



Riverside Community Care, Inc.

Financial Statements and Schedule of
Expenditures of Federal Awards
June 30, 2016

RIVERSIDE COMMUNITY CARE, INC.

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Independent Auditor's Report

To the Board of Directors
Riverside Community Care, Inc.
Dedham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Riverside Community Care, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community Care, Inc., as of June 30, 2016, 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.

Report on Summarized Comparative Information

The 2015 financial statements of Riverside Community Care, Inc. were audited by Feeley & Driscoll, P.C., whose partners and professional staff joined BDO USA, LLP as of May 1, 2016, and whose report dated November 4, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (“CFR”) 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of Riverside Community Care, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riverside Community Care, Inc.’s internal control over financial reporting and compliance.

BDO USA, LLP

November 14, 2016

RIVERSIDE COMMUNITY CARE, INC.

Statement of Financial Position

June 30, 2016

(with comparative totals as of June 30, 2015)

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 8,794,306	\$ 7,415,256	Current maturities of long-term debt	\$ 370,342	\$ 502,984
Contracts receivable, net	3,398,260	2,953,004	Note payable, line of credit	-	381,000
Program service fees receivable, net	3,375,347	2,989,330	Accounts payable and accrued expenses	1,981,314	2,091,236
Other receivables	293,577	174,969	Accrued salaries and wages	5,060,998	4,001,550
Prepaid expenses and other current assets	272,816	279,308	Funds held in trust for others	193,281	209,726
Total current assets	<u>16,134,306</u>	<u>13,811,867</u>	Deferred revenue	40,292	26,722
Property and equipment, net	<u>15,442,750</u>	<u>15,363,469</u>	Total current liabilities	<u>7,646,227</u>	<u>7,213,218</u>
Other assets:			Long-term debt, net of current maturities	8,990,034	8,469,268
Deferred financing costs, net	240,216	173,986	Other long-term liabilities	6,635	6,635
Security deposits	154,885	167,689		<u>8,996,669</u>	<u>8,475,903</u>
Total other assets	<u>395,101</u>	<u>341,675</u>	Total liabilities	<u>16,642,896</u>	<u>15,689,121</u>
			Commitments and contingencies		
			Net assets:		
			Unrestricted	12,551,548	11,243,527
			Temporarily restricted	2,777,713	2,584,363
			Total net assets	<u>15,329,261</u>	<u>13,827,890</u>
Total assets	<u>\$ 31,972,157</u>	<u>\$ 29,517,011</u>	Total liabilities and net assets	<u>\$ 31,972,157</u>	<u>\$ 29,517,011</u>

See accompanying notes to financial statements.

RIVERSIDE COMMUNITY CARE, INC.

Statement of Activities

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Totals	Totals
Revenues and other support:				
Program service fees, net of contractual allowances	\$ 29,959,719	\$ -	\$ 29,959,719	\$ 28,466,958
Provision for uncollectible accounts	(670,384)	-	(670,384)	(642,310)
Net program service fees	29,289,335	-	29,289,335	27,824,648
Contract revenue	38,249,454	-	38,249,454	34,624,061
Municipal revenue	1,168,138	-	1,168,138	968,040
Contributions	749,123	427,714	1,176,837	1,317,839
Other income	2,483,283	-	2,483,283	1,641,671
Net assets released from restrictions used in operations	234,364	(234,364)	-	-
Total revenues and other support	72,173,697	193,350	72,367,047	66,376,259
Expenses:				
Salaries and wages	46,120,903	-	46,120,903	42,142,216
Employee benefits	8,291,496	-	8,291,496	7,951,766
Supplies and expenses	4,373,424	-	4,373,424	4,378,975
Purchased services	3,491,507	-	3,491,507	2,727,776
Occupancy	5,378,017	-	5,378,017	5,153,074
Transportation	1,398,472	-	1,398,472	1,282,760
Insurance	332,711	-	332,711	320,445
Interest expense	426,071	-	426,071	428,914
Depreciation and amortization	982,391	-	982,391	909,848
Total expenses	70,794,992	-	70,794,992	65,295,774
Excess of revenues and other support over expenses	1,378,705	193,350	1,572,055	1,080,485
Nonoperating gains (losses):				
Gain (loss) on sale of property and equipment	(70,684)	-	(70,684)	27,594
Change in net assets	1,308,021	193,350	1,501,371	1,108,079
Net assets, beginning of year	11,243,527	2,584,363	13,827,890	12,719,811
Net assets, end of year	\$ 12,551,548	\$ 2,777,713	\$ 15,329,261	\$ 13,827,890

See accompanying notes to financial statements.

