

RIVERSIDE COMMUNITY CARE, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**
YEARS ENDED JUNE 30, 2019 AND 2018



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**RIVERSIDE COMMUNITY CARE, INC.
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INDEPENDENT AUDITORS' REPORT

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. (Riverside or the Organization), which comprises the statement of financial position as of June 30, 2019, 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.

Auditors' 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. 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 auditors' 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, 2019, 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.

Effect of Adopting New Accounting Standard

As described in Note 2, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

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.

Prior Year Information

The 2018 financial statements for Riverside Community Care, Inc. were audited by other auditors whose report dated November 14, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Riverside Community Care, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riverside Community Care, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
November 14, 2019

RIVERSIDE COMMUNITY CARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,092,638	\$ 9,146,350
Contracts Receivable, Net	5,454,636	4,115,910
Program Service Fees Receivable, Net	4,898,325	3,905,535
Current Portion of Contributions Receivable	175,000	-
Other Receivables	722,176	693,468
Prepaid Expenses and Other Current Assets	1,320,315	1,313,361
Total Current Assets	18,663,090	19,174,624
CONTRIBUTIONS RECEIVABLE, Net	225,000	-
PROPERTY AND EQUIPMENT, Net	22,544,241	15,636,008
INVESTMENTS	175,293	-
OTHER ASSETS	163,678	176,613
Total Assets	\$ 41,771,302	\$ 34,987,245
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,805,144	\$ 1,796,192
Accrued Salaries and Wages	3,457,606	3,570,943
Funds Held in Trust for Others	415,620	297,365
Deferred Revenue	937,899	1,741,179
Current Portion of Capital Lease Obligations	90,013	87,545
Current Maturities of Long-Term Debt	393,491	370,868
Total Current Liabilities	8,099,773	7,864,092
CAPITAL LEASE OBLIGATIONS, Net of Current Portion	104,072	193,224
LONG-TERM DEBT, Less Current Maturities, Net of Deferred Financing Costs	8,735,853	8,189,909
OTHER LONG-TERM LIABILITIES	5,000	6,635
Total Liabilities	16,944,698	16,253,860
NET ASSETS		
Without Donor Restrictions	21,316,844	15,702,362
With Donor Restrictions	3,509,760	3,031,023
Total Net Assets	24,826,604	18,733,385
Total Liabilities and Net Assets	\$ 41,771,302	\$ 34,987,245

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Program Service Fees, Net of Contractual Allowances	\$ 27,726,364	\$ -	\$ 27,726,364
Provision for Uncollectible Accounts	(758,347)	-	(758,347)
Net Program Service Fees	26,968,017	-	26,968,017
Contract Revenue	45,960,782	-	45,960,782
Municipal Revenue	1,551,744	-	1,551,744
Contributions	469,699	906,416	1,376,115
Other Income	5,370,347	-	5,370,347
Net Assets Released from Restrictions Used in Operations	602,972	(602,972)	-
Total Revenues and Other Support	80,923,561	303,444	81,227,005
EXPENSES			
Salaries and Wages	50,106,793	-	50,106,793
Employee Benefits	10,280,778	-	10,280,778
Supplies and Expenses	6,440,305	-	6,440,305
Purchased Services	5,108,018	-	5,108,018
Occupancy	5,754,428	-	5,754,428
Transportation	1,660,249	-	1,660,249
Insurance	342,357	-	342,357
Interest Expense	415,981	-	415,981
Depreciation and Amortization	1,243,264	-	1,243,264
Total Expenses	81,352,173	-	81,352,173
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES	(428,612)	303,444	(125,168)
Net Gain on Sale of Property and Equipment	482,122	-	482,122
Unrealized Gain on Investments	-	5,598	5,598
Net Assets Transferred from Acquired Nonprofit Organizations	5,560,972	169,695	5,730,667
CHANGE IN NET ASSETS	5,614,482	478,737	6,093,219
Net Assets - Beginning of Year	15,702,362	3,031,023	18,733,385
NET ASSETS - END OF YEAR	\$ 21,316,844	\$ 3,509,760	\$ 24,826,604

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Program Service Fees, Net of Contractual Allowances	\$ 29,739,867	\$ -	\$ 29,739,867
Provision for Uncollectible Accounts	(687,784)	-	(687,784)
Net Program Service Fees	29,052,083	-	29,052,083
Contract Revenue	42,892,186	-	42,892,186
Municipal Revenue	1,503,302	-	1,503,302
Contributions	554,802	416,311	971,113
Other Income	2,291,842	-	2,291,842
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
EXPENSES			
Salaries and Wages	49,181,461	-	49,181,461
Employee Benefits	9,548,325	-	9,548,325
Supplies and Expenses	4,968,340	-	4,968,340
Purchased Services	3,547,776	-	3,547,776
Occupancy	5,861,458	-	5,861,458
Transportation	1,522,533	-	1,522,533
Insurance	321,674	-	321,674
Interest Expense	402,196	-	402,196
Depreciation and Amortization	1,106,709	-	1,106,709
Total Expenses	76,460,472	-	76,460,472
EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES	197,527	52,527	250,054
Net Assets Transferred from Acquired Nonprofit Organizations	1,583,209	250,000	1,833,209
CHANGE IN NET ASSETS	1,780,736	302,527	2,083,263
Net Assets - Beginning of Year	13,921,626	2,728,496	16,650,122
NET ASSETS - END OF YEAR	\$ 15,702,362	\$ 3,031,023	\$ 18,733,385

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services							Support Services				
	Behavioral Health Services	Screening for Mental Health	Integrated Services	Development and Cognitive Disabilities	Community Living Services	Child and Family Services	Special Projects	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Salaries and Wages	\$ 13,188,758	\$ 877,893	\$ -	\$ 10,687,707	\$ 9,376,524	\$ 11,186,706	\$ 2,804	\$ 45,320,392	\$ 4,591,669	\$ 194,732	\$ 4,786,401	\$ 50,106,793
Employee Benefits	2,518,361	191,952	-	2,109,457	2,020,764	2,372,065	584	9,213,183	1,024,274	43,321	1,067,595	10,280,778
Supplies and Expenses	1,008,197	409,760	-	1,571,561	968,027	1,172,891	35,190	5,165,626	1,072,333	202,346	1,274,679	6,440,305
Purchased Services	2,900,441	11,695	-	868,747	83,008	1,226,800	5	5,090,696	14,061	3,261	17,322	5,108,018
Occupancy	973,522	112,918	-	1,059,903	2,284,401	832,020	78,512	5,341,276	413,141	11	413,152	5,754,428
Transportation	180,849	43,709	-	579,320	483,839	338,638	1,247	1,627,602	31,392	1,255	32,647	1,660,249
Insurance	77,610	1,611	-	67,272	58,703	46,106	10,074	261,376	80,511	470	80,981	342,357
Interest Expense	42,140	2,285	-	156,540	80,201	68,234	50,543	399,943	16,034	4	16,038	415,981
Depreciation and Amortization	230,183	52,260	-	300,278	220,794	187,805	171,528	1,162,848	79,926	490	80,416	1,243,264
Total Expenses	\$ 21,120,061	\$ 1,704,083	\$ -	\$ 17,400,785	\$ 15,576,261	\$ 17,431,265	\$ 350,487	\$ 73,582,942	\$ 7,323,341	\$ 445,890	\$ 7,769,231	\$ 81,352,173

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services							Support Services			Total Expenses	
	Behavioral Health Services	Screening for Mental Health	Integrated Services	Development and Cognitive Disabilities	Community Living Services	Child and Family Services	Special Projects	Total Program Services	General and Administrative	Fundraising		Total Support Services
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
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
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
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
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
Transportation	200,238	2,512	113	485,469	428,494	368,602	650	1,486,078	35,654	801	36,455	1,522,533
Insurance	91,895	596	783	46,241	55,945	58,374	1,575	255,409	65,225	1,040	66,265	321,674
Interest Expense	51,804	881	21	136,161	118,537	59,248	21,226	387,878	14,317	1	14,318	402,196
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
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

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,093,219	\$ 2,083,263
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Asset Transfer from Acquired Nonprofit Organizations	(5,730,667)	(1,833,209)
Depreciation and Amortization	1,243,264	1,106,709
Amortization of Deferred Financing Costs	14,074	14,328
Provision for Uncollectible Accounts	758,347	687,784
Imputed Net Asset Restriction	-	(154,339)
Unrealized Gain on Investments	(5,598)	-
Imputed Interest Accretion	68,983	64,097
Gain on Sale of Property and Equipment	(482,122)	-
Changes in Cash Resulting from a Change in:		
Contract Receivable	(1,338,726)	(36,247)
Program Service Fees Receivable	(1,751,137)	(1,512,554)
Other Receivables	(28,708)	(648,031)
Contributions Receivable	(400,000)	-
Prepaid Expenses and Other Current Assets	(6,954)	(9,282)
Accounts Payable and Accrued Expenses	30,628	125,939
Accrued Salaries and Wages	(113,337)	354,464
Funds Held in Trust for Others	118,255	10,606
Deferred Revenue	(803,280)	1,664,919
Other Long-Term Liabilities	(1,635)	-
Net Cash Provided (Used) by Operating Activities	(2,335,394)	1,918,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,805,170)	(860,378)
Proceeds from Sale of Property and Equipment	635,795	-
(Payments for) Proceeds from Security Deposits	12,935	(6,470)
Net Cash Used by Investing Activities	(1,156,440)	(866,848)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Asset Transfer from Acquired Nonprofit Organizations	39,295	1,833,209
Principal Payments on Capital Lease Obligations	(86,684)	(60,744)
Proceeds from Long-Term Debt	899,469	441,800
Payment of Deferred Financing Costs	(32,121)	(19,250)
Principal Payments on Long-Term Debt	(381,837)	(609,732)
Net Cash Provided by Financing Activities	438,122	1,585,283
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,053,712)	2,636,882
Cash and Cash Equivalents - Beginning of Year	9,146,350	6,509,468
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,092,638	\$ 9,146,350
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 336,558	\$ 323,772
Noncash Transactional Related to Capital Lease Obligation	\$ -	\$ 245,282

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 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 nonprofit 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 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. The Organization had no Level 2 assets or liabilities as of June 30, 2019 and 2018.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. The Organization had no Level 3 assets or liabilities as of June 30, 2019 and 2018.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

Investments and Investment Income

Investments in equity securities and mutual funds with readily determinable fair values, investments in exchange traded funds, and investments in debt securities are measured at their fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless donor or law restricts the income or loss. Unrealized gains and losses on investments are excluded from revenues in excess (deficit) of expenses. The fair value of investments has been determined primarily by quoted market prices at the statement of financial position date.

Declines in fair market values below original cost of individual securities are evaluated to determine if the declines are other than temporary impairments. Changes in the economic environment, earnings performance, general market conditions, and the investor's ability to hold a security until the market recovers are indicators that are used. If the impairment is determined to be other than temporary, an impairment loss is recognized and the fair value of the investment becomes the new cost.

Realized and unrealized gains and losses on investments relating to investments with donor restrictions are added to or deducted from net assets with donor restrictions, depending on the type of restriction.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, as follows:

Buildings and Improvements	20 – 40 Years
Furnishings and Equipment	5 – 10 Years
Motor Vehicles	5 Years

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 2019 or 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.

**RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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.

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. Other income consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Program Fees	\$ 1,467,542	\$ 1,314,651
Section 8 Program Fees	173,477	195,672
Food Stamp Revenue	34,069	55,381
MindWise Revenue	1,346,518	181,625
Pass-Through Revenue	2,076,969	191,695
Interest Revenue	29,487	4,640
Other Revenues	242,285	348,178
Total	<u>\$ 5,370,347</u>	<u>\$ 2,291,842</u>

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are directly allocated to program or support services whenever possible. Other shared expenses are allocated based on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of time and effort. The expenses that are allocated are the portions of depreciation and interest expense that are not directly attributable to specific programs or services. These expenses are allocated on a square footage basis.

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, 2019 or 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, 2019 or 2018, Riverside was not subject to any examinations by taxing authorities.

Reclassifications

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

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

The Service has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. Adoption of the new standard had no effect on the previously reported total change in net assets or net assets balance.

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 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.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made

In June 2018, FASB issued an ASU to clarify and improve accounting guidance for contributions received and made (ASU 2018-08). The ASU provides guidance on distinguishing between contributions and exchange transactions. If a contribution is unconditional, the entity must determine whether it is donor restricted for limited purpose or timing. These contributions should be recognized immediately and classified as net assets with or without donor restrictions. If a contribution is conditional and assets are received in advance, the entity should record a liability and not recognize revenue until conditions are met. Guidance is further provided regarding reciprocal and nonreciprocal transactions. If both parties receive similar value, the transaction is considered reciprocal.

For nonreciprocal transactions, an entity must determine the conditions needed to be made. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Service for the year ended June 30, 2020. Management continues to evaluate the impact of the adoption of this standard, but based on the latest industry guidance, management believes this standard will not have a material impact on the financial statements.

**RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

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, 2020, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2019, the date the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 6,092,638	\$ 9,146,350
Contracts Receivable, Net	5,454,636	4,115,910
Program Service Fees Receivable, Net	4,898,325	3,905,535
Current Portion of Contributions Receivable	175,000	-
Other Receivables	722,176	693,468
Total	\$ 17,342,775	\$ 17,861,263

As a part of the Organization's liquidity management plan, it maintains a line of credit totaling \$1,000,000 with a financial institution (see Note 8). As of June 30, 2019, \$898,909 remained available to on the Organization's line of credit.

NOTE 4 BUSINESS ACQUISITIONS AND SUPPLEMENTAL CASH FLOW INFORMATION

Effective November 30, 2018, Riverside acquired the assets and assumed the liabilities of The Somerville Home, Inc., a Massachusetts nonprofit corporation whose mission had been to provide residential home care services. These services ceased to be provided upon the acquisition, and the Organization is in the process of substantially renovating the facility for use as a future service location. No consideration was provided by Riverside in connection with the acquisition. All assets and liabilities acquired were recorded at their fair value.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 4 BUSINESS ACQUISITIONS AND SUPPLEMENTAL CASH FLOW INFORMATION
(CONTINUED)**

Effective May 1, 2018, Riverside acquired the assets and assumed the liabilities of Screening for Mental Health, Inc., a Massachusetts nonprofit 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. All assets and liabilities acquired were recorded at their fair value.

This following is a summary of the assets acquired and liabilities assumed by Riverside for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 39,295	\$ 1,955,989
Property and Equipment, Net	6,500,000	89,812
Accounts Receivable	-	176,264
Prepaid Expense and Security Deposits	-	31,632
Investments	169,695	-
Accounts Payable and Accrued Expense	<u>(978,323)</u>	<u>(420,488)</u>
Net Assets Recognized with Acquisition	<u>\$ 5,730,667</u>	<u>\$ 1,833,209</u>

NOTE 5 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, 2019, the Organization had \$6,406,212 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:

	<u>2019</u>	<u>Percent</u>	<u>2018</u>	<u>Percent</u>
Contract Receivable, Commonwealth of Massachusetts:				
Department of Mental Health	\$ 2,418,110	44%	\$ 1,689,231	41%
Department of Developmental Services	1,866,267	34%	1,423,436	34%
Department of Public Health	319,417	6%	228,026	5%
Department of Children and Families	116,207	2%	134,073	3%
Subtotal	<u>4,720,001</u>	86%	<u>3,474,766</u>	83%
Contracts Receivable, Other	754,635	14%	681,309	17%
Subtotal	<u>5,474,636</u>	100%	<u>4,156,075</u>	100%
Less: Allowance for Uncollectible Accounts	20,000		40,165	
Total	<u>\$ 5,454,636</u>		<u>\$ 4,115,910</u>	

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

	<u>2019</u>	<u>Percent</u>	<u>2018</u>	<u>Percent</u>
Program Service Fees Receivable:				
Commercial and Other Payers	\$ 1,213,367	22%	\$ 2,604,501	55%
Medicaid	3,080,718	56%	944,282	20%
Private	629,507	11%	535,933	11%
Blue Cross Blue Shield	572,137	10%	370,484	8%
Medicare	-	0%	257,018	5%
Subtotal	<u>5,495,729</u>	100%	<u>4,712,218</u>	100%
Less: Allowance for Uncollectible Accounts	<u>597,404</u>		<u>806,683</u>	
Total	<u><u>\$ 4,898,325</u></u>		<u><u>\$ 3,905,535</u></u>	

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, 2019, 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, 2019 and 2018, 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, 2019	<u>\$ 26,101,330</u>	<u>\$ 866,687</u>	<u>\$ 26,968,017</u>
Program Service Fees, Net of Contractual Allowances and Discounts June 30, 2018	<u>\$ 29,065,726</u>	<u>\$ 674,141</u>	<u>\$ 29,739,867</u>

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contribution receivables as of June 30 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Endowment Net Assets - Beginning of Year	\$ -	\$ -
Contributions	169,695	-
Net Appreciation, Net of Fees	5,598	-
Endowment Net Assets - End of Year	<u>\$ 175,293</u>	<u>\$ -</u>

No discount or allowance were recorded as the amount is considered immaterial and management considers the above receivables fully collectible.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 24,172,482	\$ 18,727,118
Land	6,835,119	4,954,282
Furniture and Equipment	2,571,458	2,244,852
Motor Vehicles	129,281	129,281
Construction-in-Progress	433,903	205,201
Subtotal	<u>34,142,243</u>	<u>26,260,734</u>
Less: Accumulated Depreciation and Amortization	<u>11,598,002</u>	<u>10,624,726</u>
Total	<u>\$ 22,544,241</u>	<u>\$ 15,636,008</u>

Construction-in-progress consists of several ongoing projects with varying estimated completion dates, none of which include contractual commitments at June 30, 2019.

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, 2019, 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 8 LINE OF CREDIT

The Organization maintains an agreement for a \$1,000,000 revolving line of credit with a financial institution. The line is renewable on December 31, 2019. Borrowings under this agreement are due on demand, and interest is payable monthly at the bank's prime rate plus 0.25% (5.75% and 5.25% at June 30, 2019 and 2018, respectively). The line of credit is secured by a first priority lien on all business assets. As of June 30, 2019, \$898,909 remained available to draw on the Organization's line of credit. The agreement is also subject to various financial and reporting covenants, with which Riverside is in compliance.

**RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 LONG-TERM DEBT

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due to 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.	\$ 127,541	\$ 121,467
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.	225,425	216,265
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.	6,039	9,790
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.	110,240	104,974
Construction loan with a principal balance not to exceed \$4,335,000, and interest fixed annually at the Federal Home Loan Bank of Boston 5-year Advance Rate. Monthly payments of interest only until July 8, 2020, and subsequent equal monthly payment of principal interest. Loan matures on February 8, 2044. The note is secured by real estate.	899,469	-

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>2019</u>	<u>2018</u>
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.	\$ 49,382	\$ 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.	171,163	163,013
First mortgage note payable to a bank in monthly installments of \$957, including interest at 6.5%, through October 2033. secured by real estate.	106,545	110,940
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.	55,413	58,140
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.	171,775	180,446
First mortgage note payable to a bank in monthly installments of \$1,581, including interest at 5%, through June 2029, secured by real estate.	148,024	159,284
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.	153,239	168,096

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>2019</u>	<u>2018</u>
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 3% to be reset at each five-year anniversary through maturity in November 2029, secured by real estate.	\$ 226,949	\$ 250,720
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.	254,351	278,927
First mortgage note payable to a bank in monthly installments of \$511, including interest at 6.25%, through July 2024, secured by real estate.	26,321	30,663
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.	170,896	162,760
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.	152,711	145,439
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.	46,199	44,315
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.	135,104	128,670

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>2019</u>	<u>2018</u>
First mortgage note payable to the Newton Community Development Authority, with 0% stated interest rate, due November 2054. Secured by real estate.	\$ 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.	140,701	134,001
Promissory note payable to Community Economic Development Assistance Corporation, imputed interest at 5%, due January 2038. Face amount \$452,765 reduced by imputed interest discount of \$301,717. Secured by real estate.	158,600	151,048
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.	880,845	981,513
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.	144,640	157,297
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.	4,386,734	4,517,942
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.	233,291	237,022
Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds Series 2016B, fixed interest rate 2.89%, maturing December 2040, monthly principal and interest payments of \$3,296, collateralized by real estate.	<u>128,425</u>	<u>163,645</u>
Subtotal	9,380,322	8,793,708
Less: Current Portion	393,491	370,868
Less: Unamortized Deferred Financing Costs	<u>250,978</u>	<u>232,931</u>
Total	<u>\$ 8,735,853</u>	<u>\$ 8,189,909</u>

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 393,491
2021	1,109,796
2022	343,582
2023	334,887
2024	332,177
Thereafter	6,866,389
Total	<u>\$ 9,380,322</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. At June 30, 2019, Riverside believes that it is in compliance with all debt covenants.

NOTE 10 CAPITAL LEASE OBLIGATIONS

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

	<u>2019</u>	<u>2018</u>
Leased Equipment	\$ 338,874	\$ 345,735
Less: Accumulated Amortization	110,213	58,221
Total	<u>\$ 228,661</u>	<u>\$ 287,514</u>

Amortization expense relating to leased equipment included in depreciation and amortization expense for the years ended June 30, 2019 and 2018, amounted to \$51,992 and \$58,221, 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:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 90,013
2021	62,730
2022	39,002
2023	2,340
Total Minimum Lease Payments	<u>\$ 194,085</u>

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 were available to be used for the following:

	2019	2018
Donor Restricted Net Assets Not Invested in Perpetuity:		
Real Property Utilization	\$ 1,951,611	\$ 2,020,447
Program Services	854,396	855,655
Newton Affordable Housing	80,000	80,000
Trauma/Suicide Prevention	32,796	53,031
Medical Records System	15,664	21,599
Program Support	-	291
Accumulated Earnings on Endowment	5,598	-
Time Restricted	400,000	-
Total	\$ 3,340,065	\$ 3,031,023
	2019	2018
Donor Restricted Net Assets Investment in Perpetuity:		
Endowment Fund	\$ 169,695	\$ -
Total	\$ 169,695	\$ -

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

	2019	2018
Program Services	\$ 495,028	\$ 259,365
Program Support	293	490
Trauma/Suicide Prevention	32,735	34,831
Real Property Utilization	68,981	64,098
Medical Records Systems Funding	5,935	-
Event Sponsorship	-	5,000
Total	\$ 602,972	\$ 363,784

NOTE 12 ENDOWMENT

The board of directors has interpreted Massachusetts General Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization would classify, upon receipt of donor restricted endowment funds, as net assets with donor restrictions invested in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 12 ENDOWMENT (CONTINUED)

The Organization considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institutions, and (7) the investment policy of the institution.

Endowment donor-restricted net assets consisted of \$169,695 as of June 30, 2019. There was no endowment net assets as of June 30, 2018.

Changes in endowment net assets are as follows:

	<u>2019</u>	<u>2018</u>
Endowment Net Assets - Beginning of Year	\$ -	\$ -
Contributions	169,695	-
Net Appreciation, Net of Fees	5,598	-
Endowment Net Assets - End of Year	<u>\$ 175,293</u>	<u>\$ -</u>

The Organization did not appropriate any accumulated appreciation on the net assets with donor restrictions in 2019.

NOTE 13 RETIREMENT PLAN

Riverside maintains a 403(b) defined contribution retirement plan under which all employees are eligible to participate upon hire. During 2019 and 2018, no contributions were made to the plan by the Organization.

NOTE 14 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 \$3,789,062 and \$3,783,829 for the years ended June 30, 2019 and 2018, respectively.

The following is a schedule of future minimum rental payments under noncancelable lease agreements which have remaining terms in excess of one year:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 2,402,814
2021	1,811,128
2022	1,604,910
2023	1,306,545
2024	690,714
Thereafter	4,069,944
Total	<u>\$ 11,886,055</u>

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 15 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 \$1,315,000 to be made over the seven-year term. As of June 30, 2019, the Organization has made payments totaling approximately \$1,209,000. The remaining commitment was \$106,000 as of June 30, 2019.

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.

NOTE 16 FAIR VALUE OF FINANCIAL MEASUREMENTS AND INVESTMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value measurement is based on quoted market prices. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies.

The following table presents the Organization’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>2019</u>				
Investments:				
Equity Securities	\$ 90,520	\$ 90,520	\$ -	\$ -
Subtotal	<u>\$ 90,520</u>	<u>\$ 90,520</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Equivalents	<u>\$ 84,773</u>			
Total Investments	<u>\$ 175,293</u>			

The Organization did not have any assets measured at fair value on a recurring basis as of June 30, 2018.

RIVERSIDE COMMUNITY CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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	\$ -	\$ 1,291,249
Passed through the Trustees of Boston University:				
NIH/National Institute of Mental Health - Mental Health Research Grants	93.242	4500001809	-	9,437
Passed through the Bradley Hospital:				
NIH/National Institute of Mental Health - Mental Health Research Grants	93.242	Not Available	-	29,788
Passed through the Commonwealth of Massachusetts:				
Department of Mental Health:				
Block Grants for Community Mental Health Services	93.958	4000-9401	-	2,072,856
Project Grants for Substance Abuse and Mental Health Services; Projects of Regional and National Significance	93.243	5012-9176	-	34,569
Department of Public Health:				
Maternal and Child Health Services Block Grant to the States	93.994	4500-2000	-	119,425
<i>Total U.S. Department of Health and Human Services</i>			-	3,557,324
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	-	4,794
Passed through the Commonwealth of Massachusetts:				
Office of Victim Assistance:				
Formula Grant for Crime Victim Assistance	16.575	Not Available	-	111,723
U.S. Department of Housing and Urban Development:				
Passed through the City of Cambridge:				
Community Development Block Grants/Entitlement Grants	14.218	Not Available	-	28,080
Passed through City of Newton:				
Community Development Block Grants/Entitlement Grants	14.218	3401	-	36,025
<i>Total U.S. Department of Housing and Urban Development</i>			-	64,105
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	-	160,512
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	-	319
Child and Adult Care Food Program	10.558	7053-2117	-	13
<i>Total U.S. Department of Education</i>			-	332
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,898,790</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

RIVERSIDE COMMUNITY CARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 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, 2019. 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.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

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

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, 2019, 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, 2019.

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.



CliftonLarsonAllen LLP

Charlotte, North Carolina
November 14, 2019



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

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, 2019. 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, 2019.

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.



CliftonLarsonAllen LLP

Charlotte, North Carolina
November 14, 2019

**RIVERSIDE COMMUNITY CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

93.958

Name of Federal Program or Cluster

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?

 x yes _____ no

**RIVERSIDE COMMUNITY CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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