ASCENTRIA COMMUNITY SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2017 AND 2016

ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ascentria Community Services, Inc. and Subsidiary
Worcester, Massachusetts

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ascentria Community Services, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses, for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascentria Community Services, Inc. and Subsidiary as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of Ascentria Community Services, Inc. and Subsidiary'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 result of that testing, and not to provide an opinion on the effectiveness of Ascentria Community Services, Inc. and Subsidary'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 Ascentria Community Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 14, 2017

ASCENTRIA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ -	$ 69,841
Accounts Receivable, Net of Estimated Uncollectible Accounts	2,989,796	3,550,336
Prepaid Expenses	88,979	73,588
Total Current Assets	3,078,775	3,693,765
ASSETS LIMITED AS TO USE		
Beneficial Interest in Net Assets of Related Party	653,803	766,424
PROPERTY AND EQUIPMENT		
Land	45,314	45,314
Building	85,798	85,798
Building Improvements	953,881	869,173
Leasehold Improvements	234,664	234,664
Furniture and Equipment	224,295	232,050
Vehicles	217,578	264,561
Equipment Held Under Capital Lease	438,600	438,600
Computer Equipment and Software	143,313	143,313
Total	2,343,443	2,313,473
Less: Accumulated Depreciation	1,550,420	1,496,599
Total Property and Equipment	793,023	816,874
DUE FROM RELATED PARTIES	54,959	522,666
OTHER ASSETS		
Deposits	134,846	58,546
Construction in Progress	-	84,708
Total Other Assets	134,846	143,254
Total Assets	$ 4,715,406	$ 5,942,983

LIABILITIES AND NET ASSETS	2017	2016
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 33,161	$ 31,404
Accounts Payable	473,954	520,858
Accrued Expenses	779,532	999,243
Deferred Revenue	251,052	170,711
Due to the State of Maine	82,036	14,137
Due to Third Party	-	232
Total Current Liabilities	1,619,735	1,736,585
LONG-TERM DEBT, Net of Current Maturities	505,995	538,943
Total Liabilities	2,125,730	2,275,528
NET ASSETS		
Unrestricted	1,861,321	2,833,644
Temporarily Restricted	728,355	833,811
Total Net Assets	2,589,676	3,667,455
Total Liabilities and Net Assets	$ 4,715,406	$ 5,942,983

ASCENTRIA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS REVENUE		
Program Service Revenue:		
Public Sources	$ 28,892,718	$ 31,563,506
Private Sources	4,316,699	3,875,330
Total Program Service Revenue	33,209,417	35,438,836
OTHER INCOME		
Net Assets Released from Restriction Used for Operations	219,468	263,494
Other Income	547,785	354,585
Total Other income	767,253	618,079
Total Revenue	33,976,670	36,056,915
EXPENSES		
Salaries and Wages	17,452,583	18,097,064
Employee Benefits	3,569,260	3,834,421
Program Expenses	4,955,425	5,246,892
Professional Fees	104,382	86,566
Occupancy Costs	1,814,514	1,847,895
Operating Supplies and Expenses	896,042	1,134,278
Administrative Costs	5,274,837	4,913,309
Travel Expenses	708,162	802,185
Custodial Fees	7,166	10,239
Depreciation and Amortization	106,004	117,249
Bad Debt Expense	19,173	42,725
Interest	38,718	38,640
Total Expenses	34,946,266	36,171,463
OPERATING LOSS	(969,596)	(114,548)
NONOPERATING ACTIVITY		
Gain (Loss) on Sale of Property and Equipment	(2,727)	110,865
Equity Transfers, Net	-	211,244
Total Nonoperating Activity	(2,727)	322,109
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (972,323)	$ 207,561