RIVERSIDE COMMUNITY CARE, INC.

Statement of Functional Expenses

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	Program Services						Support Services			2016 Total Expenses	2015 Total Expenses	
	Behavioral Health Services	Integrated Services	Development & Cognitive Disabilities	Community Living Services	Child & Family Services	Special Projects	Total Program Services	General and Administrative	Fundraising			Support Service Total
Salaries and wages	\$ 13,170,036	\$ 220,054	\$ 7,722,354	\$ 9,261,070	\$ 10,311,652	\$ 76,125	\$ 40,761,291	\$ 5,110,620	\$ 248,992	\$ 5,359,612	\$ 46,120,903	\$ 42,142,216
Employee benefits	2,197,320	42,687	1,359,703	1,734,433	1,914,396	15,315	7,263,854	979,717	47,925	1,027,642	8,291,496	7,951,766
Supplies and expenses	649,243	4,447	1,145,317	889,964	798,791	4,987	3,492,749	693,642	187,033	880,675	4,373,424	4,378,975
Purchased services	1,293,115	50	528,112	82,477	1,357,752	1,921	3,263,427	226,832	1,248	228,080	3,491,507	2,727,776
Occupancy	1,214,434	4,974	909,394	2,439,473	767,865	34,978	5,371,118	6,534	365	6,899	5,378,017	5,153,074
Transportation	147,291	249	353,773	416,979	365,464	-	1,283,756	114,628	88	114,716	1,398,472	1,282,760
Insurance	90,347	161	44,512	63,803	58,074	3,584	260,481	71,152	1,078	72,230	332,711	320,445
Interest expense	42,611	-	167,517	123,234	53,575	12,482	399,419	26,652	-	26,652	426,071	428,914
Depreciation and amortization	154,436	187	280,370	295,684	130,506	44,088	905,271	76,846	274	77,120	982,391	909,848
	<u>\$ 18,958,833</u>	<u>\$ 272,809</u>	<u>\$ 12,511,052</u>	<u>\$ 15,307,117</u>	<u>\$ 15,758,075</u>	<u>\$ 193,480</u>	<u>\$ 63,001,366</u>	<u>\$ 7,306,623</u>	<u>\$ 487,003</u>	<u>\$ 7,793,626</u>	<u>\$ 70,794,992</u>	<u>\$ 65,295,774</u>

See accompanying notes to financial statements.

RIVERSIDE COMMUNITY CARE, INC.

Statement of Cash Flows

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,501,371	\$ 1,108,079
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	982,392	909,848
Provision for uncollectible accounts	670,384	642,310
Imputed interest accretion	57,679	39,554
Gain on sale of property and equipment	70,684	(27,594)
Increase (decrease) in cash resulting from a change in:		
Contracts receivable	(445,256)	1,103,324
Program service fees receivable	(1,056,401)	(85,059)
Other receivables	(118,608)	100,811
Prepaid expenses and other current assets	6,492	(4,573)
Accounts payable and accrued expenses	(109,922)	647,076
Accrued salaries and wages	1,059,448	311,077
Funds held in trust for others	(16,445)	(36,109)
Deferred revenue	13,570	(18,851)
Other long-term liabilities	-	-
Net cash provided by operating activities	<u>2,615,388</u>	<u>4,689,893</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,078,667)	(1,031,824)
Proceeds from sale of property and equipment	-	450,000
Proceeds from (payments for) security deposits	12,804	16,385
Net cash used in investing activities	<u>(1,065,863)</u>	<u>(565,439)</u>
Cash flows from financing activities:		
Proceeds from note payable, line of credit	(381,000)	381,000
Proceeds from long-term debt	4,835,000	472,000
Principal payments on long-term debt	(4,504,555)	(505,254)
Payment of deferred financing costs	(119,920)	(4,302)
Net cash provided by (used) in financing activities	<u>(170,475)</u>	<u>343,444</u>
Net increase in cash and cash equivalents	1,379,050	4,467,898
Cash and cash equivalents, beginning of year	<u>7,415,256</u>	<u>2,947,358</u>
Cash and cash equivalents, end of year	<u>\$ 8,794,306</u>	<u>\$ 7,415,256</u>
Supplemental disclosure of cash flow information -		
Cash paid during the year for interest	<u>\$ 368,392</u>	<u>\$ 389,360</u>

See accompanying notes to financial statements.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements

Note 1 - Organization

Organization - Riverside Community Care, Inc. (“Riverside” or the “Organization”) is a Massachusetts based human service organization providing a full range of services to residents of the Commonwealth of Massachusetts. Services include behavioral healthcare, developmental disability and traumatic brain injury programs, substance abuse treatment, and early childhood services. Riverside is a not-for-profit corporation organized under Chapter 180 of the general laws of the Commonwealth of Massachusetts. Riverside generates revenues through contracts negotiated with various agencies of the Commonwealth of Massachusetts and, therefore, is subject to the regulations and rate formulas of the Commonwealth of Massachusetts. Revenues are also derived through contracts with U.S. government agencies and from client fees, which are paid by the client or third-party insurers.

Note 2 - Summary of Significant Accounting Policies

Basis for Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets are classified into unrestricted and temporarily restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified donor objectives. The assets, liabilities, and net assets of the Organization are reported as follows:

- Unrestricted net assets include amounts not restricted for identified purposes by donors or grantors. These amounts are available to be used by the Board of Directors for the general purposes of the Organization and include amounts designated by the Board of Directors for future capital improvements and other program enhancements.
- Temporarily restricted net assets are those whose use by the Organization have been limited by donors or grantors to a specific period or purpose.

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 June 30, 2015, from which the summarized information was derived.

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

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 2 - Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments - The Organization determines the fair value of the financial instruments and includes this information in the notes to the financial statements when the value is materially different than the carrying value of those financial instruments.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash equivalents represent short-term highly liquid investments with original maturities of three months or less from the date of purchase.

Allowance for Doubtful Accounts - Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to clients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay clients, the Organization records a provision for bad debts in the period of service on the basis of its past experience, which indicates that certain clients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair market value, if donated. Property and equipment are depreciated over its estimated useful life, utilizing the straight line method. Leasehold improvements are amortized over the estimated useful lives of the assets or lease term, if shorter.

Deferred Financing Costs - Deferred financing costs are amortized over the term of the related loan.

Funds Held in Trust for Others - The Organization acts as a representative payee for certain clients served by the Organization's programs. Accordingly, amounts held in trust for clients are recorded as cash and funds held in trust for others in the accompanying balance sheet.

Contract and Grant Revenue - The Organization derives revenues through contracts and grants received through the Commonwealth of Massachusetts Department of Mental Health, Department of Public Health, Department of Developmental Services, and the Massachusetts Rehabilitation Commission and from U.S. government agencies, various private foundations and grantor agencies. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable governmental and grantor agencies. Contract and grant revenues are recorded in accordance with the provisions of the applicable award amounts.

Other Income - Other income includes miscellaneous program fees and program support service revenue.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 2 - Summary of Significant Accounting Policies - Continued

Program Service Fees - The Organization recognizes program service revenue associated with services provided to clients who have third-party payor coverage on the basis of contractual rates for the services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations and statutes, certain elements of third-party reimbursements to the Organization are subject to negotiation, audit and/or final determination by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined. For uninsured clients, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Organization's uninsured clients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for bad debts related to uninsured clients in the period the services are provided. Payments received in advance of services are reported as deferred revenue.

Contributions - Contributions received, including pledges, are recorded as revenues in the period received at their fair values. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received.

Functional Expenses - The costs of providing the various activities of the Organization have been summarized on a functional basis on the statement of functional expenses. Accordingly, certain costs have been allocated among the activities benefited.

Tax Status - Riverside is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements. In accordance with generally accepted accounting principles, the Organization annually evaluates its tax status and tax positions taken with respect to its operations and financial position. Tax years from 2012 through the current year remain open for examination by federal and state taxing authorities.

Subsequent Events - The Organization has evaluated subsequent events through November 14, 2016, which is the date the financial statements were available for issuance.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 3 - Concentrations of Credit Risk

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). The maximum deposit insurance amount is \$250,000, which was applied per depositor, per insured depository institution for each account ownership category. As of June 30, 2016, the Organization had \$6,722,434 in excess of FDIC limits.

The Organization provides the majority of its services through provider agreements with Medicare, Medicaid and through contracts negotiated with various agencies of the Commonwealth of Massachusetts. Accordingly, these parties represent the majority of the Organization’s accounts and contracts receivable balances at June 30 as follows:

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Contracts receivable, Commonwealth of Massachusetts:				
Department of Mental Health	\$ 1,724,391	47%	\$ 1,398,443	43%
Department of Developmental Services	1,029,590	28%	896,749	28%
Department of Children and Families	333,463	9%	256,319	8%
Department of Public Health	46,093	1%	91,550	3%
	<u>3,133,537</u>	<u>85%</u>	<u>2,643,061</u>	<u>82%</u>
Contracts receivable, Other	554,888	15%	599,943	18%
	<u>3,688,425</u>	<u>100%</u>	<u>3,243,004</u>	<u>100%</u>
Less allowance for uncollectible accounts	<u>290,165</u>		<u>290,000</u>	
	<u>\$ 3,398,260</u>		<u>\$ 2,953,004</u>	
	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Program service fees receivable:				
Commercial and other payers	\$ 2,957,844	74%	\$ 2,732,848	75%
Medicare	365,719	9%	203,481	6%
Blue Cross Blue Shield	339,810	8%	385,617	11%
Medicaid	182,598	5%	145,970	4%
Private	160,458	4%	146,895	4%
	<u>4,006,428</u>	<u>100%</u>	<u>3,614,811</u>	<u>100%</u>
Less allowance for uncollectible accounts	<u>631,081</u>		<u>625,481</u>	
	<u>\$ 3,375,347</u>		<u>\$ 2,989,330</u>	

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 3 - Concentrations of Credit Risk - Continued

Management monitors and adjusts its allowances for uncollectible accounts to ensure that receivables are stated at their net realizable value. Although management expects the amounts recorded as net accounts receivable at June 30, 2016, to be collectible, this concentration of credit risk is expected to continue in the near term.

The methodology and assumptions utilized by management to estimate the allowance for doubtful accounts have not significantly changed from the prior year.

Program service fees, net of contractual allowances and discounts (but before the provision for uncollectible accounts) recognized for the years ended June 30, 2016 and 2015, were as follows for uninsured patients and patients who have third-party coverage.

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Program service fees, net of contractual allowances and discounts June 30, 2016	<u>\$ 29,320,150</u>	<u>\$ 639,569</u>	<u>\$ 29,959,719</u>
Program service fees, net of contractual allowances and discounts June 30, 2015	<u>\$ 27,829,857</u>	<u>\$ 637,101</u>	<u>\$ 28,466,958</u>

Note 4 - Property and Equipment

Major classes of property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 19,263,237	\$ 18,393,443
Land	4,960,132	4,960,132
Furniture and equipment	2,543,816	2,406,222
Motor vehicles	333,662	304,542
Construction-in-progress	-	352,185
	<u>27,100,847</u>	<u>26,416,524</u>
Less accumulated depreciation and amortization	<u>11,658,097</u>	<u>11,053,055</u>
	<u>\$ 15,442,750</u>	<u>\$ 15,363,469</u>

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 4 - Property and Equipment - Continued

The Organization accounts for asset retirement obligations in accordance with accounting principles generally accepted in the United States of America. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated based upon a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Generally accepted accounting principles require that the fair value of a liability for the legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized. As of June 30, 2016, the Organization did not have sufficient information to estimate the fair value of the asset retirement obligation because the settlement date or the range of potential settlement dates had not been specified by others and information was not available to apply an expected value technique. Therefore, the Organization could not reasonably estimate the fair value of the liability.

