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THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION



63

William Cass, P.E.
Commissioner

David Rodrigue, P.E.
Assistant Commissioner

Andre Briere, Colonel, USAF (RET)
Deputy Commissioner

Bureau of Rail & Transit
October 2, 2023

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, NH 03301

REQUESTED ACTION

Authorize the New Hampshire Department of Transportation (NHDOT) to pay an amount not to exceed \$83,082 to Southwestern Community Services, Inc. (Vendor 177511), Keene, NH, to provide a portion of the non-federal funds required to match Federal Transit Administration (FTA) public transit operating funds, effective upon Governor and Executive Council approval through June 30, 2025. 100% State General Funds.

Funding is available as follows for SFY 2024 and SFY 2025, with the ability to adjust encumbrances between State Fiscal Years through the Budget Office, if needed and justified.

	<u>SFY 2024</u>	<u>SFY 2025</u>
04-96-96-964010-2916		
Public Transportation		
073-509074 Grant Non-Federal	\$41,541	\$41,541

EXPLANATION

SCS is a private, non-profit organization that provides rural public transportation in the Sullivan County region of New Hampshire.

The Department's approved SFY 2024 and SFY 2025 operating budget includes \$2,283,289 of state general funds to assist 10 public transit systems with matching FTA Section 5311 Rural Area Formula operating funds over the biennium; the FTA-funded contracts for this period have already been approved by Governor and Council. An annual base funding amount was allocated to each system resulting from tiered levels of public transit ridership and additional funding was provided based on incremental non-federal matching funds each system needed to access increased FTA operating funds apportioned under the Bipartisan Infrastructure Law (BIL).

The recipient transit agencies and the New Hampshire Transit Association were consulted as part of this multi-step allocation effort and it was realized that the rural public transit operators, as a whole, needed incremental matching funds to access BIL funding in both years, whereas the urban public transit providers did not need additional matching funds to leverage BIL funding until SFY 2025. As such, budgeted state operating match funds have been programmed in the amount of \$602,494 for SFY 2024 and \$1,680,793 in SFY 2025, totaling \$2,283,287 for the biennium, in accordance with the following distribution table:

AGENCY	CATEGORY	TOTAL 2024	TOTAL 2025	TOTAL BIENNIIUM
Advance Transit	Rural	\$166,165	\$166,165	\$332,330
BMCAP-Concord Area Transit	Rural	\$166,165	\$166,165	\$332,330
COAST	Urban	\$32,000	\$389,127	\$421,127
Manchester Transit Authority (including CART)	Urban	\$40,000	\$493,633	\$533,633
City of Nashua (Nashua Transit System)	Urban	\$32,000	\$299,539	\$331,539
Southwestern Community Services	Rural	\$41,541	\$41,541	\$83,082
TCCAP Carroll County Transit	Rural	\$41,541	\$41,541	\$83,082
TCCAP North Country Transit	Rural	\$41,541	\$41,541	\$83,082
VNA @ HCS Keene City Express	Rural	\$41,541	\$41,541	\$83,082
Total ridership distribution		\$602,494	\$1,680,793	\$2,283,287

The eight agencies operating NH's 10 public transit systems are listed in the table above and separate contracts for each agency will be submitted to Governor and Executive Council for approval. The state operating match funds will assist these agencies in meeting the non-federal matching requirements of 50% for operating expenses.

The Agreement has been approved by the Attorney General as to form and execution and the Department has verified that the necessary funds are available. Copies of the fully executed contract will be on file at the Secretary of State's Office and the Department of Administrative Services and will be on file at the Department of Transportation subsequent to Governor and Executive Council approval.

Your approval of this contract is respectfully requested.

Sincerely,



William J. Cass, P.E.
Commissioner

Attachments

Subject: SFY 2024-2025 State Operating Match

GRANT AGREEMENT

The State of New Hampshire and the Grantee hereby
Mutually agree as follows:

GENERAL PROVISIONS

1. Identification and Definitions.

1.1. State Agency Name NH Department of Transportation		1.2. State Agency Address PO Box 483 & Hazen Dr. Concord, NH 03302-0483	
1.3. Grantee Name Southwestern Community Services		1.4. Grantee Address 6 Kinney Place Claremont, NH 03743-3748	
1.5. Grantee Phone # 603-542-9609	1.6. Account Number 04-96-96-964010-2916-073 -509074	1.7. Completion Date June 30, 2025	1.8. Grant Limitation \$83,082.00
1.9. Grant Officer for State Agency Frederick Butler, Public Transportation Administrator, Bureau of Rail & Transit		1.10. State Agency Telephone Number 603-271-2565	
If Grantee is a municipality or village district: "By signing this form we certify that we have complied with any public meeting requirement for acceptance of this grant, including if applicable RSA 31:95-b."			
1.11. Grantee Signature 1 <i>Beth Daniels</i>		1.12. Name & Title of Grantee Signor 1 <i>Beth Daniels, CEO</i>	
Grantee Signature 2 N/A		Name & Title of Grantee Signor 2 N/A	
Grantee Signature 3 N/A		Name & Title of Grantee Signor 3 N/A	
1.13. State Agency Signature(s) <i>Michelle L. Winters</i>		1.14. Name & Title of State Agency Signor(s) <i>Michelle L. Winters</i> Director of Aeronautics, Rail & Transit	
1.15. Approval by Attorney General (Form, Substance and Execution) (if G & C approval required)			
By: <i>[Signature]</i> Assistant Attorney General, On: <i>10/19/2023</i>			
1.16. Approval by Governor and Council (if applicable)			
By: _____ On: _____			

2. SCOPE OF WORK: In exchange for grant funds provided by the State of New Hampshire, acting through the Agency identified in block 1.1 (hereinafter referred to as "the State"), the Grantee identified in block 1.3 (hereinafter referred to as "the Grantee"), shall perform that work identified and more particularly described in the scope of work attached hereto as EXHIBIT B (the scope of work being hereinafter referred to as "the Project").

3. **AREA COVERED.** Except as otherwise specifically provided for herein, the Grantee shall perform the Project in, and with respect to, the State of New Hampshire.
4. **EFFECTIVE DATE: COMPLETION OF PROJECT.**
- 4.1. This Agreement, and all obligations of the parties hereunder, shall become effective on the date of approval of this Agreement by the Governor and Council of the State of New Hampshire if required (block 1.16), or upon signature by the State Agency as shown in block 1.14 ("the Effective Date").
- 4.2. Except as otherwise specifically provided herein, the Project, including all reports required by this Agreement, shall be completed in ITS entirety prior to the date in block 1.7 (hereinafter referred to as "the Completion Date").
5. **GRANT AMOUNT: LIMITATION ON AMOUNT: VOUCHERS: PAYMENT.**
- 5.1. The Grant Amount is identified and more particularly described in EXHIBIT C, attached hereto.
- 5.2. The manner of, and schedule of payment shall be as set forth in EXHIBIT C.
- 5.3. In accordance with the provisions set forth in EXHIBIT C, and in consideration of the satisfactory performance of the Project, as determined by the State, and as limited by subparagraph 5.5 of these general provisions, the State shall pay the Grantee the Grant Amount. The State shall withhold from the amount otherwise payable to the Grantee under this subparagraph 5.3 those sums required, or permitted, to be withheld pursuant to N.H. RSA 80:7 through 7-c.
- 5.4. The payment by the State of the Grant amount shall be the only, and the complete payment to the Grantee for all expenses, of whatever nature, incurred by the Grantee in the performance hereof, and shall be the only, and the complete, compensation to the Grantee for the Project. The State shall have no liabilities to the Grantee other than the Grant Amount.
- 5.5. Notwithstanding anything in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made, hereunder exceed the Grant limitation set forth in block 1.8 of these general provisions.
6. **COMPLIANCE BY GRANTEE WITH LAWS AND REGULATIONS.** In connection with the performance of the Project, the Grantee shall comply with all statutes, laws regulations, and orders of federal, state, county, or municipal authorities which shall impose any obligations or duty upon the Grantee, including the acquisition of any and all necessary permits and RSA 31-95-b.
7. **RECORDS and ACCOUNTS.**
- 7.1. Between the Effective Date and the date seven (7) years after the Completion Date, unless otherwise required by the grant terms or the Agency, the Grantee shall keep detailed accounts of all expenses incurred in connection with the Project, including, but not limited to, costs of administration, transportation, insurance, telephone calls, and clerical materials and services. Such accounts shall be supported by receipts, invoices, bills and other similar documents.
- 7.2. Between the Effective Date and the date seven (7) years after the Completion Date, unless otherwise required by the grant terms or the Agency pursuant to subparagraph 7.1, at any time during the Grantee's normal business hours, and as often as the State shall demand, the Grantee shall make available to the State all records pertaining to matters covered by this Agreement. The Grantee shall permit the State to audit, examine, and reproduce such records, and to make audits of all contracts, invoices, materials, payrolls, records of personnel, data (as that term is hereinafter defined), and other information relating to all matters covered by this Agreement. As used in this paragraph, "Grantee" includes all persons, natural or fiduciary, affiliated with, controlled by, or under common ownership with, the entity identified as the Grantee in block 1.3 of these provisions.
8. **PERSONNEL.**
- 8.1. The Grantee shall, at its own expense, provide all personnel necessary to perform the Project. The Grantee warrants that all personnel engaged in the Project shall be qualified to perform such Project, and shall be properly licensed and authorized to perform such Project under all applicable laws.
- 8.2. The Grantee shall not hire, and it shall not permit any subcontractor, subgrantee, or other person, firm or corporation with whom it is engaged in a combined effort to perform the Project, to hire any person who has a contractual relationship with the State, or who is a State officer or employee, elected or appointed.
- 8.3. The Grant Officer shall be the representative of the State hereunder. In the event of any dispute hereunder, the interpretation of this Agreement by the Grant Officer, and his/her decision on any dispute, shall be final.
9. **DATA: RETENTION OF DATA: ACCESS.**
- 9.1. As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations,

- computer programs, computer printouts, notes, letters, memoranda, paper, and documents, all whether finished or unfinished.
- 9.2. Between the Effective Date and the Completion Date the Grantee shall grant to the State, or any person designated by it, unrestricted access to all data for examination, duplication, publication, translation, sale, disposal, or for any other purpose whatsoever.
- 9.3. No data shall be subject to copyright in the United States or any other country by anyone other than the State.
- 9.4. On and after the Effective Date all data, and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason, whichever shall first occur.
- 9.5. The State, and anyone it shall designate, shall have unrestricted authority to publish, disclose, distribute and otherwise use, in whole or in part, all data.
10. **CONDITIONAL NATURE OR AGREEMENT.** Notwithstanding anything in this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability or continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available or appropriated funds. In the event of a reduction or termination of those funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Grantee notice of such termination.
11. **EVENT OF DEFAULT: REMEDIES.**
- 11.1. Any one or more of the following acts or omissions of the Grantee shall constitute an event of default hereunder (hereinafter referred to as "Events of Default"):
- 11.1.1 Failure to perform the Project satisfactorily or on schedule; or
- 11.1.2 Failure to submit any report required hereunder; or
- 11.1.3 Failure to maintain, or permit access to, the records required hereunder; or
- 11.1.4 Failure to perform any of the other covenants and conditions of this Agreement.
- 11.2. Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:
- 11.2.1 Give the Grantee a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Grantee notice of termination; and
- 11.2.2 Give the Grantee a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the Grant Amount which would otherwise accrue to the Grantee during the period from the date of such notice until such time as the State determines that the Grantee has cured the Event of Default shall never be paid to the Grantee; and
- 11.2.3 Set off against any other obligation the State may owe to the Grantee any damages the State suffers by reason of any Event of Default; and
- 11.2.4 Treat the agreement as breached and pursue any of its remedies at law or in equity, or both.
12. **TERMINATION.**
- 12.1. In the event of any early termination of this Agreement for any reason other than the completion of the Project, the Grantee shall deliver to the Grant Officer, not later than fifteen (15) days after the date of termination, a report (hereinafter referred to as the "Termination Report") describing in detail all Project Work performed, and the Grant Amount earned, to and including the date of termination. In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall entitle the Grantee to receive that portion of the Grant amount earned to and including the date of termination.
- 12.2. In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall in no event relieve the Grantee from any and all liability for damages sustained or incurred by the State as a result of the Grantee's breach of its obligations hereunder.
- 12.3. Notwithstanding anything in this Agreement to the contrary, either the State or, except where notice default has been given to the Grantee hereunder, the Grantee, may terminate this Agreement without cause upon thirty (30) days written notice.
- 12.4. **CONFLICT OF INTEREST.** No officer, member of employee of the Grantee, and no representative, officer or employee of the State of New Hampshire or of the governing body of the locality or localities in which the Project is to be performed, who exercises any functions or responsibilities in the review or

- approval of the undertaking or carrying out of such Project, shall participate in any decision relating to this Agreement which affects his or her personal interest or the interest of any corporation, partnership, or association in which he or she is directly or indirectly interested, nor shall he or she have any personal or pecuniary interest, direct or indirect, in this Agreement or the proceeds thereof.
14. **GRANTEE'S RELATION TO THE STATE.** In the performance of this Agreement the Grantee, its employees, and any subcontractor or subgrantee of the Grantee are in all respects independent contractors, and are neither agents nor employees of the State. Neither the Grantee nor any of its officers, employees, agents, members, subcontractors or subgrantees, shall have authority to bind the State nor are they entitled to any of the benefits, workmen's compensation or emoluments provided by the State to its employees.
 15. **ASSIGNMENT AND SUBCONTRACTS.** The Grantee shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the State. None of the Project Work shall be subcontracted or subgranted by the Grantee other than as set forth in Exhibit B without the prior written consent of the State.
 16. **INDEMNIFICATION.** The Grantee shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based on, resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Grantee or subcontractor, or subgrantee or other agent of the Grantee. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant shall survive the termination of this agreement.
 17. **INSURANCE.**
 - 17.1 The Grantee shall, at its own expense, obtain and maintain in force, or shall require any subcontractor, subgrantee or assignee performing Project work to obtain and maintain in force, both for the benefit of the State, the following insurance:
 - 17.1.1 Statutory workers' compensation and employees liability insurance for all employees engaged in the performance of the Project, and
 - 17.1.2 General liability insurance against all claims of bodily injuries, death or property damage, in amounts not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury or death any one incident, and \$500,000 for property damage in any one incident; and
 - 17.2. The policies described in subparagraph 17.1 of this paragraph shall be the standard form employed in the State of New Hampshire, issued by underwriters acceptable to the State, and authorized to do business in the State of New Hampshire. Grantee shall furnish to the State, certificates of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy.
 18. **WAIVER OF BREACH.** No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event, or any subsequent Event. No express waiver of any Event of Default shall be deemed a waiver of any provisions hereof. No such failure of waiver shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other default on the part of the Grantee.
 19. **NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses first above given.
 20. **AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Council of the State of New Hampshire, if required or by the signing State Agency.
 21. **CONSTRUCTION OF AGREEMENT AND TERMS.** This Agreement shall be construed in accordance with the law of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assignees. The captions and contents of the "subject" blank are used only as a matter of convenience, and are not to be considered a part of this Agreement or to be used in determining the intent of the parties hereto.
 22. **THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.
 23. **ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings relating hereto.
 24. **SPECIAL PROVISIONS.** The additional or modifying provisions set forth in Exhibit A hereto are incorporated as part of this agreement.

**SOUTHWESTERN COMMUNITY SERVICES, INC.
EXHIBITS TO CONTRACT**

EXHIBIT A Special Provisions

EXHIBIT B Scope of Services

EXHIBIT C Budget

Certificate of Good Standing

Certificate of Corporate Vote

Certificate of Insurance

Social Service Documents to Include:

501 (c)

Financial Report

Board of Directors

Key Personnel and Salaries

Resumes

**Southwestern Community Services
EXHIBIT A
SPECIAL PROVISIONS**

There are no modifications, deletions, or additions to the General Provisions in Form G-1.

Southwestern Community Services
EXHIBIT B
SCOPE OF SERVICES

B.1 Southwestern Community Services (SCS) (hereinafter the "Grantee"), shall follow the terms and conditions applicable to State Operating Match funds:

1.1 State funds shall be used to provide a portion of the non-federal funds required to match Federal Transit Administration (FTA) operating funds for public transportation services provided by the Grantee, which are further detailed on the Grantee's website.

1.2 State Operating Match funds will be provided by the State as shown in Exhibit C.

**Southwestern Community Services
EXHIBIT C
BUDGET**

C.1 The Grant Limitation, as defined in Section 1.8 of the Grant Agreement, are respective of State Operating Match funds and is granted as follows:

State Operating Match	FY 2024	FY 2025
Southwestern Community Services (SCS)	\$41,541	\$41,541
Total Two-Year Contract Funds	\$ 83,082	

1.1 Funds are contingent upon State appropriations.

C.2 Reimbursement of State Operating Match shall be requested via monthly invoices until Operating Funds are fully expended.

C.3 The Grantee's submitted invoices shall indicate the month(s) for which the State Operating Match is being applied and the amount of FTA funds the State Operating Match is leveraging, and the FTA grant program from which the Grantee will draw down the FTA funds.

State of New Hampshire

Department of State

CERTIFICATE

I, David M. Scanlan, Secretary of State of the State of New Hampshire, do hereby certify that SOUTHWESTERN COMMUNITY SERVICES, INC. is a New Hampshire Nonprofit Corporation registered to transact business in New Hampshire on May 19, 1965. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 65514

Certificate Number: 0006194063



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 3rd day of April A.D. 2023.

A handwritten signature in black ink, appearing to read "David M. Scanlan".

David M. Scanlan
Secretary of State

CERTIFICATE OF AUTHORITY

I, Kevin Watterson, hereby certify that:
(Name of the elected Officer of the Corporation/LLC; cannot be contract signatory)

1. I am a duly elected Clerk/Secretary/Officer of Southwestern Community Services, Inc.
(Corporation/LLC Name)

2. The following is a true copy of a vote taken at a meeting of the Board of Directors/shareholders, duly called and held on June 18, 20 21, at which a quorum of the Directors/shareholders were present and voting.
(Date)

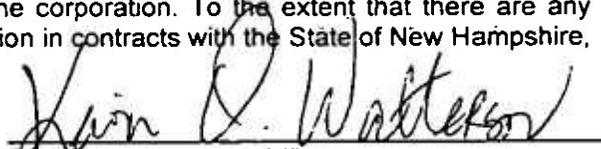
VOTED: That Beth Daniels, CEO (may list more than one person)
(Name and Title of Contract Signatory)

is duly authorized on behalf of Southwestern Community Services, Inc. to enter into contracts or agreements with the State
(Name of Corporation/ LLC)

of New Hampshire and any of its agencies or departments and further is authorized to execute any and all documents, agreements and other instruments, and any amendments, revisions, or modifications thereto, which may in his/her judgment be desirable or necessary to effect the purpose of this vote.

3. I hereby certify that said vote has not been amended or repealed and remains in full force and effect as of the date of the contract/contract amendment to which this certificate is attached. This authority **remains valid for thirty (30) days** from the date of this Certificate of Authority. I further certify that it is understood that the State of New Hampshire will rely on this certificate as evidence that the person(s) listed above currently occupy the position(s) indicated and that they have full authority to bind the corporation. To the extent that there are any limits on the authority of any listed individual to bind the corporation in contracts with the State of New Hampshire, all such limitations are expressly stated herein.

Dated: 8/30/2023


Signature of Elected Officer
Name: Kevin Watterson
Title: Board of Directors, Chairman



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
06/27/2023

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER The Hilb Group New England, LLC PO Box 606 Keene NH 03431		CONTACT NAME: Ana O'Donnell, CPIW, CIC	
		PHONE (A/C, No, Ext):	FAX (A/C, No):
		E-MAIL ADDRESS: aodonnell@hilbgroup.com	
		INSURER(S) AFFORDING COVERAGE	
		INSURER A: Philadelphia Indemnity Insurance Co	NAIC # 18058
		INSURER B: Granite State Healthcare & Human Services Trust	
		INSURER C:	
		INSURER D:	
		INSURER E:	
		INSURER F:	

COVERAGES **CERTIFICATE NUMBER:** 23/24 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR YVVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			PHPK26/1662	06/30/2023	01/01/2024	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 PROFESSIONAL \$ 1M / 2M
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY <input type="checkbox"/> AUTOS ONLY			PHPK2571655	06/30/2023	01/01/2024	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000			PHUB870401	06/30/2023	01/01/2024	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000 \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N N	N/A HCHS20232000036	04/01/2023	01/01/2024	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
3a stata: NH. All officers included. This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies referenced herein.

CERTIFICATE HOLDER NH Department of Transportation Bureau of Rail & Tr PO Box 483 Concord NH 03302	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
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Internal Revenue Service
District Director

Department of the Treasury

P.O. BOX 9051

J. F. KENNEDY POST OFFICE

BOSTON, MA. 02203

Date: JAN 05 1979

Person to Contact:
Marilyn Hamilton
Contact Telephone Number:
(617) 223-1498

Southwestern Community Services, Inc.
40 Mechanic Street
Keene, New Hampshire 03431

Date of Exemption: March, 1966
Internal Revenue Code Section: 501(c)(3)

Gentlemen:

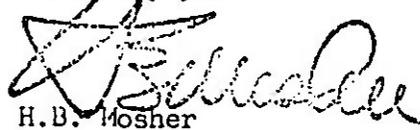
Thank you for submitting the information shown below. We have made it a part of your file.

The changes indicated do not adversely affect your exempt status and the exemption letter issued to you continues in effect.

Please let us know about any future change in the character, purpose, method of operation, name or address of your organization. This is a requirement for retaining your exempt status.

Thank you for your cooperation.

Sincerely yours.



H. B. Mosher
District Director

Item Changed

Name

From

Sullivan and Cheshire
County Community Action
Associates

To

Southwestern
Community Services,
Inc.

JUL 8 1974

For District Director's Use Only

Registration for Tax-Free Transactions Under Chapter 32 of the Internal Revenue Code

This Application Should Also Be Used by Producers and Importers
of Gasoline and Manufacturers of Lubricating Oil

No. 02-74-0051-I

Form **637**
(Rev. July 1973)
Department of the Treasury
Internal Revenue Service

Please type or print

Name of individual, corporation, partnership, association, etc. M. J. ...	Social Security or Employer Identification Number 02-6013808
Name under which business is operated ...	Will you be required to file Form 7207 <input type="checkbox"/> Yes <input type="checkbox"/> No
Business address (Number and street) 10 ...	File this application in duplicate with your District Director of Internal Revenue. See the instructions on pages 2 and 4.
City, State, and ZIP code ...	

Application is hereby made for a Certificate of Registry in the name(s) indicated above. The applicant is a:

Manufacturer Producer Importer Wholesaler Jobber Selling or Purchasing (specify type of product) Retailer Other (specify) ...

The applicant affirms that use of articles purchased or sold tax-free is to be for the exempt purposes specified in the applicable provisions of the law and regulations and understands that misuse of this certificate will lead to its revocation and/or the penalties provided by law.