ASCENTRIA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Total
BALANCE - JUNE 30, 2015	$ 2,626,083	$ 656,242	$ 3,282,325
Increase in Unrestricted Net Assets	207,561	-	207,561
Change in Beneficial Interest in Net Assets of Related Party	-	441,063	441,063
Net Assets Released from Restrictions - Operations	-	(263,494)	(263,494)
Change in Net Assets	207,561	177,569	385,130
BALANCE - JUNE 30, 2016	2,833,644	833,811	3,667,455
Decrease in Unrestricted Net Assets	(972,323)	-	(972,323)
Change in Beneficial Interest in Net Assets of Related Party	-	114,012	114,012
Net Assets Released from Restrictions - Operations	-	(219,468)	(219,468)
Change in Net Assets	(972,323)	(105,456)	(1,077,779)
BALANCE - JUNE 30, 2017	$ 1,861,321	$ 728,355	$ 2,589,676

ASCENTRIA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
		Program Services	Supporting Services	
	Total	Program Services	Management and General	Fundraising
Salaries and Wages	$ 17,452,583	$ 17,171,766	$ 280,817	$ -
Employee Benefits	3,569,260	3,514,964	54,296	-
Program Expenses	4,955,425	4,933,108	22,317	-
Professional Fees	104,382	98,625	5,757	-
Occupancy Costs	1,814,514	1,552,792	261,722	-
Operating Supplies and Expenses	896,042	853,240	42,802	-
Administrative Costs	5,274,837	-	5,274,837	-
Travel Expenses	708,162	698,656	9,506	-
Custodial Fees	7,166	-	-	7,166
Interest	38,718	38,718	-	-
Bad Debt Expenses	19,173	19,173	-	-
Total Before Depreciation and Amortization	34,840,262	28,881,042	5,952,054	7,166
Depreciation and Amortization	106,004	105,461	543	-
Total Functional Expenses	$ 34,946,266	$ 28,986,503	$ 5,952,597	$ 7,166

	2016			
		Program Services	Supporting Services	
	Total	Program Services	Management and General	Fundraising
Salaries and Wages	$ 18,097,064	$ 17,829,214	$ 267,850	$ -
Employee Benefits	3,834,421	3,774,464	59,957	-
Program Expenses	5,246,892	5,219,291	27,601	-
Professional Fees	86,566	84,047	2,519	-
Occupancy Costs	1,847,895	1,593,858	254,037	-
Operating Supplies and Expenses	1,134,278	1,031,241	103,037	-
Administrative Costs	4,913,309	-	4,913,309	-
Travel Expenses	802,185	791,993	10,192	-
Custodial Fees	10,239	-	-	10,239
Interest	38,640	38,640	-	-
Bad Debt Expenses	42,725	42,725	-	-
Total Before Depreciation and Amortization	36,054,214	30,405,473	5,638,502	10,239
Depreciation and Amortization	117,249	108,691	8,558	-
Total Functional Expenses	$ 36,171,463	$ 30,514,164	$ 5,647,060	$ 10,239

ASCENTRIA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (1,077,779)	$ 385,130
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	106,004	117,249
Bad Debts	19,173	42,725
Gain (Loss) on Sale of Property and Equipment	2,727	(110,865)
Change in Beneficial Interest in Net Assets of Related Party	(114,012)	(441,063)
Noncash Equity Transfers	-	(418,434)
(Increase) Decrease in Assets:		
Accounts Receivable	541,367	246,886
Prepaid Expenses	(15,391)	53,414
Deposits	(76,300)	(8,550)
Beneficial Interest in Net Assets of Affiliate	226,633	273,734
Increase (Decrease) in Liabilities:		
Accounts Payable	(46,904)	(41,459)
Accrued Expenses	(219,712)	(474,187)
Deferred Revenue	80,341	43,094
Due to Third Party	(232)	(43,059)
Due to State of Maine	67,899	(303,862)
Net Cash Used by Operating Activities	(506,186)	(679,247)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(173)	(75,429)
Additions to Construction in Progress	-	(84,708)
Proceeds on Sale of Property and Equipment	-	612,800
Net Cash Provided (Used) by Investing Activities	(173)	452,663
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(31,191)	(380,679)
Advanced from (Payments to) Related Parties	467,709	(195,049)
Net Cash Provided (Used) by Financing Activities	436,518	(575,728)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(69,841)	(802,312)
Cash and Cash Equivalents - Beginning of Year	69,841	872,153
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 69,841
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 38,718	$ 38,640
NONCASH INVESTING ACTIVITY		
Additions to Property and Equipment	$ 29,971	$ 493,863
Plus: Disposals	54,910	-
Less: Transfer from Construction in Process	(84,708)	-
Less: Equity Transfer of Property	-	(418,434)
Cash Paid for Property and Equipment	$ 173	$ 75,429

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ascentria Community Services, Inc. (ACS) and Ascentria Community Care, Inc. (ACC) (collectively, the Organizations) are corporations exempt from tax under Section 501(c)(3) of the Internal Revenue Code as a public charity. The Organizations provide community service programs to children, families, refugees, and developmentally disabled adults throughout New England. ACS transferred its "In Home Care" service line to ACC and is the sole corporate member of ACC. Ascentria Care Alliance, Inc. (Ascentria) is a sole corporate member of ACS and also serves as the management agent.

The Organizations provide the following programs:

Social Services – through a variety of programs, the Organizations provide services related to therapeutic foster care, unaccompanied refugee minors support, housing for teen mothers and their children, housing for homeless, small group homes serving teenagers, various support services and living accommodations for developmentally, physically and mentally disabled adults and other various social support programs.

Refugee Services – through this program, the Organizations seek to provide resettlement, employment, case management, medical case management, English as a second language classes, and other support services to refugees, asylees, and immigrants.

Adoption – through this program, the Organizations provide services related to domestic and international adoptions.

Basis of Consolidation

The accompanying consolidated financial statements present the consolidated financial position, results of operations, changes in net assets, cash flows, and functional expenses of the Organizations. Material intercompany transactions and balances have been eliminated in consolidation.

Method of Accounting

The consolidated financial statements of the Organizations have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organizations obtain the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Cash and Cash Equivalents

The Organizations consider all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded net of an allowance of expected losses. The allowance is estimated from historical performance and projections of trends. Credit is extended to customers and collateral is not required. When the accounts become past due, historically, the Organizations have not charged interest to these accounts.

Program Service Revenue

Program service revenue is recognized as costs are incurred and services are provided.

Property and Equipment

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year and a historical cost in excess of $2,500 are capitalized. The Organizations capitalize acquisitions and improvements, while expenditures for maintenance and repairs that do not extend the useful lives of the assets are charged to operations. Donated property and equipment are recorded at its fair market value at date of donation. Gifts of long-lived assets are reported as unrestricted support unless donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

Related Party Loans Receivable

The Organizations' loan portfolio is comprised on unsecured related party loans receivable that are noninterest bearing and have no fixed repayment terms, as detailed in Note 3, and is considered a single portfolio class. Related party loans receivable are recorded net of an allowance for expected loan losses (allowance). The Organizations establish an allowance as an estimate of inherent risk in the Organizations' loan portfolio. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates.

The allowance is established through a provision for loan losses that is charged to expense. Loan losses are charged off against the allowance when the Organizations determine the loan balance to be uncollectible. Proceeds received on previously charged off amounts are recorded as recovery in the year of receipt. The Organizations determined that all related party loans receivable are fully collectible as of June 30, 2017.

The Organizations review the adequacy of the allowance, including consideration of the relevant risks in the loan portfolio, current economic conditions, and other factors periodically. The Organizations internally monitor related party borrowers to assess the risk of nonperformance. The Organizations determine that changes are warranted based on those reviews, the allowance is adjusted.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets of the Organizations are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organizations and/or the passage of time. Temporarily restricted net assets consist of $653,803 and $766,434 for beneficial interest in net assets of related party and $74,552 and $67,387 for other program restrictions for the years ended June 30, 2017 and 2016, respectively.

Permanently Restricted Net Assets – Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

Donated services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising Costs

Promotional advertising costs are expensed as incurred. Promotional advertising expense charged to operations amounted to $3,460 and $3,710 for the years ended June 30, 2017 and 2016, respectively.

Use of Estimates

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

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing the various programs and services are summarized on a functional basis. Costs are generally identified as to program site, and are then allocated between programs and supporting services that benefited based on total direct expenses.

Income Taxes

The Organizations are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to section 501(a) of the code.

Deferred Revenue

Deferred revenue consists primarily of advances received from state and federal agencies for initial funding of programs. Amounts will be recognized as revenue as these programs incur the related expenditures.

