESTBAY COMMUNITY ACTION, INC.
AND WESTBAY HOUSING CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

Federal Grantor Program Title	CFDA Number	Federal Expenditures
LIHEAP	93.568	2,540,588
LIHEAP - Administration	93.568	55,366
LIHEAP - Administration	93.568	136,390
Boiler Repair & Replacement Program	93.568	98,954
Boiler Repair & Replacement Program	93.568	112,301
<i>Passed through the Rhode Island State Energy Office</i>		2,943,599
ARRA - Community Service Block Grant	93.569	315,135
Community Service Block Grant	93.569	285,540
Emergency Voucher Program	93.667	19,267
Youth Success	93.558	41,879
Youth Success	93.558	17,907
<i>Passed through the Rhode Island Department Human Services</i>		679,728
Total U. S. Department of Health and Human Services		4,255,144
 <u>U.S. Corporation for National</u>		
Retired Senior Volunteer Program	94.002	47,282
Retired Senior Volunteer Program	94.002	46,837
<i>Direct Federal Funding</i>		94,119
 <u>U.S. Department of Homeland</u>		
ARRA - Emergency Food Assistant Program	97.024	27,400
Emergency Food Assistant Program	97.024	19,188
Emergency Food Assistant Program	97.024	25,084
<i>Passed through the United Way</i>		71,672
Total Expenditures of Federal Awards		7,742,882

**WESTBAY COMMUNITY ACTION, INC
and WESTBAY HOUSING CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

1. BASIS OF PRESENTATION

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

2. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for Westbay Community Action, Inc. As such, the threshold for determining Type A and Type B programs are defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000.

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

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

We have audited the consolidated financial statements of Westbay Community Action, Inc. and Westbay Housing Corporation (collectively the Organization) as of and for the year ended June 30, 2010 and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

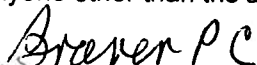
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and certain federal, state, and municipal funding sources of Organization. This report is not intended to be and should not be used by anyone other than the aforementioned parties.



Providence, Rhode Island
October 6, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Westbay Community Action, Inc. and Westbay Housing Corporation (collectively the Organization), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Organization's management. Our responsibility is to express an opinion on Organization's compliance based on our audit.

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 Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the years ended June 30, 2010.

Internal Control Over Compliance

The management of Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Organization's internal control over compliance.

A *deficiency in internal control* over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Westbay Community Action, Inc. and Westbay Housing Corporation as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Providence, Rhode Island
October 6, 2010

**WESTBAY COMMUNITY ACTION, INC
and WESTBAY HOUSING CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of Westbay Community Action, Inc. and Westbay Housing Corporation.
2. No significant deficiencies relating to the audit of the financial statements have been reported in the Independent Auditors' Report.
3. No instances of noncompliance material to the financial statements of Westbay Community Action, Inc. and Westbay Housing Corporation. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The Auditor's Report on compliance for the major federal award programs for Westbay Community Action, Inc. and Westbay Housing Corporation expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Westbay Community Action, Inc. and Westbay Housing Corporation.
7. The programs tested as major programs were:

Low-Income Home Energy Assistance.....	#93.568
Weatherization	#81.042
Special Supplemental Food Program for Women, Infants, and Children.....	#10.557
Community Service Block Grant.....	#93.569
Aging Cluster (Regional Case Management and Senior Patrol)	#93.044
Aging Cluster (Congregate Nutrition Services).....	#93.045
Aging Cluster (ARRA Congregate Nutrition Services).....	#93.707
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Westbay Community Action, Inc. and Westbay Housing Corporation was determined to be a low-risk auditee

**WESTBAY COMMUNITY ACTION, INC
and WESTBAY HOUSING CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

None noted.

PRIOR YEAR FINDINGS:

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS:

None noted.

PRIOR YEAR FINDINGS:

None noted.