

**ASCENTRIA COMMUNITY SERVICES, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SINGLE AUDIT COMPLIANCE REPORTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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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, 2018 and 2017, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018 and 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supporting information shown on page 20 is presented for purposes of additional analysis as required by the *Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP)* and is not a required part of the financial statements. 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 supporting information required by MAAP and 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 27, 2018, 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 Subsidiary'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**

Boston, Massachusetts  
December 27, 2018

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 131,446	\$ -
Accounts Receivable, Net of Estimated Uncollectible Accounts	3,149,196	2,989,796
Prepaid Expenses	103,902	88,979
Due from Third Party	1,428	-
Total Current Assets	3,385,972	3,078,775
<b>ASSETS LIMITED AS TO USE</b>		
Beneficial Interest in Net Assets of Related Party	711,633	653,803
<b>PROPERTY AND EQUIPMENT</b>		
Land	45,314	45,314
Building	85,798	85,798
Building Improvements	953,881	953,881
Leasehold Improvements	234,664	234,664
Furniture and Equipment	224,295	224,295
Vehicles	217,578	217,578
Equipment Held Under Capital Lease	438,600	438,600
Computer Equipment and Software	143,313	143,313
Total	2,343,443	2,343,443
Less: Accumulated Depreciation	1,624,131	1,550,420
Total Property and Equipment	719,312	793,023
<b>DUE FROM RELATED PARTIES</b>	121,369	55,137
<b>OTHER ASSETS</b>		
Deposits	142,096	134,846
Total Other Assets	142,096	134,846
Total Assets	\$ 5,080,382	\$ 4,715,584

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 33,131	\$ 33,161
Accounts Payable	734,352	473,954
Accrued Expenses	904,871	779,532
Deferred Revenue	217,083	251,052
Due to State of Maine	181,410	82,036
Total Current Liabilities	2,070,847	1,619,735
 <b>DUE TO RELATED PARTIES</b>	 1,498,860	 178
 <b>LONG-TERM DEBT, Net of Current Maturities</b>	 472,833	 505,995
Total Liabilities	4,042,540	2,125,908
 <b>NET ASSETS</b>		
Unrestricted	245,766	1,861,321
Temporarily Restricted	792,076	728,355
Total Net Assets	1,037,842	2,589,676
Total Liabilities and Net Assets	\$ 5,080,382	\$ 4,715,584

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>UNRESTRICTED NET ASSETS REVENUE</b>		
Program Service Revenue:		
Public Sources	\$ 27,433,674	\$ 28,892,718
Private Sources	4,289,047	4,316,699
Total Program Service Revenue	31,722,721	33,209,417
<b>OTHER INCOME</b>		
Net Assets Released from Restriction Used for Operations	55,264	219,468
Other Income	502,971	547,785
Total Other income	558,235	767,253
 Total Revenue	 32,280,956	 33,976,670
<b>EXPENSES</b>		
Salaries and Wages	16,944,028	17,452,583
Employee Benefits	3,530,353	3,569,260
Program Expenses	3,958,656	4,878,886
Professional Fees	88,909	104,382
Occupancy Costs	1,920,878	1,891,053
Operating Supplies and Expenses	911,813	896,042
Administrative Costs	5,685,968	5,274,837
Travel Expenses	689,183	708,162
Custodial Fees	5,891	7,166
Depreciation and Amortization	73,710	106,004
Bad Debt Expense	50,404	19,173
Interest	36,718	38,718
Total Expenses	33,896,511	34,946,266
<b>OPERATING LOSS</b>	(1,615,555)	(969,596)
<b>NONOPERATING ACTIVITY</b>		
Loss on Sale of Property and Equipment	-	(2,727)
Total Nonoperating Activity	-	(2,727)
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	\$ (1,615,555)	\$ (972,323)

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>BALANCE - JUNE 30, 2016</b>	\$ 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	<u>(972,323)</u>	<u>(105,456)</u>	<u>(1,077,779)</u>
<b>BALANCE - JUNE 30, 2017</b>	1,861,321	728,355	2,589,676
Decrease in Unrestricted Net Assets	(1,615,555)	-	(1,615,555)
Change in Beneficial Interest in Net Assets of Related Party	-	118,985	118,985
Net Assets Released from Restrictions - Operations	-	(55,264)	(55,264)
Change in Net Assets	<u>(1,615,555)</u>	<u>63,721</u>	<u>(1,551,834)</u>
<b>BALANCE - JUNE 30, 2018</b>	<u>\$ 245,766</u>	<u>\$ 792,076</u>	<u>\$ 1,037,842</u>

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			
	Total	Program Services	Supporting Services	
			Management and General	Fundraising
Salaries and Wages	\$ 16,944,028	\$ 16,567,795	\$ 376,233	\$ -
Employee Benefits	3,530,353	3,422,087	108,266	-
Program Expenses	3,958,656	3,932,043	26,613	-
Professional Fees	88,909	47,489	41,420	-
Occupancy Costs	1,920,878	1,674,352	246,526	-
Operating Supplies and Expenses	911,813	869,734	42,079	-
Administrative Costs	5,685,968	55	5,685,913	-
Travel Expenses	689,183	671,993	17,190	-
Custodial Fees	5,891	-	-	5,891
Interest	36,718	36,718	-	-
Bad Debt Expenses	50,404	50,404	-	-
Total Before Depreciation and Amortization	33,822,801	27,272,670	6,544,240	5,891
Depreciation and Amortization	73,710	73,382	328	-
Total Functional Expenses	<u>\$ 33,896,511</u>	<u>\$ 27,346,052</u>	<u>\$ 6,544,568</u>	<u>\$ 5,891</u>
	2017			
	Total	Program Services	Supporting 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	4,878,886	4,856,569	22,317	-
Professional Fees	104,382	98,625	5,757	-
Occupancy Costs	1,891,053	1,629,331	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	<u>\$ 34,946,266</u>	<u>\$ 28,986,503</u>	<u>\$ 5,952,597</u>	<u>\$ 7,166</u>

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,551,834)	\$ (1,077,779)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	73,710	106,004
Bad Debts	50,404	19,173
Loss on Sale of Property and Equipment	-	2,727
Change in Beneficial Interest in Net Assets of Related Party	(118,985)	(114,012)
(Increase) Decrease in Assets:		
Accounts Receivable	(209,804)	541,367
Prepaid Expenses	(14,923)	(15,391)
Deposits	(7,250)	(76,300)
Beneficial Interest in Net Assets of Related Party	61,155	226,633
Due to Third Party	(1,428)	(232)
Increase (Decrease) in Liabilities:		
Accounts Payable	260,398	(46,904)
Accrued Expenses	125,339	(219,712)
Deferred Revenue	(33,969)	80,341
Due to State of Maine	99,374	67,899
Net Cash Used by Operating Activities	(1,267,813)	(506,186)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(173)
Net Cash Used by Investing Activities	-	(173)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(33,189)	(31,191)
Advanced from Related Parties, Net	1,432,448	467,709
Net Cash Provided by Financing Activities	1,399,259	436,518
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	131,446	(69,841)
Cash and Cash Equivalents - Beginning of Year	-	69,841
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 131,446	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 36,718	\$ 38,718
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITY</b>		
Additions to Property and Equipment	\$ -	\$ 29,971
Plus: Disposals	-	54,910
Less: Transfer from Construction in Process	-	(84,708)
Less: Equity Transfer of Property	-	-
Cash Paid for Property and Equipment	\$ -	\$ 173

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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.

**Going Concern**

The Organization has recognized their continuous net income losses over the past two years due to a rapidly changing business environment. The Organization has made business decisions over the past couple years to mitigate the impact of potential losses as a result of the changing business environment. The Organization is transitioning their service model to one that is customer-driven. Ascentria will support the Organization for any losses it may incur as a result of management fees charged. This support may include alternative funding for the management fees charged and offsetting it through Ascentria's investment proceeds from its other subsidiaries in order for the Organization to meet its obligations.

**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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**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.

**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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**Related Party Loans Receivable (Continued)**

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, 2018 and 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.

**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 \$711,633 and \$653,803 for beneficial interest in net assets of related party and \$80,443 and \$74,552 for other program restrictions for the years ended June 30, 2018 and 2017, 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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**Advertising Costs**

Promotional advertising costs are expensed as incurred. Promotional advertising expense charged to operations amounted to \$1,786 and \$3,460 for the years ended June 30, 2018 and 2017, 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.

**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 represents amounts received by the Organizations for programs and services not yet provided.

**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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**Fair Value Measurements (Continued)**

*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, 2018 and 2017.

**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 27, 2018, 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 assets that are held by Ascentria in the amount of \$711,633 and \$653,803 at June 30, 2018 and 2017, respectively. For both years ending June 30, 2018 and 2017, the Organization had a loan payable, included in accrued expenses, to the fund totaling \$340,524. Contributed assets are transferred to the Ascentria by either the donor or the Organization with the approval of Ascentria. The donors did not grant variance power to the Ascentria.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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 \$5,625,745 and \$5,215,693 for the years ended June 30, 2018 and 2017, 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 \$-0- and \$20,125 for June 30, 2018 and 2017, respectively.
- In connection with soliciting and managing donations received, