



Riverside Community Care, Inc.

Financial Statements and Supplemental Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Riverside Community Care, Inc.

Financial Statements and Supplemental Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2018

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, 2018, 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 or 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, 2018, 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

We have previously audited the financial statements of Riverside Community Care, Inc. as of and for the year ended June 30, 2017, and our report, dated December 18, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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. Such 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, 2018, 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, 2018

Financial Statements

Riverside Community Care, Inc.

Statement of Financial Position

<i>June 30,</i>	2018	2017		2018	2017
	<i>(Comparative)</i>			<i>(Comparative)</i>	
Assets			Liabilities and Net Assets		
Current Assets:			Current Liabilities:		
Cash and cash equivalents	\$ 9,146,350	\$ 6,509,468	Accounts payable and accrued expenses	\$ 1,796,192	\$ 1,670,253
Contracts receivable, net	4,115,910	4,079,663	Accrued salaries and wages	3,570,943	3,216,479
Program service fees receivable, net	3,905,535	3,080,765	Funds held in trust for others	297,365	286,759
Other receivables	693,468	45,437	Deferred revenue	1,741,179	76,260
Prepaid expenses and other current assets	1,313,361	1,304,079	Current portion of capital lease obligations	87,545	18,950
Total Current Assets	19,174,624	15,019,412	Current maturities of long-term debt	370,868	372,141
Property and Equipment, net	15,636,008	15,637,057	Total Current Liabilities	7,864,092	5,640,842
Other Assets	176,613	170,143	Capital Lease Obligations, net of current portion	193,224	77,281
Total Assets	\$ 34,987,245	\$ 30,826,612	Long-term Debt, less current maturities, net of deferred financing costs	8,189,909	8,451,732
			Other Long-term Liabilities	6,635	6,635
			Total Liabilities	8,389,768	8,535,648
				16,253,860	14,176,490
			Commitments and Contingencies		
			Net Assets:		
			Unrestricted	15,702,362	13,921,626
			Temporarily restricted	3,031,023	2,728,496
			Total Net Assets	18,733,385	16,650,122
			Total Liabilities and Net Assets	\$ 34,987,245	\$ 30,826,612

See accompanying notes to financial statements.

Riverside Community Care, Inc.

Statement of Activities

Year ended June 30,	2018			2017
	Unrestricted	Temporarily Restricted	Totals	Totals <i>(Comparative)</i>
Revenues and Other Support:				
Program service fees, net of contractual allowances	\$ 29,739,867	\$ -	\$ 29,739,867	\$ 30,131,230
Provision for uncollectible accounts	(687,784)	-	(687,784)	(755,578)
Net program service fees	29,052,083	-	29,052,083	29,375,652
Contract revenue	42,892,186	-	42,892,186	39,686,655
Municipal revenue	1,503,302	-	1,503,302	1,291,215
Contributions	554,802	416,311	971,113	863,950
Other income	2,291,842	-	2,291,842	2,714,401
Net assets released from restrictions used in operations	363,784	(363,784)	-	-
Total Revenues and Other Support	76,657,999	52,527	76,710,526	73,931,873
Expenses:				
Salaries and wages	49,181,461	-	49,181,461	47,418,102
Employee benefits	9,548,325	-	9,548,325	8,569,358
Supplies and expenses	4,968,340	-	4,968,340	4,851,104
Purchased services	3,547,776	-	3,547,776	3,213,064
Occupancy	5,861,458	-	5,861,458	5,570,263
Transportation	1,522,533	-	1,522,533	1,456,264
Insurance	321,674	-	321,674	329,258
Interest expense	402,196	-	402,196	423,648
Depreciation and amortization	1,106,709	-	1,106,709	1,016,473
Total Expenses	76,460,472	-	76,460,472	72,847,534
Excess of Revenues and Other Support Over Expenses	197,527	52,527	250,054	1,084,339
Net assets transferred from Screening for Mental Health, Inc.	1,583,209	250,000	1,833,209	-
Nonoperating Gains (Losses):				
Gain on sale of property and equipment	-	-	-	236,522
Change in Net Assets	1,780,736	302,527	2,083,263	1,320,861
Net Assets, beginning of year	13,921,626	2,728,496	16,650,122	15,329,261
Net Assets, end of year	\$ 15,702,362	\$ 3,031,023	\$ 18,733,385	\$ 16,650,122

See accompanying notes to financial statements.

Riverside Community Care, Inc.

Statement of Functional Expenses

Year ended June 30,	Program Services							Support Services			2018 Total Expenses	2017 Total Expenses	
	Behavioral Health Services	Screening for Mental Health	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	\$ 13,476,699	\$ 123,719	\$ 274,103	\$ 9,454,988	\$ 9,330,075	\$ 11,477,497	\$ 3,521	\$ 44,140,602	\$ 4,853,095	\$ 187,764	\$5,040,859	\$ 49,181,461	\$ 47,418,102
Employee benefits	2,465,937	21,530	58,034	1,799,444	1,892,271	2,275,352	692	8,513,260	995,290	39,775	1,035,065	9,548,325	8,569,358
Supplies and expenses	890,710	94,454	13,264	1,451,223	783,303	911,910	6,928	4,151,792	594,090	222,458	816,548	4,968,340	4,851,104
Purchased services	1,098,676	8,639	125,751	804,261	90,830	1,383,580	1	3,511,738	35,854	184	36,038	3,547,776	3,213,064
Occupancy	1,237,892	16,560	7,997	928,210	2,279,214	927,437	15,472	5,412,782	445,895	2,781	448,676	5,861,458	5,570,263
Transportation	200,238	2,512	113	485,469	428,494	368,602	650	1,486,078	35,654	801	36,455	1,522,533	1,456,264
Insurance	91,895	596	783	46,241	55,945	58,374	1,575	255,409	65,225	1,040	66,265	321,674	329,258
Interest expense	51,804	881	21	136,161	118,537	59,248	21,226	387,878	14,317	1	14,318	402,196	423,648
Depreciation and amortization	242,461	3,680	832	279,320	281,028	174,281	47,270	1,028,872	77,480	357	77,837	1,106,709	1,016,473
Total Expenses	\$ 19,756,312	\$ 272,571	\$ 480,898	\$ 15,385,317	\$ 15,259,697	\$ 17,636,281	\$ 97,335	\$ 68,888,411	\$ 7,116,900	\$ 455,161	\$7,572,061	\$ 76,460,472	\$ 72,847,534

(Comparative)

See accompanying notes to financial statements.

Riverside Community Care, Inc.

Statement of Cash Flows

Year ended June 30,	2018	2017
		<i>(Comparative)</i>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,083,263	\$ 1,320,861
Adjustments to reconcile change in net assets to net cash provided by operations:		
Net Asset transfer from Screening for Mental Health, Inc.	(1,833,209)	-
Depreciation and amortization	1,106,709	1,016,473
Amortization of deferred financing costs	14,328	12,207
Provision for uncollectible accounts	687,784	755,578
Imputed net asset restriction	(154,339)	-
Imputed interest accretion	64,097	62,672
Gain on sale of property and equipment	-	(236,522)
Increase (decrease) in cash resulting from a change in:		
Contracts receivable	(36,247)	(347,250)
Program service fees receivable	(1,512,554)	(460,996)
Other receivables	(648,031)	(86,013)
Prepaid expenses and other current assets	(9,282)	(1,031,263)
Accounts payable and accrued expenses	125,939	(311,061)
Accrued salaries and wages	354,464	(1,844,519)
Funds held in trust for others	10,606	93,478
Deferred revenue	1,664,919	35,968
Net Cash Provided by (Used in) Operating Activities	1,918,447	(1,020,387)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(860,378)	(1,149,101)
Proceeds from sale of property and equipment	-	275,296
(Payments for) proceeds from security deposits	(6,470)	(15,258)
Net Cash Used in Investing Activities	(866,848)	(889,063)
Cash Flows from Financing Activities:		
Net asset transfer from Screening for Mental Health, Inc.	1,833,209	-
Principal payments on capital lease obligations	(60,744)	(4,222)
Proceeds from long-term debt	441,800	-
Payment of deferred financing costs	(19,250)	-
Principal payments on long-term debt	(609,732)	(371,166)
Net Cash Provided by (Used in) Financing Activities	1,585,283	(375,388)
Net Increase (Decrease) in Cash and Cash Equivalents	2,636,882	(2,284,838)
Cash and Cash Equivalents, beginning of year	6,509,468	8,794,306
Cash and Cash Equivalents, end of year	\$ 9,146,350	\$ 6,509,468
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 323,772	\$ 360,976
Non-Cash Transaction Related to Capital Lease Obligation	\$ 245,282	\$ 100,453

See accompanying notes to financial statements.

Riverside Community Care, Inc.

Notes to the Financial Statements

1. 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.

2. Summary of Significant Accounting Policies

Basis of 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.

Financial Statement Presentation

Net assets are classified into unrestricted, temporarily restricted, and permanently 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 classes of net assets are defined 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.
- Permanently restricted net assets are those that have been restricted by donors to be maintained in perpetuity. As of June 30, 2018, the Organization had no permanently restricted net assets.

Comparative Financial Information

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, 2017, 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

Riverside Community Care, Inc.

Notes to the Financial Statements

that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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

The Organization considers all short-term highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

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 their estimated useful lives, utilizing the straight-line method. Leasehold improvements are amortized over the estimated useful lives of the assets or lease term, if shorter. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Expenditures for maintenance and repairs are charged to operations, as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

<u>Assets</u>	<u>Useful Lives</u>
Building and improvements	20 - 40 years
Furnishings and equipment	5 - 10 years
Motor Vehicles	5 years

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Notes to the Financial Statements

Impairment of Long-lived Assets

ASC 360, "Property, Plant and Equipment," requires the Organization to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2018.

Deferred Financing Costs

Deferred financing costs are amortized over the term of the related loan. Amortization of these costs is provided on a straight-line basis, which approximates the effective method over the term of the related loan. Deferred financing costs are presented as a direct deduction from the carrying amount of the related debt.

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.

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.

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.

Riverside Community Care, Inc.

Notes to the Financial Statements

Other Income

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

Contributions

Contributions received, including pledges, are recorded as revenues at their fair values in the period received. 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 federal, state and local taxes under Section 501(c)(3) of the IRC and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, Riverside has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2018.

Under Accounting Standards Codification (ASC) 740, “Income Taxes”, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. Riverside does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. Riverside is subject to routine audits by taxing authorities. As of June 30, 2018, Riverside was not subject to any examinations by taxing authorities. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2015.

Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

New Accounting Pronouncements

Revenue From Contracts With Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The

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core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (“ROU”) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization’s fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization’s financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Business Acquisitions and Supplemental Cash Flow Information

Effective May 1, 2018, Riverside acquired the assets and assumed the liabilities of Screening for Mental Health, Inc., a Massachusetts non-profit corporation (“SMH”) whose mission envisions a world where mental health is viewed and treated with the same gravity as physical health. Its mission is to provide the public with mental health education, screening, and treatment sources. No consideration was provided by Riverside in connection with the acquisition.

Riverside Community Care, Inc.

Notes to the Financial Statements

This following is a summary of the assets acquired and liabilities assumed by Riverside:

Cash and cash equivalents	\$ 1,955,989
Property and equipment, net	89,812
Accounts receivable	176,264
Prepaid expense and security deposits	31,632
Accounts payable and accrued expense	(420,488)

Net assets recognized with acquisition	\$ 1,833,209
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4. Concentrations of Credit Risk

The Organization has a potential concentration of credit risk in that it occasionally 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, 2018, the Organization had \$101,711 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 contracts and program service fees receivable balances at June 30 as follows:

	2018	%	2017	%
Contracts Receivable, Commonwealth of Massachusetts:				
Department of Mental Health	\$ 1,689,231	41%	\$ 961,538	23%
Department of Developmental Services	1,423,436	34%	1,407,189	34%
Department of Public Health	228,026	5%	92,222	2%
Department of Children and Families	134,073	3%	241,175	6%
	3,474,766	83%	2,702,124	65%
Contracts Receivable, Other	681,309	17%	1,417,704	35%
	4,156,075	100%	4,119,828	100%
Less allowance for uncollectible accounts	40,165		40,165	
	\$ 4,115,910		\$ 4,079,663	

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Riverside Community Care, Inc.

Notes to the Financial Statements

	2018	%	2017	%
Program Service Fees Receivable:				
Commercial and other payers	\$ 2,604,501	56%	\$ 2,809,226	73%
Medicaid	944,282	20%	359,406	9%
Private	535,933	11%	216,757	6%
Blue Cross Blue Shield	370,484	8%	288,279	8%
Medicare	257,018	5%	156,158	4%
	4,712,218	100%	3,829,826	100%
Less allowance for uncollectible accounts	806,683		749,061	
	\$ 3,905,535		\$ 3,080,765	

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, 2018, 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, 2018 and 2017, were as follows for uninsured patients and patients who have third-party coverage.

	Third-Party Payors	Self-Pay	Total All Payors
Program Service Fees, net of contractual allowances and discounts June 30, 2018	\$ 29,065,726	\$ 674,141	\$ 29,739,867
Program Service Fees, net of contractual allowances and discounts June 30, 2017	\$ 29,307,017	\$ 824,213	\$ 30,131,230

5. Property and Equipment

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

	2018	2017
Buildings and improvements	\$ 18,727,118	\$ 18,316,759
Land	4,954,282	4,954,282
Furniture and equipment	2,244,852	1,344,027
Motor vehicles	129,281	129,281
Construction-in-progress	205,201	416,623
	26,260,734	25,160,972
Less accumulated depreciation and amortization	10,624,726	9,523,915
	\$ 15,636,008	\$ 15,637,057

Riverside Community Care, Inc.

Notes to the Financial Statements

Construction-in-progress consists of several ongoing projects with varying estimated completion dates, none of which include contractual commitments at June 30, 2018.

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, 2018, 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.

6. Line of Credit

The Organization maintains an agreement for a \$3,000,000 revolving line of credit with a financial institution. The line is renewable on December 31, 2018. Borrowings under this agreement are due on demand, and interest is payable monthly at the bank's prime rate plus .25% (5.25% and 4.5% at June 30, 2018 and 2017, respectively). The line of credit is secured by a first priority lien on all business assets. As of June 30, 2018 and 2017, the Organization had no amounts outstanding on the line of credit. The agreement is also subject to various financial and reporting covenants, with which Riverside is in compliance.

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Riverside Community Care, Inc.

Notes to the Financial Statements

7. Long-term Debt

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

	2018	2017
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 \$121,003.	\$ 121,467	\$ 115,702
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 \$173,735.	216,265	207,449
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.	9,790	13,729
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 \$98,684.	104,974	99,975
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due February 2048, secured by land. Face amount of \$201,800 reduced by imputed interest discount of \$154,339.	47,031	-
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 \$181,379.	163,013	155,225

Riverside Community Care, Inc.

Notes to the Financial Statements

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. Paid in full August 2017.	\$	-	\$	62,130
First mortgage note payable to a bank in monthly installments of \$957, including interest at 6.5%, through October 2033, secured by real estate.		110,940		115,060
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.		58,140		60,712
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.		180,446		188,591
First mortgage note payable to a bank in monthly installments of \$1,581, including interest at 5%, through June 2029, secured by real estate.		159,284		170,867
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 in December 2029, secured by real estate.		168,096		182,951
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 in November 2029, secured by real estate. Paid in full August 2017.		-		174,576
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 in November 2029, secured by real estate.		250,720		273,274
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.		278,927		301,817

Riverside Community Care, Inc.

Notes to the Financial Statements

First mortgage note payable to a bank in monthly installments of \$511, including interest at 6.25%, through July 2024, secured by real estate.	\$ 30,663	\$ 34,414
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 \$199,878.	162,760	155,033
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 \$317,476 reduced by imputed interest discount of \$172,037.	145,439	138,514
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 \$198,286 reduced by imputed interest discount of \$153,971.	44,315	42,509
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 \$229,801.	128,670	122,543
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 \$217,232. Secured by real estate.	134,001	127,620
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 \$301,717. Secured by real estate.	151,048	143,855

Riverside Community Care, Inc.

Notes to the Financial Statements

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.	\$	981,513	\$	1,082,181
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.		157,297		170,669
Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds Series 2016A payable in monthly installments of \$24,859, including variable interest at a rate of 3.7% at June 30, 2018, maturing December 2040, collateralized by real estate.		4,517,942		4,644,336
First mortgage note payable to a bank in monthly installments of \$1,280, including interest at 4.875%, through August 2047, secured by real estate.		237,022		-
Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds Series 2016B, fixed interest rate of 2.89%, maturing December 2040, monthly principal and interest payments of \$3,296, collateralized by real estate.		163,645		197,850
		8,793,708		9,051,882
Less current portion		370,868		372,141
Less deferred financing costs		232,931		228,009
		\$ 8,189,909		\$ 8,451,732

Future maturities of long-term debt are as follows:

Years ending June 30,

2019	\$	370,868	
2020		392,937	
2021		1,083,626	
2022		314,239	
2023		304,466	
Thereafter		6,327,572	
		\$ 8,793,708	

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. At June 30, 2018, Riverside was in compliance with all such covenants.

Riverside Community Care, Inc.

Notes to the Financial Statements

8. Capital Lease Obligations

Assets held under capital lease consisted of the following at June 30:

	2018	2017
Leased equipment	\$ 345,735	\$ 100,453
Less accumulated amortization	58,221	4,222
	\$ 287,514	\$ 96,231

Amortization expense relating to leased equipment included in depreciation and amortization expense for the years ended June 30, 2018 and 2017, amounted to \$58,221 and \$4,222, respectively.

The following is a schedule, by year, of the future minimum lease payments under the capital lease obligations and the net present value of the future minimum lease payments:

June 30,

2019	\$	96,336
2020		96,336
2021		70,594
2022		42,331
2023		5,597
Total minimum lease payments		311,194
Less amounts representing interest		30,425
Net present value of future minimum lease payments		280,769
Less current portion		87,545
	\$	193,224

9. Temporarily Restricted Net Assets

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

	2018	2017
Real property utilization	\$ 2,020,447	\$ 1,930,205
Program services	855,655	625,760
Newton affordable housing	80,000	80,000
Trauma / Suicide prevention	53,031	67,862
Medical records system	21,599	21,599
Event sponsorship	-	2,500
Program support	291	570
	\$ 3,031,023	\$ 2,728,496

Riverside Community Care, Inc.

Notes to the Financial Statements

Net assets released from restriction were released for the following purposes for the years ended June 30:

	2018	2017
Program services	\$ 259,365	\$ 195,898
Program support	490	-
Trauma / Suicide prevention	34,831	-
Real property utilization	64,098	62,672
Capacity development	-	10,000
Event sponsorship	5,000	2,500
	\$ 363,784	\$ 271,070

10. Retirement Plan

Riverside maintains a 403(b) defined contribution retirement plan under which all employees are eligible to participate upon hire. During 2018 and 2017, no contributions were made to the plan by the Organization.

11. 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 health and social service programs by contract with state agencies be subject to a revenue retention policy. Any surplus generated from contracts with the Commonwealth which exceeds 20% of the current year's Commonwealth revenues is subject to negotiated use or potential recoupment. Additionally, the Commonwealth requires that providers take steps to segregate state attributed surpluses which fall below 20% as a segregated account, which is presented in unrestricted net assets.

As of June 30, 2018, the Organization is not subject to any recoupment under the provisions of the Commonwealth's regulations.

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Riverside Community Care, Inc.

Notes to the Financial Statements

12. 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 \$33,229. Rent expense totaled \$3,783,829 and \$3,552,426 for the years ended June 30, 2018 and 2017, 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:

June 30,

2019	\$	1,743,964
2020		1,489,905
2021		1,211,904
2022		746,200
2023		503,710
		<hr/>
		\$ 5,695,683

13. 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, 2018, the Organization has made payments totaling approximately \$943,000. The remaining commitment was \$378,000 as of June 30, 2018.

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.

14. Subsequent Events

The Organization has evaluated subsequent events through November 14, 2018, which is the date the financial statements were available for issuance.

Riverside Community Care, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:				
Head Start	93.600	N/A	\$ -	\$ 1,320,879
Passed through the Trustees of Boston University NIH/National Institute of Mental Health - Mental Health Research Grants	93.242	4500001809	-	49,888
Passed through the Bradley Hospital NIH/National Institute of Mental Health - Mental Health Research Grants	93.242	Not Available	-	35,481
Passed through the Commonwealth of Massachusetts Department of Mental Health: Block Grants for Community Mental Health Services	93.958	4000-9401	-	1,508,454
Department of Public Health: Block Grant for Prevention and Treatment of Substance Abuse	93.959	4512-9069	-	773
Maternal and Child Health Services Block Grant to the States	93.994	4500-2000	-	106,247
Total U.S. Department of Health and Human Services			-	3,021,722
U.S. Department of Justice:				
Passed through Northeastern University Office of Victim Assistance: National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Not Available	-	5,019
U.S. Department of Housing and Urban Development:				
Passed through the City of Cambridge Community Development Block Grants/Entitlement Grants	14.218	Not Available	-	18,000
Passed through the City of Newton Community Development Block Grants/Entitlement Grants	14.218	3401	-	40,000
Total U.S. Department of Housing and Urban Development			-	58,000
U.S. Department of Education:				
Passed through the Commonwealth of Massachusetts Department of Public Health: Special Education-Grants for Infants and Families	84.181	4513-9021	-	156,424
U.S. Department of Agriculture:				
Passed through the Commonwealth of Massachusetts Department of Education: Child Nutrition Cluster: National School Lunch Program	10.555	7053-2117	-	\$ 438
Child and Adult Care Food Program	10.558	7053-2117	-	1,089
Total Expenditures of Federal Awards			\$ -	\$ 3,242,692

The accompanying notes are an integral part of this schedule.

Riverside Community Care, Inc.

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Riverside Community Care, Inc. under programs of the federal government for the year ended June 30, 2018. The information in the 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 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.

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.

3. Indirect Cost Rate

Riverside Community Care, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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, 2018, 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, 2018.

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 from 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.

BDO USA, LLP

November 14, 2018



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, 2018. 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 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, 2018.

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, 2018

Riverside Community Care, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	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?	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
93.958	Block Grants for Community Mental Health Services

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 Year Ended June 30, 2018

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.