See item 2 on page 2 and check applicable letter(s). I qualify as a:

a, b, c, d, e, f, g, h, i, j, k, l, m, and/or n (other—specify) ...

Under the penalties of perjury, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct, and complete.

Signature: Susan A. Marcella Title: Program Director Date: 7-1-74

District Director's Validation

A certificate of registry for the above applicant is approved and issued under the number shown.

Frank Murphy
District Director of Internal Revenue

By: Russell E. Mersereau Date: 7-5-74
Russell E. Mersereau, Chief, Review Staff

Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC.
AND RELATED COMPANIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021
AND
INDEPENDENT AUDITORS' REPORTS**

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8 - 9
Notes to Consolidated Financial Statements	10 - 31
Supplementary Information:	
Consolidated Schedules of Functional Revenues and Expenses	32 - 33
Schedule of Expenditures of Federal Awards	34 - 36
Notes to Schedule of Expenditures of Federal Awards	37
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	38 - 39
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	40 - 42
Schedule of Findings and Questioned Costs	43 - 44
Summary Schedule of Prior Audit Findings	45

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southwestern Community Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statements of financial position as of May 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southwestern Community Services, Inc. and related companies as of May 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwestern Community Services, Inc. and related companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwestern Community Services, Inc. and related companies' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southwestern Community Services, Inc. and related companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwestern Community Services, Inc. and related companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Southwestern Community Services, Inc. and related companies' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, on our consideration of Southwestern Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwestern Community Services, Inc.'s internal control over financial reporting and compliance.

Leane McDonnell & Roberts
Professional Association

Wolfeboro, New Hampshire
February 9, 2023

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,153,976	\$ 1,722,941
Accounts receivable, net	1,745,952	1,783,993
Prepaid expenses	243,990	62,628
Total current assets	<u>5,143,918</u>	<u>3,569,562</u>
PROPERTY		
Land and buildings	29,859,136	28,549,202
Vehicles and equipment	555,554	565,380
Furniture and fixtures	958,072	934,441
Total property	<u>31,372,762</u>	<u>30,049,023</u>
Less accumulated depreciation	<u>15,527,483</u>	<u>14,621,952</u>
Property, net	<u>15,845,279</u>	<u>15,427,071</u>
OTHER ASSETS		
Investment in related parties	94,230	138,001
Due from related parties	47,566	55,138
Cash escrow and reserve funds	1,479,277	1,471,741
Security deposits	111,033	105,790
Other assets	384	384
Total other assets	<u>1,732,490</u>	<u>1,771,054</u>
Total assets	<u>\$ 22,721,687</u>	<u>\$ 20,767,687</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 208,035	\$ 240,586
Accrued expenses	229,110	170,074
Accrued payroll and payroll taxes	353,786	244,003
Other current liabilities	158,972	148,854
Refundable advances	1,519,622	729,955
Current portion of Economic Injury Disaster Loan	3,585	-
Current portion of long term debt	159,974	142,174
Total current liabilities	<u>2,633,084</u>	<u>1,675,646</u>
NONCURRENT LIABILITIES		
Long term debt, less current portion shown above	11,243,212	10,911,627
Economic Injury Disaster Loan, less current portion shown above	146,415	150,000
Total noncurrent liabilities	<u>11,389,627</u>	<u>11,061,627</u>
Total liabilities	<u>14,022,711</u>	<u>12,737,273</u>
NET ASSETS		
Without donor restrictions	8,564,624	7,815,065
With donor restrictions	134,352	215,349
Total net assets	<u>8,698,976</u>	<u>8,030,414</u>
Total liabilities and net assets	<u>\$ 22,721,687</u>	<u>\$ 20,767,687</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUES AND OTHER SUPPORT				
Government contracts	\$ 24,553,574	\$ -	\$ 24,553,574	\$ 14,451,497
Program service fees	2,991,407	-	2,991,407	2,708,902
Rental income	1,817,636	-	1,817,636	1,657,741
Support	610,247	58,928	669,175	601,638
Sponsorship	28,520	-	28,520	21,703
Interest income	1,099	-	1,099	1,402
Forgiveness of debt	90,609	-	90,609	518,501
Miscellaneous	156,954	-	156,954	239,096
In-kind contributions	89,366	-	89,366	65,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other support	30,339,412	58,928	30,398,340	20,265,894
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>139,925</u>	<u>(139,925)</u>	<u>-</u>	<u>-</u>
Total revenues, other support, and net assets released from restrictions	<u>30,479,337</u>	<u>(80,997)</u>	<u>30,398,340</u>	<u>20,265,894</u>
EXPENSES				
Program services				
Home energy programs	7,051,760	-	7,051,760	5,559,497
Education and nutrition	2,826,493	-	2,826,493	2,629,099
Homeless programs	13,349,415	-	13,349,415	5,516,502
Housing services	3,070,446	-	3,070,446	2,913,953
Economic development services	658,791	-	658,791	621,784
Other programs	683,000	-	683,000	750,430
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	27,639,905	-	27,639,905	17,991,265
Supporting activities				
Management and general	2,031,266	-	2,031,266	1,948,672
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	29,671,171	-	29,671,171	19,939,937
CHANGE IN NET ASSETS BEFORE LOSS ON SALE OF PROPERTY				
	808,166	(80,997)	727,169	325,957
LOSS ON SALE OF PROPERTY				
	(14,836)	-	(14,836)	-
LOSS ON INVESTMENT IN LIMITED PARTNERSHIPS				
	<u>(43,771)</u>	<u>-</u>	<u>(43,771)</u>	<u>(60,897)</u>
CHANGE IN NET ASSETS				
	749,559	(80,997)	668,562	265,060
NET ASSETS, BEGINNING OF YEAR				
	7,815,065	215,349	8,030,414	4,911,109
NET ASSETS TRANSFERRED FROM LIMITED PARTNERSHIPS				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,854,245</u>
NET ASSETS, END OF YEAR				
	<u>\$ 8,564,624</u>	<u>\$ 134,352</u>	<u>\$ 8,698,976</u>	<u>\$ 8,030,414</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2022**

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2022 Total
Payroll	\$ 551,448	\$ 1,553,713	\$ 601,469	\$ 572,177	\$ 340,079	\$ 416,924	\$ 4,135,811	\$ 856,748	\$ 4,992,559
Payroll taxes	45,137	177,557	49,849	51,549	30,490	35,545	340,122	88,379	428,501
Employee benefits	137,544	387,109	140,322	217,837	27,775	137,184	1,047,571	101,742	1,149,314
Retirement	31,440	95,676	32,887	49,044	16,063	18,580	243,710	56,504	300,214
Advertising	1,066	12,573	428	7,537	8,801	-	30,405	5,120	35,525
Bank charges	35	-	663	4,050	-	-	5,348	9,701	15,049
Computer cost	307	15,754	13,319	8,031	14,818	-	52,199	27,747	179,948
Contractual	828,975	15,256	87,421	25,033	-	35,197	992,852	33,330	1,055,212
Depreciation	-	26,438	134,036	674,506	-	3,910	830,790	150,982	989,773
Dues/registration	-	2,539	-	490	508	125	3,662	11,739	15,401
Duplicating	-	6,680	-	-	-	-	8,660	5,503	14,163
Insurance	6,123	16,620	35,676	62,108	19,859	7,313	147,629	45,537	193,236
Interest	-	423	9,536	49,822	-	278	59,059	118,506	177,565
Meeting and conference	-	-	364	3,255	832	2,862	7,303	1,636	8,939
Miscellaneous expense	670	2,917	120	112,217	6,358	5,102	127,414	30,914	158,228
Miscellaneous taxes	-	-	-	129,976	-	-	129,976	150	130,126
Equipment purchases	14,730	3,421	-	5,376	-	519	24,046	720	24,766
Office expense	43,201	8,735	27,754	10,499	3,513	90	89,702	24,371	112,773
Postage	190	383	28	24	171	-	796	33,927	34,723
Professional fees	1,075	-	4,323	28,930	-	220	32,548	85,753	118,301
Staff development and training	1,866	2,687	825	3,035	121	1,665	10,259	8,781	19,040
Subscriptions	-	-	-	228	-	-	228	190	418
Telephone	5,147	3,727	21,670	19,799	1,930	1,298	53,481	46,594	100,075
Travel	4,715	18,859	11,158	14,794	26,350	249	76,096	1,428	77,523
Vehicle	9,433	-	2,099	24,555	79,216	13,061	128,374	1,420	129,794
Rent	8,000	16,300	-	-	24,595	-	48,895	-	48,895
Space costs	21,857	205,132	450,408	988,317	19,742	25	1,589,461	104,162	1,753,623
Direct client assistance	5,338,825	212,648	11,724,070	11,037	37,540	2,953	17,327,043	-	17,327,043
In-kind expenses	-	89,366	-	-	-	-	89,366	-	89,366
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	7,051,760	2,826,493	13,349,415	3,070,446	658,791	683,000	27,639,905	2,031,266	29,671,171
Allocation of management and general expenses	518,256	207,720	981,053	225,648	48,415	50,194	2,031,266	(2,031,266)	-
TOTAL FUNCTIONAL EXPENSES	\$ 7,569,996	\$ 3,034,213	\$ 14,330,468	\$ 3,296,094	\$ 707,206	\$ 733,194	\$ 29,671,171	\$ -	\$ 29,671,171

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021**

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2021 Total
Payroll	\$ 486,387	\$ 1,518,514	\$ 491,084	\$ 725,103	\$ 350,943	\$ 439,136	\$ 4,011,087	\$ 752,116	\$ 4,783,183
Payroll taxes	25,674	136,585	37,005	43,514	30,245	33,024	276,033	120,497	396,530
Employee benefits	171,270	361,985	144,229	203,870	55,553	180,793	1,197,703	46,508	1,244,211
Retirement	32,604	65,776	24,671	51,308	20,760	14,238	229,357	66,965	296,322
Advertising	-	3,100	396	1,295	1,638	-	6,419	130	6,552
Bank charges	10	-	1,130	4,109	-	11	5,260	8,786	14,028
Computer cost	225	28,110	12,051	7,765	16,171	-	64,322	183,132	247,454
Contractual	1,007,401	12,804	42,954	61,431	580	48,737	1,174,007	59,518	1,233,525
Depreciation	-	26,435	117,967	603,938	-	7,620	755,963	153,192	909,155
Dues/registration	-	2,290	-	320	543	-	3,153	8,619	11,772
Duplicating	69	8,163	-	-	-	-	8,229	4,588	12,817
Insurance	5,539	15,035	33,483	57,861	15,288	8,890	134,128	43,490	177,616
Interest	-	5,955	5,933	48,121	-	1,690	61,749	113,918	175,667
Meeting and conference	-	-	-	840	154	133	1,127	1,637	2,764
Miscellaneous expense	2,863	-	1,242	82,239	9,546	1,359	97,249	2,675	99,924
Miscellaneous taxes	-	-	-	101,224	-	-	101,224	300	101,524
Equipment purchases	386	3,336	-	0,521	-	-	10,237	7,808	13,045
Office expense	19,984	17,479	66,872	11,834	2,568	749	112,586	49,579	162,165
Postage	300	369	126	37	348	-	1,179	31,999	33,178
Professional fees	1,050	-	3,330	38,627	-	-	42,977	81,034	124,011
Staff development and training	3,406	1,327	155	2,488	514	1,185	9,185	17,341	26,526
Subscriptions	-	-	-	98	-	-	98	2,767	2,865
Telephone	2,429	3,106	20,692	18,872	2,299	1,117	48,515	47,535	96,050
Travel	6,104	12,328	7,212	9,515	16,338	-	51,497	5,675	57,172
Vehicle	6,147	4,170	1,748	41,329	35,941	8,852	98,187	3,912	103,099
Rent	-	24,559	-	-	21,112	-	45,771	-	45,771
Space costs	-	122,475	384,093	718,703	18,731	114	1,242,119	139,968	1,382,087
Direct client assistance	3,738,540	179,702	4,126,189	12,971	24,399	3,782	8,135,512	-	8,135,512
In-kind expenses	-	65,414	-	-	-	-	65,414	-	65,414
TOTAL FUNCTIONAL EXPENSES BEFORE GENERAL AND MANAGEMENT ALLOCATION	5,559,497	2,629,899	5,516,562	2,913,953	621,784	750,430	17,991,265	1,948,672	19,939,937
Allocation of management and general expenses	652,161	284,703	597,504	315,610	67,347	81,281	1,948,672	(1,948,672)	-
TOTAL FUNCTIONAL EXPENSES	\$ 6,151,658	\$ 2,913,602	\$ 6,114,066	\$ 3,229,569	\$ 689,131	\$ 831,711	\$ 19,939,937	\$ -	\$ 19,939,937

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 668,562	\$ 265,060
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	989,773	909,155
Loss on sale of property	14,836	-
Loss on investment in limited partnerships	43,771	60,897
Forgiveness of debt	(90,609)	(518,501)
Decrease (increase) in assets:		
Accounts receivable, net	38,041	(580,504)
Prepaid expenses	(181,362)	31,348
Due from related parties	7,572	3,929
Security deposits	(5,243)	(2,242)
(Decrease) increase in liabilities:		
Accounts payable	(32,551)	22,045
Accrued expenses	59,036	36,929
Accrued payroll and payroll taxes	109,783	15,609
Other current liabilities	10,118	(300)
Refundable advances	789,667	439,518
	<u>2,421,394</u>	<u>682,943</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	3,840	-
Purchase of property	(831,642)	(432,400)
	<u>(827,802)</u>	<u>(432,400)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	-	85,000
Repayment of long term debt	(155,021)	(272,062)
Proceeds from Economic Injury Disaster Loan	-	150,000
	<u>(155,021)</u>	<u>(37,062)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE IN CASH AND RESTRICTED CASH	1,438,571	213,481
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	3,194,682	2,210,050
CASH AND RESTRICTED CASH TRANSFERRED FROM LIMITED PARTNERSHIPS	-	771,151
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 4,633,253</u>	<u>\$ 3,194,682</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 176,903	\$ 175,005
CASH AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 3,153,976	\$ 1,722,941
Cash escrow and reserve funds	<u>1,479,277</u>	<u>1,471,741</u>
Total cash and restricted cash	<u>\$ 4,633,253</u>	<u>\$ 3,194,682</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property financed by long term debt	\$ 595,015	\$ 787,599
Transfer of assets from newly consolidated LPs:		
Prepaid expenses	\$ -	\$ 36,807
Land and buildings	-	3,382,003
Furniture and fixtures	-	624,491
Security deposits	<u>-</u>	<u>33,781</u>
Total transfer of assets from newly consolidated LPs	<u>\$ -</u>	<u>\$ 4,077,082</u>
Transfer of liabilities from newly consolidated LPs:		
Accounts payable	\$ -	\$ 57,865
Accrued expenses	-	46,122
Long term debt	<u>-</u>	<u>1,890,298</u>
Total transfer of liabilities from newly consolidated LPs	<u>\$ -</u>	<u>\$ 1,994,285</u>
Total partners' capital from newly consolidated LPs	\$ -	\$ 2,853,948
Partners' capital previously recorded as investment in related parties	<u>-</u>	<u>297</u>
Total transfer of partners' capital from newly consolidated LPs	<u>\$ -</u>	<u>\$ 2,854,245</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southwestern Community Services, Inc. is a New Hampshire nonprofit corporation formed as an umbrella corporation that offers an array of services to the elderly, disabled, and low-income households in the Cheshire and Sullivan counties of New Hampshire. Various programs provide assistance in the areas of education, child development, employment, energy and its conservation, housing, and homelessness prevention. Services are provided through Southwestern Community Services, Inc., and its related corporations, SCS Management Corporation, SCS Housing, Inc., SCS Development Corporation, SCS Housing Development, Inc., and various limited partnerships, as described below. The Organization is committed to providing respectful support services and assisting individuals and families in achieving self-sufficiency by helping them overcome the causes of poverty. The primary source of revenues is derived from governmental contracts.

Principles of Consolidation

The consolidated financial statements include the accounts of Southwestern Community Services, Inc. and the following entities (collectively the Organization) as Southwestern Community Services, Inc. has both an economic interest and control of the entities through a majority voting interest in their governing board. All significant intercompany items and transactions have been eliminated from the basic consolidated financial statements.

- SCS Management Corporation
- SCS Housing, Inc.
- SCS Development Corporation
- SCS Housing Development, Inc.
- Drewsville Carriage House Associates, Limited Partnership (Drewsville)
- Troy Senior Housing Associates, Limited Partnership (Troy Senior)
- Keene East Side Senior Housing Associates, Limited Partnership (Keene East Side)
- Winchester Senior Housing Associates, Limited Partnership (Winchester)
- Swanzey Township Housing Associates, Limited Partnership (Swanzey)
- Snow Brook Meadow Village Housing Associates, Limited Partnership (Snow Brook)
- Keene Highland Housing Associates, Limited Partnership (Keene Highland)
- Warwick Meadow Housing Associates, Limited Partnership (Warwick)

Basis of Accounting

The consolidated financial statements of the Organization have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2022 AND 2021

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications. The classes of net assets are determined by the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

As of May 31, 2022 and 2021, the Organization had net assets without donor restrictions and with donor restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2021 from which the summarized information was derived.

Refundable Advances

The Organization records grant and contract revenue as refundable advances until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue.

In-Kind Support

The Organization records various types of in-kind support including professional services and materials. Contributed professional services are recognized if the service received creates or enhances long-lived assets or requires specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2022 AND 2021

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was estimated to be zero at May 31, 2022. The allowance for uncollectible accounts was approximately \$3,600 for the year ended May 31, 2021. The Organization has no policy for charging interest on overdue accounts.

Concentration of Credit Risk

The Organization maintains its cash accounts in several financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

Current Vulnerability Due to Certain Concentrations

The Organization is operated in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or Legislature. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. For the years ended May 31, 2022 and 2021, approximately 80% and 71%, respectively, of the Organization's total revenue was received from government agencies. The future nature of the Organization is dependent upon continued support from the government:

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

Property and Depreciation

Purchased property and equipment are stated at cost at the date of acquisition or at fair value at the date of receipt in the case of donated property. The Organization generally capitalizes and depreciates all assets with a cost greater than \$5,000 and an expected life greater than one year. Depreciation is provided for using the straight-line method in amounts designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and improvements	10 - 40 Years
Vehicles and equipment	5 - 10 Years
Furniture and fixtures	7 Years

The use of certain assets is specified under the terms of grants received from agencies of the federal government. These grants also place liens on certain assets and impose restrictions on the use of funds received from the disposition of the property. Depreciation expense for the years ended May 31, 2022 and 2021 totaled \$989,773 and \$909,155, respectively.

Advertising

The Organization expenses advertising costs as incurred.

Income Taxes

Southwestern Community Services, Inc. and SCS Management Corporation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not private foundations. As such, they are exempt from income tax on their exempt function income.

SCS Housing, Inc., SCS Development Corporation and SCS Housing Development, Inc. are taxed as corporations. SCS Housing Inc. has federal net operating loss carryforwards available for the May 31, 2022 and 2021 tax returns totaling \$1,252,122 and \$1,230,191, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2027. SCS Development Corporation has federal net operating loss carryforwards totaling \$513 and \$542 at May 31, 2022 and 2021, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2022. SCS Housing Development, Inc. has federal net operating loss carryforwards totaling \$55,129 and \$59,861 at May 31, 2022 and 2021, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2035.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2022 AND 2021

The tax effects of the carryforwards as related to deferred tax assets is as follows as of May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tax benefit from loss carryforwards	\$274,630	\$271,025
Valuation allowance	<u>(274,630)</u>	<u>(271,025)</u>
Deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Drewsville, Troy Senior, Winchester, Keene East Side, Swanzey, Snow Brook, Keene Highland, and Warwick are taxed as partnerships. Federal income taxes are not payable by, or provided for these entities. Earnings and losses are included in the partners' federal income tax returns based on their share of partnership earnings. Partnerships are required to file income tax returns with the State of New Hampshire and pay an income tax at the state's statutory rate.

Accounting Standard Codification No. 740, "Accounting for Income Taxes," established the minimum threshold for recognizing, and a system for measuring, the benefits of tax return positions in financial statements. Management has analyzed the Organization's tax position taken on its income tax returns for all open years and has concluded that no additional provision for income taxes is necessary in the Organization's financial statements.

Fair Value of Financial Instruments

FASB ASC Topic No. 820-10, Financial Instruments, provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in generally accepted accounting principles for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with ASC 820-10, the Organization may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, Topic 820-10 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2022 AND 2021

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The carrying amount of cash, accounts receivables, prepaid expenses, accounts payable, accrued expenses, and refundable advances approximates fair value because of the short maturity of those instruments.

Support and Revenue Recognition

Contracts with Customers

Program fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled for providing childcare services to its clients.

Generally, the Organization bills customers and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. The Organization measures the performance obligations of its childcare services to the point when it is no longer required to provide services to the client, which is generally weekly for childcare services. These services are considered to be a single performance obligation.

Revenue for performance obligations satisfied at a point in time is recognized when services are provided, and the Organization does not believe it is required to provide additional services to the client.

Based on the nature of services provided by the Organization and due to the fact that all of the Organization's performance obligations related to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The transaction price for childcare services is based on standard charges for services provided to clients. Under the terms of the State of New Hampshire Department of Health and Human Services childcare subsidy programs, reimbursement for childcare services provided may differ from established rates. It is the Organization's policy to set its rates to be consistent with current reimbursement rates. Therefore, amounts due do not include significant variable consideration subject to retroactive revenue adjustments due to settlement of reviews and audits.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

Private Grant Revenue and Contributions

Private grant contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Grants and Support

Grant revenue is derived from various federal grant agreements and various state and private entity passthrough grant agreements and contracts to provide funding support of the Organization's programs and services provided by the Organization including childcare, child development, social, health, nutrition, employment, language, energy, and special needs services to families enrolled in the Organization's programs. The Organization has evaluated its grant agreements against applicable accounting standard guidance and determined that the grant agreements are contributions (nonreciprocal transaction) conditioned upon certain performance requirements and/or incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenses in compliance with specific provisions of the grant agreements.

Rental Revenue

The Organization derives revenues from the rental of apartment units. Revenues are recognized as income, monthly, when rents become due and control of the apartment units is transferred to the lessees. The individual leases are for a term of one year and are cancelable by the tenants. Control of the leased units is transferred to the lessee in an amount that reflects the consideration the Partnership expects to be entitled to in exchange for the leased units. The cost incurred to obtain a lease will be expensed as incurred.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Natural expenses are defined by their nature, such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses are incurred, such as management and general and direct program costs. Expenses are allocated by function using a reasonable and consistent approach that is primarily based on function and use. The costs of providing certain program and supporting services have been directly charged.

The Organization submits an indirect cost rate proposal for the paid leave, fringe benefits and other indirect costs to the U.S. Department of Health and Human services. The indirect cost rate is 12% effective from June 1, 2021 through May 31, 2022.

NOTE 2 **BANK LINE OF CREDIT**

The Organization has a \$250,000 revolving line of credit agreement with a bank. Interest is due monthly and is stated at the Wall Street Journal Prime Rate or at a floor rate of 4%. The line is secured by all the Organization's assets. As of May 31, 2022 and 2021, the interest rate was 4%. There was no outstanding balance at May 31, 2022 and 2021.

NOTE 3 **LONG TERM DEBT**

The long term debt consisted of the following at May 31:

	<u>2022</u>	<u>2021</u>
1% mortgage payable to New Hampshire Housing in monthly installments for principal and interest of \$891 through August 2032. The note is secured by real estate of the Organization (NHH, 96 Main Street).	\$ 117,535	\$ 127,000
Non-interest bearing mortgage payable to Community Development Finance Authority, in quarterly principal payments based on an operating income formula applied to affordable housing portion of the specified real estate. The note is secured by real estate of the Organization (CDFA, 96 Main Street).	25,589	27,589

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through September 2031, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHH, 17 Pearl).	242,708	242,708
Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through July 2032, unless there is surplus cash from which to make a payment, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHH, 41-43 Central).	376,066	376,066
4.25% mortgage payable to a bank in monthly installments for principal and interest of \$1,875 through December 2016, with a balloon payment that was due January 2017. The note was amended during the year ended May 31, 2019, and is now due December 2026. Under the amendment, interest rate is 4.94% and monthly installments for principal and interest are \$1,957. The note is secured by real estate of the Organization (People's United Bank, Milestones).	94,456	112,702
4.375% note payable to Rural Housing Service in monthly installments for principal and interest of \$11,050 through May 2049. The note is secured by real estate of the Organization (TD Bank, Keene Office).	2,095,301	2,134,970
Non-interest bearing note payable to Cheshire County in New Hampshire. Payment is not necessary unless Organization defaults on contract. The note is secured by real estate of the Organization (CDBG, Keene Office).	460,000	460,000

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Note payable to a bank in monthly installments for principal and interest of \$2,463 including interest through May 2039. Interest is adjusted every five years based on remaining principal balance and "Classic Advantage Rate" provided by Federal Home Loan Bank of Boston which resulted in an interest rate of 4.67% at May 31, 2022 and 2021. The note is secured by real estate of the Organization (TD Bank, Keene Office/Community Way).	362,931	376,617
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, Ashuelot).	50,000	75,000
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, 112 Charlestown Road).	30,000	45,000
Non-interest bearing note payable to New Hampshire Housing in annual payments in the amount of 50% of annual surplus cash through July 2042 at which time the remaining balance is due. The note is secured by real estate of the Organization (NHH, Second Chance).	794,189	794,189
Non-interest bearing note payable to a county in New Hampshire. No payment is due and 5% of the balance is forgiven each year through 2032 when the remaining balance becomes due. The note is secured by real estate of the Organization (CDBG, Second Chance).	296,217	311,808

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Non-interest bearing note payable to a county in New Hampshire, relating to an agreement between the City of Keene and SCS for the purpose of renovating Keene shelters. In total, SCS will receive \$472,000 from CDBG. The agreement was amended during the year ended May 31, 2022 to increase the total loan to \$652,091. SCS will receive the funds as progress is made. The note is secured by real estate of the Organization and will be fully forgiven providing the facility serves low- and moderate-income individuals for 20 years (Keene Shelters).	629,280	127,215
5.54% note payable to a finance company in monthly installments for principal and interest of \$543 through August 2022. The note is secured by a vehicle (Ally, Econoline Van).	1,581	7,815
2.99% note payable to a bank in monthly installments for principal and interest of \$820 through May 2031. The note is secured by real estate of the Organization (Savings Bank of Walpole, 45 Central Street).	76,974	84,395
Non-interest bearing note payable to the City of Keene, New Hampshire. The note expires in June 2022 and payment is not necessary unless the Organization defaults on contract. The note is secured by real estate of the Organization (City of Keene, 139 Roxbury Street).	77,100	77,100
Non-interest bearing note payable to the City of Keene, New Hampshire, with an original balance of \$240,000 reduced to \$204,000 when the Organization acquired the note from Keene Housing in July 2020. No payment is due and 5% of the balance is forgiven each year through June 2037. The note is secured by real estate of the Organization (City of Keene, 139 Roxbury Street).	192,000	204,000
3.575% note payable to a finance company in monthly installments for principal and interest of \$650 through September 2026. The note is secured by a vehicle (Leaf, Dodge Ram).	30,888	

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
3.75% note payable to a finance company in monthly installments for principal and interest of \$530 through November 2026. The note is secured by a vehicle (Leaf, Promaster Van).	25,960	-
4.373% note payable to a finance company in monthly installments for principal and interest of \$534 through December 2026. The note is secured by a vehicle (Leaf, Promaster Van).	26,576	-
Troy Senior - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in June 2029. The note is secured by real estate of the Organization (CDBG).	640,000	640,000
Troy Senior - Non-interest bearing note payable to New Hampshire Housing Finance Authority to fund energy efficient improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHH).	140,210	140,210
Keene East Side - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in December 2028. The note is secured by real estate of the Organization (CDBG).	900,000	900,000
Keene East Side - Non-interest bearing note payable to New Hampshire Community Development Finance Authority (CDFA) to fund energy upgrades and capital improvements. Beginning in 2016, 10% of the note is forgiven each year based on the rolling balance. The mortgage may be released after ten years in January 2026. The note is secured by real estate of the Organization (CDFA).	116,841	139,860

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Keene East Side - Non-interest bearing note payable to New Hampshire Housing to fund energy efficient improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHH).	228,934	228,934
Swanzey - Non-recourse, 4.90% simple interest mortgage note payable to the New Hampshire Housing (HOME), due September, 2033, principal and interest payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	286,530	287,710
Swanzey - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due September 2043, payable in monthly installments of \$1,698, including interest at 2.35% secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 40 year term of the mortgage.	341,364	353,561
Snow Brook - Non-recourse, mortgage note payable to New Hampshire Housing, due July 2057, payable in monthly installments of \$2,002 including interest at 4.35% secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	431,859	436,974
Snow Brook - Non-recourse, zero interest mortgage note payable to New Hampshire Housing (AHF), due June 2034, principal and interest payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	237,173	237,173

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Winchester - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due May 2032, payable in monthly installments of \$370, including interest at 2.00%, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage note (NHH).	39,850	43,450
Winchester - Non-recourse, zero interest bearing mortgage note payable to New Hampshire Housing (FAF), due May 2032, payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30-year term of the mortgage note (NHH).	77,452	79,609
Winchester - Non-recourse, zero interest bearing, direct subsidy AHP loan secured by the Partnership's land and buildings, subject to low-income housing restrictions under the terms of the AHP agreement. In the event of a default under the aforementioned agreement, the loan is due upon demand with interest accrued at a rate of 11.67% for the period the funds were outstanding (Federal Home Loan Bank).	150,000	150,000
Keene Highland - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due August 2035, payable in monthly installments of \$3,122, including interest at 2.90%, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage note (NHH).	409,579	434,765
Keene Highland - 30 year, zero interest, non-recourse deferred mortgage note payable to the City of Keene, New Hampshire due June 2035, payment of principal is deferred until the due date, secured by land and buildings (City of Keene).	915,000	915,000

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Warwick - 30 year, zero interest, non-recourse deferred mortgage note payable to the Town of Winchester, New Hampshire due August 2036, payment of principal is deferred until the due date, secured by land and buildings (Town of Winchester).	<u>500,000</u>	<u>500,000</u>
Total long-term debt before unamortized deferred financing costs	11,420,143	11,071,420
Unamortized deferred financing costs	<u>(16,957)</u>	<u>(17,619)</u>
	11,403,186	11,053,801
Less current portion due within one year	<u>159,974</u>	<u>142,174</u>
	<u>\$11,243,212</u>	<u>\$10,911,627</u>

The schedule of maturities of long term debt at May 31, 2022 is as follows:

Year Ending	Amount
<u>May 31</u>	
2023	\$ 159,974
2024	164,282
2025	170,410
2026	176,786
2027	159,624
Thereafter	<u>10,589,067</u>
Total	<u>\$11,420,143</u>

NOTE 4 ECONOMIC INJURY DISASTER LOAN

During June 2020, the Organization received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration with proceeds in the amount of \$150,000. The EIDL is payable over 30 years at an interest rate of 2.75% with a deferral of payments for 30 months from the date of the note. Installments, including principal and interest, of \$641 monthly begin in December 2022. The balance of principal and interest will be payable in December 2052. The loan is secured by the Small Business Administration.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

The scheduled maturities of the EIDL as of May 31, 2022 were as follows:

Year Ending	Amount
<u>May 31</u>	
2023	\$ 3,585
2024	3,685
2025	3,788
2026	3,893
2027	4,001
Thereafter	<u>131,048</u>
	<u>\$ 150,000</u>

NOTE 5 **FORGIVENESS OF DEBT**

During the years ended May 31, 2022 and 2021, the Organization realized forgiveness of debt income in connection with notes payable to Community Development Block Grant, HUD and Community Development Finance Authority. Forgiveness of debt income totaled \$90,609 and \$79,431 for the years ended May 31, 2022 and 2021, respectively.

The Organization recognized forgiveness of debt of \$439,070 related to the Paycheck Protection Program during the year ended May 31, 2021. See additional detail at Note 16.

NOTE 6 **OPERATING LEASES**

The Organization leases facilities, equipment and vehicles under non-cancelable lease agreements at various financial institutions. Lease periods range from month to month to 2027. Monthly lease payments range from \$900 to \$3,625. Lease expense for the years ended May 31, 2022 and 2021 totaled \$156,230 and \$148,143, respectively.

Future minimum payments as of May 31, 2022 on the above leases are as follows:

Year Ending	Amount
<u>May 31</u>	
2023	\$ 52,915
2024	49,500
2025	49,481
2026	49,959
2027	<u>41,576</u>
Total	<u>\$ 243,431</u>

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

NOTE 7 ACCRUED COMPENSATED BALANCES

At May 31, 2022 and 2021, the Organization accrued a liability for future annual leave time that its employees had earned and vested in the amount of \$143,703 and \$144,916, respectively.

NOTE 8 CONTINGENCIES

Southwestern Community Services, Inc. is the 100% owner of SCS Housing, Inc. and SCS Housing Development, Inc. SCS Housing, Inc. and SCS Housing Development, Inc. are the general partners of eight limited partnerships formed to develop low-income housing projects through the use of Low Income Housing Tax Credits. Southwestern Community Services, Inc., SCS Housing, Inc. and SCS Housing Development, Inc. have guaranteed repayment of liabilities of various partnerships totaling approximately \$11,760,000 and \$11,929,000 at May 31, 2022 and 2021, respectively.

Partnership real estate with a cost basis of approximately \$27,348,000 at May 31, 2022 and 2021 provides collateral on these loans.

The Organization receives funds under various state grants and from Federal sources. Under the terms of these agreements, the Organization is required to use the funds within a certain period and for purposes specified by the governing laws and regulations. If costs were found not to have been incurred in compliance with the laws and regulations, the Organization might be required to repay the funds.

No provisions have been made for this contingency because specific amounts, if any, have not been determined or assessed by government audits as of May 31, 2022 and 2021.

NOTE 9 RELATED PARTY TRANSACTIONS

During the years ended May 31, 2022 and 2021, SCS Housing, Inc. managed nine and eleven limited partnerships, respectively. Management fees charged by SCS Housing, Inc. totaled \$237,822 and \$228,239, for the years ended May 31, 2022 and 2021, respectively. Additionally, SCS Housing, Inc. has advanced the limited partnerships funds for cash flow purposes over several years.