Note 5 - Note Payable, Line of Credit

The Organization maintains an agreement for a \$3,000,000 revolving line of credit with TD Bank. Borrowings under this agreement are due on demand, and interest is payable monthly at the bank's prime rate plus .25% (3.75% and 3.50% at June 30, 2016 and 2015, respectively). The line of credit is secured by a first priority lien on all business assets. As of June 30, 2016 and 2015, the Organization's outstanding balance on the line of credit was \$-0-, and \$381,000, respectively. The agreement is also subject to various financial and reporting covenants.

Note 6 - Long-term Debt

Long-term debt consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2032 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$242,500 reduced by imputed interest discount of \$132,755.	\$ 109,745	\$ 104,519
Promissory note payable to Massachusetts Housing Partnership Fund Board, imputed interest at 4.25%, due June 2032 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$390,000 reduced by imputed interest discount of \$191,697.	198,303	190,218

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 6 - Long-term Debt - Continued

	<u>2016</u>	<u>2015</u>
Mortgage note payable to the Newton Community Development Authority in monthly installments of \$333, including interest at 3%, through April 2021. The note is secured by real estate.	\$ 17,253	\$ 20,122
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2032 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$203,658 reduced by imputed interest discount of \$108,830.	94,828	90,298
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2032 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$344,392 reduced by imputed interest discount of \$196,559.	147,833	140,816
Construction loan line of credit payable in monthly installments of principal and interest of \$799 at a rate of 8.07%, due in June 2027, secured by real estate. The maximum amount that may be drawn on the note is \$92,905.	66,436	69,489
First mortgage note payable to a bank in monthly installments of \$957, including interest at 6.5%, through October 2033, secured by real estate.	118,921	122,540
Promissory note payable to a bank in monthly installments of \$505, including interest amortized at 5.85% over 30 years with a balloon payment due in September 2022. The note is secured by real estate.	63,138	65,478
First mortgage note payable to a bank in monthly installments of \$1,650, including interest at 6.3%, through April 2032, secured by real estate.	196,242	203,426
First mortgage note payable to a bank in monthly installments of \$1,581, including interest at 5%, through June 2029, secured by real estate.	181,015	189,906

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 6 - Long-term Debt - Continued

	<u>2016</u>	<u>2015</u>
First mortgage note payable to a bank in monthly installments of \$2,376, including interest at 5.2%, through December 2019, when the rate is adjusted to equal the Federal Home Loan Bank 5/20 rate plus 3% to be reset at each five-year anniversary through maturity on December 2029, secured by real estate.	\$ 197,809	\$ 213,904
First mortgage note payable to a bank in monthly installments of \$1,802, including interest at 5.2%, through November 2019, when the rate is adjusted to equal the Federal Home Loan Bank 5/20 rate plus 3% to be reset at each five-year anniversary through maturity on November 2029, secured by real estate.	184,689	194,676
First mortgage note payable to a bank in monthly installments of \$3,038, including interest at 5.2%, through November 2019, when the rate is adjusted to equal the Federal Home Loan Bank 5/20 rate plus 3% to be reset at each five-year anniversary through maturity on November 2029, secured by real estate.	294,672	314,645
First mortgage note payable to a bank in monthly installments of \$3,638, including interest at 7.125%, through June 2025, secured by real estate.	323,138	342,996
First mortgage note payable to a bank in monthly installments of \$511, including interest at 6.25%, through July 2024, secured by real estate.	38,580	42,184
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due November 2034 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$362,637 reduced by imputed interest discount of \$214,986.	147,651	140,597
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2034 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$287,503 reduced by imputed interest discount of \$155,585.	131,918	125,636

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 6 - Long-term Debt - Continued

	<u>2016</u>	<u>2015</u>
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2054 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$195,750 reduced by imputed interest discount of \$154,974	\$ 40,776	\$ 39,113
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due June 2039 with possible extended maturity date 10 years beyond the original maturity date, secured by land. Face amount of \$358,471 reduced by imputed interest discount of \$241,763.	116,708	111,150
First mortgage note payable to the Newton Community Development Authority, with 0% stated interest rate, due November 2054.	70,300	70,300
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due January 2038. Face amount of \$351,233 reduced by imputed interest discount of \$229,691. Secured by real estate.	121,542	115,755
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due January 2038. Face amount of \$452,765 reduced by imputed interest discount of \$316,316. Secured by real estate.	136,449	129,972
First mortgage note payable to a bank in monthly principal installments of \$8,389 plus interest at a rate of 4.2%, through March 2021, when the remaining balance is due in full. The note is secured by real estate.	1,182,849	4,950,000
First mortgage note payable to a bank in monthly installments of \$1,728, including interest at a rate of 5%, through March 2028, when the remaining balance is due in full. The note is secured by real estate.	182,426	192,710