Fair Value Measurements

In accordance with professional standards, assets and liabilities measured and recorded at fair value are required to be categorized 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 measured and recorded at fair value by the Organizations are categorized as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity 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.

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.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in valuation methodology used at June 30, 2017.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through December 14, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 ASSETS LIMITED AS TO USE

Beneficial Interest in Net Assets of Related Party

The Organizations record beneficial interest in the net assets of Ascentria, a related party, for funds being held by Ascentria on behalf of the Organizations.

NOTE 3 RELATED PARTY TRANSACTIONS

The Organizations have entered into the following transactions with related parties:

- The Organizations are charged annually by Ascentria for accounting, management services, and overhead in monthly installments. Charges to operations for these services totaled approximately $5,215,693 and $4,842,000 for the years ended June 30, 2017 and 2016, respectively. These expenses have been included on the statement of activities under the caption “Administrative Costs”. In addition, Ascentria is the central contracting entity for insurance coverage, and insurance costs are then billed monthly to the Organizations. In addition, the Organizations have various support charges from related parties which amounted to $20,125 and $31,860 for June 30, 2017 and 2016, respectively.

- In connection with soliciting and managing donations received, Ascentria charged the Organizations a custodial fee. The custodial fee charged to operations was $7,166 and $10,239 for the years ended June 30, 2017 and 2016, respectively.

- The Organizations have various office space rentals to and from related parties and vehicle rentals from related parties. Rental revenue from related parties amounted to $154,615 and $153,320 for the years ended June 30, 2017 and 2016, respectively. Office space and vehicle related party rents amounted to $386,473 and $377,461 for the years ended June 30, 2017 and 2016, respectively.

NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)

- During the years ended June 30, 2017 and 2016, the Organizations received federal funding of $198,000 and $360,000, respectively, which was passed through to Good News Garage - LSS, Inc., a subsidiary of Ascentria.

- Related Party loans that bear no interest and have no fixed repayment terms, are as follows:

	2017	2016
Due from Related Parties:		
Ascentria Care Alliance, Inc.	$ (169)	$ 441,113
Lutheran Community Services - Creative Living, Inc.	45,075	29,213
Lutheran Housing Corporation Brockton, Inc.	461	325
Luther Ridge at Middletown, Inc.	-	3,712
Good News Garage - LSS, Inc.	9,601	48,303
Emanuel Development Corporation	(9)	-
Total	$ 54,959	$ 522,666

NOTE 4 DEFINED CONTRIBUTION PENSION PLAN

The Organizations participate in a defined contribution thrift plan (the thrift plan) qualifying under Internal Revenue Code Section 403(b) maintained by Ascentria. The thrift plan permits discretionary employer contributions based on a specified percentage of annual compensation and employee contributions. Pension costs charged to operations and contributions to the plan amounted to $-0- for each of the years ended June 30, 2017 and 2016.

NOTE 5 ACCOUNTS RECEIVABLE

The accounts receivable balance consisted of the following at June 30:

	2017	2016
Accounts Receivable - Program Services	$ 3,004,092	$ 3,575,416
Less: Allowance for Doubtful Accounts	(14,296)	(25,080)
Accounts Receivable, Net	$ 2,989,796	$ 3,550,336

NOTE 6 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of the following:

Cash and Cash Equivalents

The Organizations maintain cash and cash equivalent balances in several federally insured financial institutions in the same geographic area as well as a money market fund. During the year there may be times when uninsured cash is significantly higher and exceeds federally insured limits.

NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)

Major Customer

The Organizations receive significant funding from various federal and state agencies. The states through which funding was received include Massachusetts, New Hampshire, and Maine. Approximately 84% of the Organizations revenue was received from state and federal agencies directly or via pass through for the year ended June 30, 2017.

Due from Related Parties

The Organizations extend unsecured credit to a related party. The balance due from related parties totaled $54,959 at June 30, 2017.

Beneficial Interest in Net Assets of Related Party

The Organizations' unsecured gifts, held by a related party, amounted to $653,803 at June 30, 2017 with a loan payable to the fund totaling $340,524.

Accounts Receivable

The Organizations extend unsecured credit to its customers. Accounts receivable amounted to $2,989,796 at June 30, 2017.

NOTE 7 PROPERTY AND EQUIPMENT

The useful lives of property and equipment for purposes of computing depreciation are:

Building, Building Improvements, and Leasehold Improvements	5 – 40 Years
Equipment, Furniture and Fixtures, and Vehicles	3 – 10 Years
Equipment Under Capital Lease	3 – 5 Years
Computer Equipment and Software	3 Years

Depreciation and amortization (including amortization of equipment under capital lease) expense charged to operations was $106,004 and $117,249 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 MAINE MEDICAID LIABILITY

ACS provides services for Medicaid eligible individuals under terms of costs based contracts with the state of Maine. Accordingly, ACS provides for the estimated amount of settlements with Medicaid as a liability. Final reimbursement is not determined until the state of Maine accepts the cost report. The amount of the estimated liability was approximately $82,000 and $14,000 for the years ended June 30, 2017 and 2016, respectively. Adjustments to these estimates are reflected on the statement of activities under the caption "public sources" to the extent not previously recorded in the year the final settlement information becomes available to management.

NOTE 9 CONTRIBUTED LEASED PROPERTY

ACS (lessee) entered into a lease agreement to lease a building. The lease is for a period of five years with an annual rent of $1 payable to lessor each year.

Management has determined that the annual rental payments are below market value and therefore have recorded the fair value of the lease in the consolidated financial statements. The valuation of the lease is based on the lesser of the net present value of market rate rent payments or the fair market value of the building at the lease inception date, at that time, was estimated to be $69,000. Management concluded that the fair value of the building was the lesser of the two valuation methods and consequently valued the market rate lease at $69,000 at the lease inception date. The fair value of the lease is being amortized on a straight-line basis over the term of the lease. The unamortized fair value of the lease amounted to $-0- and $14,100 for the years ended June 30, 2017 and 2016, respectively, and is reported in the caption “building” in the statement of financial position.

NOTE 10 LONG-TERM DEBT

The Organizations are liable on long-term debt at June 30, 2017 and 2016 as follows:

Description	2017	2016
Note Payable		
Term note payable to Bank of America face amount $350,000, due August 7, 2033, secured by business assets, payable in monthly installments of interest only through August 2008 then monthly payments of principal plus interest through maturity. Interest rate is fixed at 7.105% annually. During FY16, ACS reduced the outstanding principal balance of the note significantly with a $53,700 payment in excess of their normal payments. The note is still expected to be paid off at the stated due date.	$ 227,164	$ 240,151
Mortgage payable to Bank of America face amount $370,308, secured by real property owned by ACS at two locations, and guaranteed by Ascentria, with an interest rate of 7.01%, due August 2032. Monthly principal and interest payments of $2,670.	296,708	307,270
Capital Lease Obligations		
ACS is obligated under various capital lease agreements for equipment and motor vehicles, expiring in 2019, with a combined monthly payment of approximately $2,200 with interest rates ranging from approximately 4% to 8%.	15,284	22,926
Total Long-Term Debt	539,156	570,347
Less: Current Maturities	(33,161)	(31,404)
Long-Term Debt, Net of Current Maturities	$ 505,995	$ 538,943

NOTE 10 LONG-TERM DEBT (CONTINUED)

Following are current maturities for the next five years:

Year Ending June 30,	Amount
2018	$ 33,161
2019	35,049
2020	29,343
2021	31,606
2022	33,943

Interest charged to operations for the above long-term debt amounted to $38,718 and $38,640 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 OPERATING LEASES

The Organizations lease land, buildings, equipment, and motor vehicles under various operating lease agreements with terms of one to five years. Total rent and related expenses amounted to $881,411 and $852,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Amount
2018	$ 497,360
2019	186,232
2020	117,758
2021	52,054
2022	13,011
Total	$ 866,416

NOTE 12 CONTINGENCIES

A significant portion of the Organizations' net revenues and accounts receivable are derived from services reimbursable under Medicaid programs. There are numerous healthcare reform proposals being considered on federal and state levels. The Organizations cannot predict at this time whether any of these proposals will be adopted or, if adopted and implemented, what effect such proposals would have on the Organizations.