The Organization has also advanced funds to a related entity for Department of Housing and Urban Development (HUD) sponsorship purposes.

The total amounts due and expected to be collected from the limited partnerships and related entities totaled \$47,566 and \$55,138 at May 31, 2022 and 2021, respectively.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

NOTE 10 EQUITY INVESTMENT

Southwestern Community Services, Inc. and related companies use the equity method to account for their financial interests in the following companies:

	<u>2022</u>	<u>2021</u>
Cityside Housing Associates, LP	\$ (9,516)	\$ (9,509)
Marlborough Homes, LP	(57)	(43)
Payson Village Senior Housing Associates, LP	(12,539)	(12,524)
Railroad Square Senior Housing Associates, LP	(2,436)	(2,247)
Woodcrest Drive Housing Associates, LP	137,205	180,727
Westmill Senior Housing, LP	34	49
Alstead Senior Housing Associates, LP	<u>(18,461)</u>	<u>(18,452)</u>
	<u>\$ 94,230</u>	<u>\$ 138,001</u>

SCS Housing Development, Inc. is a 0.01% partner of Cityside Housing Associates, LP, Marlborough Homes, LP, Payson Village Senior Housing Associates, LP, Warwick Meadows Housing Associates, LP, Woodcrest Drive Housing Associates, LP, and Alstead Senior Housing Associates, LP, a 0.10% partner of Railroad Square Senior Housing Associates, LP, and a 1% partner of Westmill Senior Housing, LP during the years ended May 31, 2022 and 2021.

SCS Housing, Inc. is a 0.01% partner of Winchester Senior Housing Associates, LP, Swanzey Township Housing Associates, LP, Snow Brook Meadow Village Housing Associates, LP, and Keene Highland Housing Associates, LP during the years ended May 31, 2022 and 2021.

The remaining 99.99% ownership interest in Keene Highland Housing Associates, LP and Warwick Meadow Housing Associates, LP were acquired by Southwestern Community Services, Inc. during the year ending May 31, 2021 (see Note 14), and therefore the limited partnerships are included in the consolidated financial statements for the years ended May 31, 2022 and 2021.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

Summarized financial information for entities accounted for under the equity method, as of May 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Total assets	\$ <u>51,204</u>	\$ <u>56,169</u>
Total liabilities	14,923	15,200
Capital/Member's equity	<u>36,281</u>	<u>37,969</u>
	<u>\$ 51,204</u>	<u>\$ 53,169</u>
Income	\$ 3,306	\$ 3,267
Expenses	<u>4,713</u>	<u>4,719</u>
Net loss	<u>\$ (1,407)</u>	<u>\$ (1,452)</u>

NOTE 11 RETIREMENT PLAN

The Organization maintains a tax sheltered annuity plan under the provisions of Section 403(b) of the internal Revenue Code. All employees who have had at least 30 days of service to the Organization are eligible to contribute to the plan. The Organization begins matching contributions after the employee has reached one year of service. Employer contributions are at the Organization's discretion and totaled \$310,304 and \$296,322 for the years ended May 31, 2022 and 2021, respectively.

NOTE 12 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

	<u>2022</u>	<u>2021</u>
NNECAC – Annual Conference Fund	\$ -	\$ 16,646
GAPS/Warm Fund	108,508	101,736
Transport	20,000	90,000
HS Parents Association	<u>5,844</u>	<u>6,967</u>
Total net assets with donor restrictions	<u>\$ 134,352</u>	<u>\$ 215,349</u>

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

NOTE 13 BOARD DESIGNATED NET ASSETS

The board designates a portion of the unrestricted net assets for WM Marcello GAPS funds. There was \$12,792 and \$12,790 designated by the board at May 31, 2022 and 2021, respectively.

NOTE 14 TRANSFER OF PARTNERSHIP INTERESTS

During the year ended May 31, 2021, Southwestern Community Services, Inc. acquired a partnership interest in two low-income housing limited partnerships: Keene Highland and Warwick. The amount paid for the partnership interest in Keene Highland and Warwick was \$1 each, and at the time of acquisition, Southwestern Community Services, Inc. became the general partner.

The following is a summary of the assets and liabilities of the partnerships at the date of acquisition:

	<u>Keene Highland</u>	<u>Warwick</u>
Date of Transfer	07/01/2020	01/01/2021
Cash	\$ 156,907	\$ 68,061
Security deposits	21,321	12,460
Cash reserves	391,456	154,727
Property, net	2,769,245	1,237,249
Other assets	<u>25,946</u>	<u>10,861</u>
Total assets	<u>3,364,875</u>	<u>1,483,358</u>
Notes payable	1,372,220	518,078
Other liabilities	<u>85,048</u>	<u>18,939</u>
Total liabilities	<u>1,457,268</u>	<u>537,017</u>
Partners' capital	1,907,607	946,341
Partners' capital previously recorded as an investment in related parties	<u>269</u>	<u>28</u>
Partners' capital transferred	<u>\$ 1,907,876</u>	<u>\$ 946,369</u>

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

NOTE 15 LIQUIDITY AND AVAILABILITY

The following represents Southwestern Community Services, Inc. and related companies' financial assets as of May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,153,976	\$ 1,722,941
Accounts receivable	1,745,952	1,783,993
Due from related party	47,566	55,138
Cash escrow and reserve funds	<u>1,479,277</u>	<u>1,471,741</u>
Total financial assets	<u>6,426,771</u>	<u>5,033,813</u>
Less amounts not available to be used within one year:		
Due from related party	(47,566)	(55,138)
Reserve funds	<u>(1,479,277)</u>	<u>(1,471,741)</u>
Total amounts not available within one year	<u>(1,526,843)</u>	<u>(1,526,879)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,899,928</u>	<u>\$ 3,506,934</u>

The Organization has a goal to maintain unrestricted cash on hand to meet 30 days of normal operating expenditures, which are, on average, approximately \$2,350,000 and \$1,559,000 at May 31, 2022 and 2021, respectively. The Organization has a \$250,000 line of credit available to meet cash flow needs.

NOTE 16 PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received loan proceeds in the amount of \$439,070 under the Paycheck Protection Program (PPP). The PPP is established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). If the Organization did not meet the loan criteria, the unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization has used the proceeds for purposes consistent with the PPP and the PPP loan has been forgiven in full. Therefore, forgiveness of the loan totaling \$439,070 was recognized on the Consolidated Statement of Activities for the year ended May 31, 2021.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

NOTE 17 **RECLASSIFICATION**

Certain amounts and accounts from the prior year's financial statements were reclassified to enhance comparability with the current year's financial statements.

NOTE 18 **OTHER EVENTS**

The impact of the novel coronavirus (COVID-19) and measures to prevent its spread are affecting the Organization's operations. The significance of the impact of these disruptions, including the extent of their adverse impact on the Organization's financial operational results, will be dictated by the length of time that such disruptions continue and, in turn, will depend on the currently unknowable duration of the COVID-19 pandemic and the impact of governmental regulations that might be imposed in response to the pandemic. The Organization's business could also be impacted should the disruptions from COVID-19 lead to changes in consumer behavior. COVID-19 also makes it more challenging for management to estimate future performance of the businesses, particularly over the near to medium term.

NOTE 19 **SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after that date. Management has evaluated subsequent events through February 9, 2023, the date the financial statements were available to be issued.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES
CONSOLIDATED SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2022

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2022 Total
REVENUES AND OTHER SUPPORT									
Government contracts	\$ 6,681,796	\$ 3,398,274	\$ 12,926,412	\$ 4,791	\$ 714,196	\$ 225,735	\$ 23,951,204	\$ 602,370	\$ 24,552,574
Program service fees	1,163,537	-	93,555	781,640	-	946,475	2,885,407	6,000	2,991,407
Rental income	-	-	84,046	1,713,405	-	-	1,797,451	20,185	1,817,636
Support	68,298	14,491	254,636	-	191,342	120,408	649,175	20,000	869,175
Sponsorship	-	-	-	-	-	28,520	28,520	-	28,520
Interest income	7	2	153	302	56	54	574	525	1,099
Forgiveness of debt	-	-	67,590	23,019	-	-	90,609	-	90,609
Miscellaneous	10,270	1,033	9,973	86,670	23,651	-	141,797	15,157	156,954
In-kind contributions	-	89,369	-	-	-	-	89,369	-	89,369
Total revenues and other support	\$ 7,925,908	\$ 3,503,100	\$ 13,436,355	\$ 2,610,227	\$ 939,246	\$ 1,321,192	\$ 29,734,103	\$ 664,237	\$ 30,398,340
EXPENSES									
Payroll	\$ 551,449	\$ 1,553,713	\$ 601,459	\$ 672,177	\$ 340,079	\$ 416,924	\$ 4,135,811	\$ 856,748	\$ 4,992,550
Payroll taxes	45,132	127,557	49,849	51,549	30,490	35,545	340,122	60,379	400,501
Employee benefits	137,544	387,109	140,322	217,637	27,775	137,194	1,047,571	101,743	1,149,314
Retirement	31,440	95,575	32,857	49,044	16,053	18,590	242,710	66,594	310,304
Advertising	1,086	12,573	428	7,537	8,801	-	30,405	5,120	35,525
Bank charges	35	-	653	4,650	-	-	5,348	9,701	15,049
Commodities cost	307	15,754	13,319	8,001	14,818	-	52,199	127,747	179,946
Contractual	828,975	15,259	87,421	28,033	-	35,197	892,882	63,330	1,056,212
Depreciation	-	26,438	134,036	674,506	-	3,810	838,790	150,583	989,373
Dues/registration	-	2,539	-	490	598	125	3,662	11,739	15,401
Duplicating	-	8,660	-	-	-	-	8,660	5,503	14,163
Insurance	6,123	18,320	35,876	62,108	19,859	7,313	147,899	45,537	193,236
Interest	-	423	9,536	48,822	-	278	59,059	118,505	177,565
Meeting and conference	-	-	354	3,256	832	2,882	7,303	1,635	8,039
Miscellaneous expense	670	2,917	120	112,217	6,388	5,102	127,414	30,514	158,228
Miscellaneous taxes	-	-	-	129,976	-	-	129,976	153	130,126
Equipment purchases	14,730	3,421	-	5,376	-	519	24,046	723	24,769
Office expense	43,291	8,735	22,754	10,409	3,513	80	88,702	24,671	112,773
Postage	90	382	28	24	171	-	796	33,027	34,723
Professional fees	1,075	-	4,323	26,930	-	220	32,548	85,753	118,301
Staff development and training	1,856	2,587	825	3,095	171	1,665	10,259	8,781	19,040
Subscriptions	-	-	-	278	-	-	278	180	458
Telephone	5,147	3,727	21,670	19,709	1,930	298	53,481	46,594	100,075
Travel	4,715	18,258	11,158	14,784	26,330	249	70,095	1,428	77,523
Vehicle	9,423	-	2,099	24,565	79,218	13,061	128,374	1,420	129,794
Rent	8,000	16,200	-	-	24,595	-	48,835	-	48,835
Service costs	21,837	205,132	456,408	686,317	19,742	25	1,589,451	164,162	1,753,623
Direct client assistance	5,338,825	212,648	11,724,070	11,007	37,540	2,953	17,327,043	-	17,327,043
In-kind expenses	-	89,369	-	-	-	-	89,369	-	89,369
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	7,051,750	2,826,492	13,349,415	3,070,446	658,791	683,000	27,639,905	2,031,266	29,671,171
Allocation of management and general expenses	518,236	207,720	931,053	225,848	48,415	50,194	2,031,266	(2,031,266)	-
TOTAL FUNCTIONAL EXPENSES	\$ 7,569,986	\$ 3,034,212	\$ 14,330,468	\$ 3,296,294	\$ 707,206	\$ 733,194	\$ 29,671,171	\$ -	\$ 29,671,171