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 6 - Long-term Debt - Continued

	<u>2016</u>	<u>2015</u>
First mortgage note payable to a bank in monthly installments of \$1,723, including interest at a rate of 4.50%, through April 2041. The outstanding balance was paid in full in December 2015. The note was secured by real estate.	\$ -	\$ 327,057
First mortgage note payable to a bank in monthly installments of \$2,392, including interest at a rate of 4.50%, through May 2043. The outstanding balance was paid in full in December 2015. The note was secured by real estate.	-	464,745
Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds Series 2015A payable in monthly installments of \$24,859, including variable interest at a rate of 3.7% at June 30, 2016, maturing December 2040, collateralized by real estate.	4,766,087	-
Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds Series 2015B, fixed interest rate of 2.89%, maturing December 2040, monthly principal and interest payments of \$3,296, collateralized by real estate.	231,068	-
	<u>9,360,376</u>	<u>8,972,252</u>
Less current portion	<u>370,342</u>	<u>502,984</u>
	<u>\$ 8,990,034</u>	<u>\$ 8,469,268</u>

Future maturities of long-term debt are as follows for the years ending June 30:

2017	\$ 370,342
2018	380,620
2019	392,887
2020	405,155
2021	1,097,387
Thereafter	<u>6,713,985</u>
	<u>\$ 9,360,376</u>

Pursuant to its long-term debt agreements, the Organization is required to maintain certain financial and other covenants, which management believes will not restrict the nature of the Organization's business or operations.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 7 - Operating Leases

The Organization leases building space for program and administrative purposes under various operating leases expiring through 2031. Monthly payments range from \$657 to \$32,796. Rent expense totaled \$3,396,856, and \$2,987,559 for the years ended June 30, 2016 and 2015, respectively.

The following is a schedule of future minimum rental payments under non-cancelable lease agreements which have remaining terms in excess of one year as of June 30:

2017	\$	2,060,159
2018		1,427,914
2019		1,276,075
2020		1,176,998
2021		1,191,119
Thereafter		<u>971,487</u>
	\$	<u>8,103,752</u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 were available to be used for the following:

	<u>2016</u>	<u>2015</u>
Real property utilization	\$ 1,992,877	\$ 2,050,553
Program services	627,952	389,624
Newton affordable housing	80,000	80,000
Trauma / Suicide prevention	39,102	23,903
Medical records system	21,599	21,599
Capacity development	10,000	10,000
Event sponsorship	5,000	7,500
Program support	<u>1,184</u>	<u>1,184</u>
	<u>\$ 2,777,713</u>	<u>\$ 2,584,363</u>

Note 9 - Retirement Plan

Riverside maintains a 403(b) defined contribution retirement plan under which all employees are eligible to participate upon hire. During 2016 and 2015, no contributions were made to the plan by the Organization.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Financial Statements - Continued

Note 10 - Surplus Revenue Retention

The Operational Services Division of the Commonwealth of Massachusetts (the “Commonwealth”) has promulgated regulations requiring that all not-for-profit entities engaged in the provision of human and social service programs, by contract with state agencies, be subject to a revenue retention policy. Under this policy, any surplus generated from contracts with the Commonwealth which exceeds 5% of the current year’s Commonwealth revenues or cumulative surplus which exceeds 20% of prior year Commonwealth revenues becomes a liability to the Commonwealth. Additionally, the Commonwealth requires that providers take steps to segregate state attributed surpluses which fall below 5% as a segregated account within its unrestricted net assets.

As of June 30, 2016, the Organization is not subject to any recoupment under the provisions of the Commonwealth’s regulations.

Note 11 - Commitments and Contingencies

On September 30, 2013, the Organization entered into a contract for the purchase and implementation of an electronic health record (“EHR”) system. The total cost of the EHR is based on increasing users over a seven-year term at an agreed upon rate per user, per month. The contract calls for total payments of approximately \$1,320,000 to be made over the seven-year term. As of June 30, 2016, the Organization has made payments totaling approximately \$545,000. The remaining commitment was \$775,000 as of June 30, 2016.