NOTE 12 CONTINGENCIES (CONTINUED)

A significant portion of the Organizations' revenues are derived from services reimbursable under Medicaid programs. The base year costs utilized in calculating the Medicaid rates are subject to audit which could result in a retroactive rate adjustment for all years in which that cost base was used in calculating the rates. It is not possible at this time to determine whether the Organizations will be audited or if a retroactive rate adjustment would result.

ACS and Ascentria have entered into an equity sharing agreement related to four properties transferred from Ascentria to the ACS on July 1, 2001. The agreement states that if the properties are sold or leased to a third party, approximately 40% of the proceeds will become payable to Ascentria. Such payment represents the excess of fair value of the properties transferred over their net book value as of July 1, 2001. A significant portion of the Organizations' revenues are derived from state and federal government funding. Due to current economic conditions it is possible that funding from these sources could be reduced in the near term. The Organizations cannot determine at this time if funding levels will change, or what financial impact, if any, potential changes would have on the Organizations.

The receivables of the Organizations are listed as collateral under the line of credit agreement of Ascentria. The outstanding balance is $2,200,000 and $1,850,000 as of June 30, 2017 and 2016, respectively.

NOTE 13 FAIR VALUE MEASUREMENT

The Organizations use fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Organizations measure fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following tables present the Organizations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Net Assets of Related Party:	$ 653,803	$ -	$ -	$ 653,803
Total	$ 653,803	$ -	$ -	$ 653,803

	2016			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Net Assets of Related Party:	$ 766,424	$ -	$ -	$ 766,424
Total	$ 766,424	$ -	$ -	$ 766,424

NOTE 13 FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides a summary of changes in fair value of the Organizations' Level 3 financial assets for the years ended June 30, 2017 and 2016, respectively:

	Amount
Balance - July 1, 2015	$ 599,095
Income, Net of Releases	167,329
Balance - July 1, 2016	766,424
Income, Net of Releases	(112,621)
Balance - July 1, 2017	$ 653,803

Since these funds are held by a third party that pools the Organizations' interest with other related organization's assets, management has determined that the inputs are unobservable and therefore valued using a Level 3 methodology.

ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title		CFDA Number	Agency or Pass-through Number	Federal Expenditures	Amount Provided to Subrecipient
U.S. Department of Health & Human Services					
Pass-Through Commonwealth of Massachusetts					
Department of Social Services:					
Unaccompanied Refugee Minors	*	93.566	INTF0000009921519369	$ 1,746,031	$ -
Office of Refugees and Immigrants:					
Comprehensive Refugee Employment Services	*	93.566	CTORI10017CRES000006	247,250	-
Refugee Case Management		93.583	CTORI0100 17 RCM000007 WF	84,268	-
Refugee Case Management	*	93.566	CTORI0100 17 RCM000007 RSS	11,584	-
Refugee Case Management		93.583	CTORI0100157CM000008 WF	79,587	-
Refugee Case Management	*	93.566	CTORI010017RCM000008 RSS	13,688	-
Massachusetts Refugee Enterprise Achievement	*	93.566	CTORI010014REAP00002	91,102	-
Social Adjustment Services	*	93.566	CTORI0110017SAS000001	30,567	9,208
Targeted Assistance Employment Services		93.584	CTORI 0100 15 TAG000004	159,015	-
Refugee School Impact (RSI)		93.576	CTORI010015SI000001	8,508	-
Refugee School Impact (RSI)	*	93.566	CTORI010015RSI000001	13,879	-
PEERS - Worcester	*	93.566	CT ORI010016PRS000005	17,666	-
MA Health Promotion Program		93.576	CT ORI 010015HPP000006	18,238	6,739
Pass-Through State of New Hampshire					
Office of Minority Health and Refugee Affairs:					
Social Services Formula Grant	*	93.566	010-045-7922000042200013	102,168	-
Preventive Health Grant		93.576	010-042-7922000042200012	31,661	-
Refugee Targeting Assistance Program		93.576	010-042-79220000	51,320	-
OMHRA Bi-Cultural Services for Older refugees		93.576	010-095-59580000-102-010-042-	29,692	-
Refugee Targeting Assistance Program - Formula		93.576	010-042-79220000-500731-	16,959	-
Health Coordination	*	93.566	010-042-79220000-500731-	49,392	-
NH School Impact Project		93.667	010-042 79220000 42200011	48,978	-
VERA - Institute for Justice	*	93.676	RFP: HHSP233201500046C	81,255	
Pass-Through Lutheran Immigration and Refugee Service					
Office of Refugees and Immigrants:					
Voluntary Agencies Matching Grant Program		93.567	90RV0062/01, 90RV0071/01	67,572	-
Voluntary Agencies Matching Grant Program		93.567	90RV0062/03	115,875	-
Foster Care	*	93.676	90ZU0103-03	841,020	-
Digital Fingerprinting	*	93.676	90ZU0103-03	87,613	-
LIRS Intensive case Management		93.576	90RP0101-03	18,953	-
Pass-Through EMM					
Office of Refugees and Immigrants:					
Match Grant		93.567	EMM SPRMC010CA017	99,028	-
Preferred Communities		93.576	90RP0105	66,466	-
Pass-Through Church World Services					
Office of Refugees and Immigrants:					
Match Grant		93.567	EMM SPRMC010CA017	111,925	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	Amount Provided to Subrecipient
U.S. Department of State				
Pass-Through Lutheran Immigration and Refugee Service				
Division of Unaccompanied Minors:				
Reception and Placement	19.510	SPRMCO016CA1002	$ 1,149,728	-
LIRS URMP R&P	19.510	SPRMCO016CA1002	15,150	-
Reception and Placement	19.510	SPRMCO016CA1002	144,467	-
Pass-Through EMM				
Division of Unaccompanied Minors:				
Reception and Placement	19.510	EMM SPRMC016CA1008	120,652	-
Reception and Placement	19.510	EMM SPRMC015CA1008	116,462	-
Pass-Through Church World Services				
Division of Unaccompanied Minors:				
Reception and Placement	19.510	EMM SPRMC015CA1008	216,491	-
U.S. Department of Agriculture				
Pass-Through Commonwealth of Massachusetts				
Supplemental Nutrition Assistance Program	10.561	CT WEL 44003064 LSS 0001A	243,509	-
Department of Transportation				
Pass-Through Commonwealth of Massachusetts				
MA DOT Elderly Transportation	20.513	INTF00x02017P0099295	8,908	-
U.S. Department of Education				
Pass-Through State of NH Department of Education				
NH Department of Education	84.002	project # 77008 CAN 616 and CAN 716	129,723	-
Pass-Through Commonwealth of Massachusetts				
Vehicle Donation for VR Employment opportunity	84.126	SCMRC2007011GNGVD002	198,000	198,000
U.S. Department of Justice				
DOJ Victims of Human Trafficking	16.32	2016-VT-BX-Ko29	14,637	-
Pass-Through Commonwealth of Massachusetts				
Victims of Crime	16.575	VOCA2017ACSN00000000	101,563	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,800,547	$ 213,947

* Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ascentria Community Services, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ascentria Community Services, 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 the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Ascentria Community Services, Inc. and Subsidiary has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Directors
Ascentria Community Services, Inc. and Subsidiary
Worcester, 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 consolidated financial statements of Ascentria Community Services, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

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

Our consideration of 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 Ascentria Community Services, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result 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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 14, 2017

CliftonLarsonAllen LLP
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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
Ascentria Community Services, Inc. and Subsidary
Worcester, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Ascentria Community Services, 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 Ascentria Community Services, Inc.'s major federal programs for the year ended June 30, 2017. Ascentria Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Ascentria Community Services, 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, 2017.

Report on Internal Control Over Compliance

Management of Ascentria Community Services, 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 Ascentria Community Services, 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 Ascentria Community Services, 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 a 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 deficiencies in internal control over compliance that we consider to be a material weakness. 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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 14, 2017

ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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? _____ 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? _____ 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

19.566	Refugee and Entrant Assistance – State/Replacement Designee Administered Program
19.676	Unaccompanied Alien Children Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? ____x____ yes _____ no

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).