See Independent Auditors' Report

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES
CONSOLIDATED SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2021

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2021 Total
REVENUES AND OTHER SUPPORT									
Government contracts	\$ 4,633,049	\$ 3,125,351	\$ 5,267,951	\$ 4,060	\$ 795,997	\$ -	\$ 13,826,118	\$ 625,379	\$ 14,451,497
Program service fee	1,028,348	-	56,851	846,371	-	776,732	2,708,902	-	2,708,902
Rental income	-	-	90,954	1,560,630	-	127	1,657,741	-	1,657,741
Support	55,162	9,969	242,175	-	180,072	114,194	501,572	66	601,638
Sponsorship	-	-	-	-	-	21,703	21,703	-	21,703
Interest income	13	11	198	388	22	35	687	735	1,402
Forgiveness of debt	-	-	56,411	23,020	-	-	79,431	439,070	518,501
Miscellaneous	1,947	3,905	4,813	119,373	25	39,362	169,234	69,862	239,098
In-kind contributions	-	65,414	-	-	-	-	65,414	-	65,414
Total revenues and other support:	\$ 5,718,519	\$ 3,204,353	\$ 5,719,193	\$ 2,560,443	\$ 976,116	\$ 952,153	\$ 19,130,722	\$ 1,135,112	\$ 20,265,804
EXPENSES									
Payroll	\$ 486,357	\$ 1,518,514	\$ 491,054	\$ 725,102	\$ 350,843	\$ 439,136	\$ 4,011,027	\$ 752,116	\$ 4,763,183
Payroll taxes	25,674	106,569	37,055	43,514	30,248	33,024	276,033	123,497	396,530
Employee benefits	171,270	391,588	144,229	263,973	55,553	150,793	1,197,733	45,508	1,244,211
Retirement	32,804	65,775	24,871	51,303	20,760	14,235	229,357	66,985	296,322
Advertising	-	3,100	356	1,295	1,638	-	6,419	133	6,552
Bank charges	10	-	1,130	4,103	-	11	5,260	8,766	14,026
Computer cost	225	20,110	12,051	7,705	10,171	-	64,322	183,132	247,454
Contractual	1,007,401	12,804	42,954	61,431	680	48,737	1,174,057	59,518	1,233,525
Depreciation	-	26,435	117,957	603,938	-	7,629	765,963	163,192	900,155
Dues/registration	-	2,290	-	320	543	-	3,153	8,619	11,772
Duplicating	69	8,160	-	-	-	-	8,229	4,588	12,817
Insurance	5,539	15,035	33,453	57,981	15,298	6,390	134,126	43,420	177,616
Interest	-	5,955	6,953	48,121	-	1,693	61,749	113,918	176,667
Meeting and conference	-	-	-	940	154	133	1,127	1,637	2,764
Miscellaneous expense	2,863	-	1,242	62,239	9,546	1,359	97,249	2,075	99,924
Miscellaneous taxes	-	-	-	101,224	-	-	101,224	350	101,524
Equipment purchases	366	3,330	-	6,521	-	-	10,237	2,808	13,045
Office expense	19,084	17,479	60,872	11,834	2,580	749	112,506	49,579	162,185
Postage	300	365	120	37	348	-	1,179	31,999	33,178
Professional	1,050	-	3,300	38,627	-	-	42,977	81,034	124,011
Staff development and training	3,406	1,327	165	2,489	614	1,185	9,185	17,341	28,526
Subscriptions	-	-	-	98	-	-	98	2,767	2,865
Telephone	2,429	3,106	20,692	18,872	2,299	1,117	48,515	47,536	96,050
Travel	6,104	12,326	7,212	9,515	16,338	-	51,497	5,675	57,172
Vehicle	6,147	4,170	1,748	41,325	35,941	9,552	98,187	3,012	103,009
Rent	-	24,559	-	-	21,112	-	45,771	-	45,771
Software costs	-	122,475	384,093	718,703	16,731	114	1,242,119	139,968	1,362,587
Direct client assistance	3,788,549	179,702	4,128,109	12,671	24,359	3,782	8,135,512	-	8,135,512
In-kind expenses	-	65,414	-	-	-	-	65,414	-	65,414
TOTAL FUNCTIONAL EXPENSES BEFORE GENERAL AND MANAGEMENT ALLOCATION	5,569,497	2,629,599	5,516,502	2,913,953	621,724	750,430	17,991,205	1,948,672	19,939,937
Allocation of management and general expenses	602,161	284,763	597,504	315,616	67,347	81,281	1,948,672	(1,948,672)	-
TOTAL FUNCTIONAL EXPENSES	\$ 6,171,658	\$ 2,914,362	\$ 6,114,006	\$ 3,229,569	\$ 689,131	\$ 831,711	\$ 19,939,937	\$ -	\$ 19,939,937

See Independent Auditors' Report

SOUTHWESTERN COMMUNITY SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NAME</u>	<u>GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURE</u>
U.S. Department of Agriculture				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	State of NH, Department of Health & Human Services	010-090-52600000-102-500734	\$ 250,358
Child and Adult Care Food Program	10.558	State of NH, Department of Education	Unknown	\$ 114,790
Child and Adult Care Food Program	10.558	State of NH, Department of Education	Unknown	89,483
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	State of NH, Department of Health & Human Services	010-090-52600000-102-500734	2,400
Commodity Supplemental Food Program (Food Commodities)	10.565	Community Action Program Belknap-Merrimack Counties	Unknown	106,339
Total U.S. Department of Agriculture				<u>\$ 563,370</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	City of Keene	SCS/Shelter Improvements	\$ 618,918
Emergency Solutions Grant Program	14.231	State of NH, DHHS, Bureau of Housing Supports	05-95-95-958310-717600000-102-50731	\$ 12,255
COVID-19 Emergency Solutions Grant Program	14.231	State of NH, DHHS, Bureau of Housing Supports	05-95-42-423010-79270000	283,853
Supportive Housing Program	14.235	State of NH, DHHS, Bureau of Housing Supports	05-95-95-958310-717600000-102-50731	132,970
Supportive Housing Program	14.235	State of NH, DHHS, Bureau of Housing Supports	05-05-42-423010-70270000	27,970
Shelter Plus Care	14.238	State of NH, DHHS, Bureau of Housing Supports	NH0057L1T001910	226,204
Continuum of Care Program	14.267	State of NH, DHHS, Bureau of Housing Supports	NH0002L1T001904	83,228
Continuum of Care Program	14.267	State of NH, DHHS, Bureau of Housing Supports	NH0096L1T001904	125,004
Continuum of Care Program	14.267	State of NH, DHHS, Bureau of Housing Supports	NH0074L1T001907	83,857
Total U.S. Department of Housing and Urban Development				<u>\$ 1,590,349</u>
U.S. Department of Transportation Federal Transit Administration (FTA)				
Formula Grants for Rural Areas	20.509	State of NH, Department of Transportation	04-96-96-964010-2916	\$ 548,491
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	State of NH, Department of Transportation	04-96-96-964010-2916	58,465
Federal Transit Cluster				
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	State of NH, Department of Transportation	04-96-96-964010-2916	3,028
Total U.S. Department of Transportation Federal Transit Administration (FTA)				<u>\$ 607,984</u>

See Notes to Schedule of Expenditures of Federal Awards

SOUTHWESTERN COMMUNITY SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NAME</u>	<u>GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURE</u>
U.S. Department of Treasury				
Coronavirus Relief Fund	21.019	State of NH, DHHS, Bureau of Housing Supports	05-95-42-423010-10410000	\$ 60,659
Emergency Rental Assistance Program	21.023	New Hampshire Housing	Unknown	<u>11,410,655</u>
Total U.S. Department of Treasury				<u>\$ 11,471,314</u>
U.S. Department of Energy				
Weatherization Assistance for Low-Income Persons	81.042	State of NH, Office of Energy & Planning	01-02-024010-7706-074-500507	<u>\$ 869,132</u>
Total U.S. Department of Energy				<u>\$ 869,132</u>
U.S. Department of Health & Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	State of NH, Office of Energy & Planning	01-02-024010-7706-074-500587	\$ 5,730
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	State of NH, DHHS, Bureau of Elderly & Adult Services	05-95-48-481010-7872	<u>70,240</u> \$ 75,970
Grants to States to Support Oral Health Workforce Activities	93.230	State of NH, DHHS, NH Medicaid	1008368	2,463
Activities to Support State, Tribal, Local and Territorial (SILT) Health Department Response to Public Health or Healthcare Crisis	93.391	State of NH, DHHS, Division of Public Health Services	01009057710000500731	18,071
Low Income Home Energy Assistance (Fuel Assistance)	93.568	State of NH, Office of Energy & Planning	02-52-52-520010-18870000-074-500587	1,426,061
Low Income Home Energy Assistance (BWP)	93.568	State of NH, Office of Energy & Planning	01-02-02-024010-77050000-500587	297,968
		State of NH, DHHS, Administration for Children & Families, Office of Community Services	02-52-52-520010-18870000-074-500587	138,431
COVID-19 Low Income Home Energy Assistance	93.588		Grant #2001NHE5C3	307,274
ARPA Low Income Home Energy Assistance (BWP)	93.568	State of NH, Office of Energy & Planning	02-052-052-520010-24490000-074-500587	33,817
ARPA Low Income Home Energy Assistance	93.568	State of NH, Office of Energy & Planning	02-052-052-520010-24490000	<u>4,150,168</u> 6,353,519
Community Services Block Grant	93.569	State of NH, DHHS, Div. of Family Assistance	500731	357,612
COVID-19 Community Services Block Grant	93.569	State of NH, DHHS, Division of Economic & Housing Stability	500731	<u>222,106</u> 579,718
Community Services Block Grant - Discretionary	93.570	State of NH, DHHS, Div. of Family Assistance	Unknown	22,652

See Notes to Schedule of Expenditures of Federal Awards

SOUTHWESTERN COMMUNITY SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR'S NAME	GRANTOR'S NUMBER	FEDERAL EXPENDITURE
<u>U.S. Department of Health & Human Services (continued)</u>				
Head Start Cluster				
Head Start	93.600	Direct Funding	01CH011404	\$ 2,270,884
CCVID-19 Head Start	93.600	Direct Funding	01HE000398	60,776
				<u>\$ 2,339,660</u>
Total U.S. Department of Health & Human Services				<u>\$ 9,390,053</u>
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024	State of NH, DHHS, Office of Human Services	Unknown	<u>\$ 9,293</u>
Total U.S. Department of Homeland Security				<u>\$ 9,293</u>
TOTAL				<u>\$ 24,507,495</u>

See Notes to Schedule of Expenditures of Federal Awards

SOUTHWESTERN COMMUNITY SERVICES, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwestern Community Services, Inc. under programs of the federal government for the year ended May 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwestern Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Southwestern Community Services, Inc. has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed.

NOTE 5 SUBRECIPIENTS

Southwestern Community Services, Inc. had no subrecipients for the year ended May 31, 2022.

**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
Southwestern Community Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statement of financial position as of May 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Southwestern Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements; but not for the purpose of expressing an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community Services, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Southwestern Community Services, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Southwestern Community Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Southwestern Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Leone McDonnell & Roberts
Professional Association

Wolfeboro, New Hampshire
February 9, 2023

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

To the Board of Directors of
Southwestern Community Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwestern Community Services, Inc.'s (a New Hampshire nonprofit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwestern Community Services, Inc.'s major federal programs for the year ended May 31, 2022. Southwestern Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwestern Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southwestern Community Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southwestern Community Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Southwestern Community Services, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southwestern Community Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southwestern Community Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southwestern Community Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southwestern Community Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Leone McDermott & Roberts
Professional Association*

Wolfeboro, New Hampshire
February 9, 2023

SOUTHWESTERN COMMUNITY SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2022**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the consolidated financial statements of Southwestern Community Services, Inc. and related companies were prepared in accordance with GAAP.
2. One significant deficiency disclosed during the audit of the consolidated financial statements are reported in the *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*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of Southwestern Community Services, Inc. and related companies, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Southwestern Community Services, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were: U.S. Department of Health and Human Services; Low-Income Home Energy Assistance, ALN 93.568; U.S. Department of Treasury; Emergency Rental Assistance Program, ALN 21.023; and U.S. Department of Transportation; Formula Grants for Rural Areas, ALN 20.509.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Southwestern Community Services, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2022-001 – Lack of accurate and timely reconciliations

Criteria: Internal controls ensuring timely and accurate reconciliations.

Condition: There was a delay in accurate account reconciliations at May 31, 2022.

Cause: The Organization's internal control policies and procedures were not followed as designed.

Effect: Significant and material journal entries were provided by the client to ensure accurate financial statements.

Context: Reconciliations were not prepared timely, which resulted in late client entries many of which were a result of audit testing and inquiries made by auditor.

Recommendation: Internal control policies and procedures should be followed throughout the year to ensure accurate and timely reconciliations.

Views of Responsible Officials: The Organization acknowledges that internal control policies relative to certain reconciliations were not followed as established. The Organization's Leadership and the Fiscal Department Leadership is aware that is this not acceptable and the expectation is that all fiscal controls and policies are to be followed in a timely and accurate manner.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SOUTHWESTERN COMMUNITY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2022

There were no findings or questioned costs that were required to be reported in the Schedule of Findings and Questioned Costs for the year ended May 31, 2021.

Southwestern Community Services, Inc.
Board of Directors - 2022 Composition

CHESHIRE COUNTY

SULLIVAN COUNTY

CONSTITUENT
SECTOR

Ron Nason
SCS Tenant

Mary Lou Huffling
Fall Mountain Emergency Food
Shelf
Alstead Friendly Meals

Heather Cameron
Head Start Policy Council
Parent Representative

Anne Beattie
Newport Service Organization

PRIVATE
SECTOR

Kevin Watterson, Chair
Clarke Companies (*retired*)

David Edkins, Vice-Chair
Town of Walpole

Dominic Perkins, Secretary
Savings Bank of Walpole

Kerry Belknap Morris, M.Ed.
Early Childhood Education
River Valley Community College

PUBLIC
SECTOR

Jay Kahn
State Senator, District 10

Derek Ferland
Sullivan County Manager

Andy Bohannon
Parks, Recreation and Facilities
Director
City of Keene

Liz Emerson
Planning and Zoning
Administrator
Town of Charlestown

KEY ADMINISTRATIVE PERSONNEL

NH DEPT OF TRANSPORTATION

Agency Name: Southwestern Community Services, Inc.

Program Name: FTA 5310

Name & Title Key Administrative Personnel	Annual Salary Of Key Administrative Personnel	Percentage of Salary Paid By Contract	Total Salary Amount Paid By Contract
Beth Daniels, Chief Executive Officer	\$121,000	0.00%	\$0:00
Meg Freeman, Chief Financial Officer	\$113,531	0.00%	\$0:00
Keith Thibault, Chief Development Officer	\$97,000	0.00%	\$0:00

Beth Daniels

Experience

Southwestern Community Services, Inc., Keene, NH

Chief Operating Officer

03/2016-Present

- Responsible for all day-to-day program operations of the agency
- Supervise Program Directors, including WIC, Energy, and Housing Stabilization
- Ensure that all state and federal regulations are followed while those in need receive a smooth delivery of service

Director of Energy and Employment Programs

10/2008 – 12/2016

- Oversee all daily operations for Fuel Assistance, Electric Assistance, Neighbor Helping Neighbor, Senior Energy Assistance, Weatherization, HRRP, CORE, and Assurance 16 as well as the employment programs Workplace Success, Work Experience Program, and WIA.

Workforce Development Director

11/2006 – 10/2008

- Supervise, direct, coach, and encourage staff of six within four programs
- Collaborate with agency staff, community members and state contract holders to achieve common goals, including agency name recognition and program success
- Perform all SCS Program Director tasks including PPRs and budget management

Families @ Work Employment Specialist

03/2006 - 11/2006

- Managed a caseload of fifty (50) clients throughout the Keene, Claremont, Concord, and Nashua areas
- Worked closely with staff from Southwestern Community Services, Inc. and Southern New Hampshire Services
- Gained a strong working knowledge of all SCS programs for referral purposes

Second Start, Concord, NH

Career Development Specialist

11/2004 – 03/2006

- Facilitated daily job-readiness classes and skill-building exercises
- Assisted participants with barrier resolution and the job search process
- Maintained participant records and completed reporting requirements
- Received ongoing training in teaching techniques and learning styles

Nina's Family Daycare, Swanzey, NH

10/2003 – 11/2004

Daycare Provider

- Responsible for meal planning, payment records, supplies, and activities
- Acquired CPR & First Aid certification

Southwestern Community Services, Inc., Keene, NH

Case Manager, Homeless Services

09/2002 – 10/2003

- Responsible for all daily operations of housing program, rules, and regulations
- Completed weekly and monthly progress reports
- Coordinated house meetings, workshops, case conferences, and life skills classes

Case Manager, Welfare-to-Work

05/2000 – 09/2002

- Provided job placement and retention services for caseload of forty (40) clients
- Gained working knowledge of Department of Health & Human Services, Immigration & Naturalization Services, community agencies, and SCS

Education and Training

Results Oriented Management & Accountability (ROMA)	2016-2017
Grant Writing Workshop Cheshire County	05/2012
Nonviolent Crisis Intervention Crisis Prevention Institute, Inc.	2012
Leadership Training Tad Dwyer Consulting	2010-2011
Criticism & Discipline Skills for Managers CareerTrack	11/2007
How to Supervise People CareerTrack	11/2007
Career Development Facilitator Training National Career Development Association <i>120-hour NCDA training</i>	09/2005
Certified Workforce Development Specialist National Association of Workforce Development Professionals	06/2005
Infection Control & Bloodborne Pathogens Home Health Care	01/2003
Bachelor of Arts in Human Services Franklin Pierce College <i>Graduated cum laude</i>	05/2002

References Available

Margaret Freeman

Experience

2000 – Present

Southwestern Community Services Inc.
Keene, NH

Chief Financial Officer (2014 – present)

Supervising the quality of accounting and financial reporting of SCS; a Community Action Agency. Total funding of \$18 million; federal, state and local funding sources. Primary responsibilities include overseeing the accounting functions, implementation and monitoring of internal controls, reporting financial position to the Board of Directors, preparation of the annual A-133 audit, member of agencies Senior Staff.

Fiscal Director (2000-2014)

Responsible to lead and manage the daily operations of the Fiscal Department of SCS. Primary duties include budget preparation and analysis, financial statement preparation and audit coordination.

1993 –2000

Emile J. Lègere Management Corp
Keene, NH

Accountant

Provided bookkeeping for real estate management/development corp. Managed 16 affordable housing properties. Responsible for cash management, general ledger, A/P, A/R, financial statement prep, and audit prep. Leasing Manager of large commercial/retail property responsible for lease management and marketing of over 30 retail spaces.

Education

Leadership New Hampshire, Graduate 2011

Plymouth State University, Plymouth, NH
M.B.A., 1999

Keene State College, Keene, NH

B.S., Management, 1991; concentration Mathematics and Computer Science

Keith F. Thibault
kthibault@scshelps.org (e-mail)

(603) 719-4208 (work)

Skills Summary

- Effective "hands-on" manager with proven supervisory experience.
- Honest, dependable and self-motivated.
- Strong written and oral communicator with PC skills & experience.
- Detail oriented, highly organized, flexible and hard-working.
- Able to effectively coordinate multiple projects and tasks.

Experience

Southwestern Community Services, Inc., Keene, New Hampshire

Housing Director – October, 1993 to December 1998

Director of Housing & Economic Development – January 1999 to June 2001

Development Director - July 2001 to August 2007

chief development officer – September 2007 - Present

Primarily responsible for the acquisition, development and financing of over 450 units of affordable housing, five Head Start pre-school facilities and 100,000 square feet of commercial space in fourteen communities in southwestern New Hampshire. Member of the agency's Senior Staff. The chief development officer position has grown to include all economic, program and philanthropic development activities within this very dynamic Community Action Agency. The position also includes the responsibility to represent the organization at numerous community events and on local, state and regional boards. Highlights as Housing Director included the development of a comprehensive Property Management component that currently maintains and manages all agency owned real estate; successful administration of a federal HOPE 3 first time home buyer program in Sullivan County as well as being the recipient of many awards for the development of historically significant properties.

Rural Housing Improvement, Winchendon, Massachusetts

Director of Home Ownership and Housing Counseling - June 1993 to October, 1993

This Program Director position consists primarily of the administration of a \$500,000 HOPE III Implementation grant, HOME funding for First-time Home Buyers of \$250,000, coordination of a State Finance Authority approved Home Buyer Education course, management of several government property disposition programs (FDIC, RTC and Fannie Mae), several rehabilitation programs, as well as all housing counseling activities for the component. Staff supervised include two Housing Developers, one or more Rehabilitation Specialists, one or more Housing Counselors as well as support staff.

Assistant Director for Administration/Leased Housing - April 1998 to May 1993

Administration of a nearly two thousand household Section 8 Rental Assistance program comprised the overall scope of this position. Primary responsibilities included the disbursement of nearly nine million dollars annually in Housing Assistance Payments to more than eleven hundred landlords, direct day-to-day supervision of eight staff, liaison work with all other Agency components as well as accurate record keeping per HUD regulations. Highlights included the creation of Agency Family Self-Sufficiency Program (FSS) and serving on a statewide Project Coordinating Committee for FSS. I also represented RHI on several committees of our State Housing Association as well as serving on several in-house committees focusing on employee benefits, performance evaluations and the rewriting of Agency job descriptions to conform to the American Disabilities Act.

Program Representative/Leased Housing - September 1986 to April 1998

Responsible for the administration and management of a two hundred-plus household caseload. Duties included initial and annual inspections of all units, rent negotiation and general file maintenance. Position required an unusually high degree of organizational, interpersonal and technical skills. Thorough knowledge of market area, Federal Housing Quality Standards and HUD Section 8 regulations were required.

Education

University of Massachusetts at Amherst
Bachelor of Arts cum laude - 1983

- Major: Economics with emphasis on Labor Economics
- Minor: Political Science with emphasis on local government
- Served a one-year paid internship with the University's Housing Administration, which led to becoming the Assistant Director of the program during my junior year.
- Completed a full semester academic internship serving as an assistant to the Town Manager of Action, Massachusetts.
- Took advanced courses in Economics and Latin through the Liberal Arts Honors Program

Civic and Other Activities

- Former Big Brother volunteer, Keene
- Current Co-Chair of Heading for Home, our Regional Housing Coalition
- Current co-chair of the Southwestern Region Planning Commission's Economic Development Advisory Committee
- Former volunteer at McKerley Health Care Center, Keene
- Former Chair of the Board of Directors for the Keene Day Care Center
- Current elected Vice Chairman of the Swanzey Zoning Board of Adjustment.
- Current founding board member and Chairperson of the Monadnock Collaborative, a 501(c) (3) organization formed to provide regional information and supported referral services.
- Dedicated husband and involved father of three children ages twenty-two, twenty and eight.

References available upon request.