The human service industry is subject to numerous laws and regulations of federal, state and local governments. Government activity is ongoing with respect to investigations and allegations concerning possible violations by providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for program services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in substantial compliance with current laws and regulations.

Claims and legal actions are brought against the Organization during the normal course of business. Management has taken the necessary steps to mitigate potential losses by obtaining insurance coverage and engaging legal counsel. In the opinion of management, no claims or legal actions have been asserted against the Organization which, individually or in the aggregate, will be in excess of its insurance coverage.

RIVERSIDE COMMUNITY CARE, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services:</u>			
Head Start	93.600	N/A	\$ 1,291,674
Passed through the Commonwealth of Massachusetts Department of Mental Health: Block Grants for Community Mental Health Services	93.958	4000-9401	571,005
Department of Public Health: Maternal and Child Health Services Block Grant to the states	93.994	4500-2000	<u>117,720</u>
Total U.S. Department of Health and Human Services			<u>1,980,399</u>
<u>U.S. Department of Justice</u>			
Passed through the Commonwealth of Massachusetts Office for Victim Assistance: Crime Victim Assistance	16.575	0840-0110	83,346
Antiterrorism Emergency Reserve	16.321	0840-0114	<u>7,114</u>
Total U.S. Department of Justice			<u>90,460</u>
<u>U.S. Department of Education:</u>			
Passed through the Commonwealth of Massachusetts Department of Public Health: Special Education-Grants for Infants and Families	84.181	4513-9021	<u>201,494</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the City of Somerville Community Development Block Grants/Entitlement Grants	14.218	OSPCD	<u>4,500</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Commonwealth of Massachusetts Department of Education: Child and Adult Care Food Program	10.558	7053-2117	<u>1,017</u>
Total Expenditures of Federal Awards			<u>\$ 2,277,870</u>

The accompanying notes are an integral part of this schedule.

RIVERSIDE COMMUNITY CARE, INC.

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal awards (the "Schedule") includes the federal grant activity of Riverside Community Care, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") 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 Riverside Community Care, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Riverside Community Care, Inc.

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the Riverside Community Care, Inc.'s financial position or change in net assets.

All of Riverside Community Care, Inc.'s federal awards were in the form of cash assistance for the year ended June 30, 2016.

Riverside Community Care, Inc. had no federally funded insurance programs or loan guarantees during the year ended June 30, 2016.

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 limited as to reimbursement. Riverside Community Care, Inc. is not required to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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Independent Auditor's 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
Riverside Community Care, Inc.
Dedham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Riverside Community Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BDO USA, LLP". The signature is written in a cursive, slightly slanted style.

November 14, 2016



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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Riverside Community Care, Inc.
Dedham, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Riverside Community Care, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Riverside Community Care, Inc.'s major federal programs for the year ended June 30, 2016. Riverside Community Care, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Riverside Community Care, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riverside Community Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Riverside Community Care, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Riverside Community Care, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Riverside Community Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverside Community Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverside Community Care, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BDO USA, LLP

November 14, 2016

RIVERSIDE COMMUNITY CARE, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of independent auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
<u>CFDA #</u>	<u>Name of Federal Program</u>
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

RIVERSIDE COMMUNITY CARE, INC.

Schedule of Findings and Questioned Costs - Continued

For the year ended June 30, 2016

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(A)) that are required to be reported.

Section IV - Summary Schedule of Prior Audit Findings

2015-001 Award No. 01CH1526/04 - Year ended April 30, 2015

Finding: The grantee did not ensure that all in-kind donations were verifiable from its records, did not obtain criminal record checks (CRCs) prior to employing individuals, did not ensure Head Start compensation was consistent with rates paid for similar work in the Organization's other activities, and did not perform or obtain appropriate screening procedures to identify concerns regarding children within 45 days of their entry into the program.

2016 Status: Management implemented policy and procedure changes per The Office of Head Start's recommendations for criminal records checks, EHS staff compensation rate reviews, requisite screening procedures regarding children within 45 days, and parent involvement. These policy and procedure changes were reviewed and accepted as appropriate and complete by the Administration of Children and Families.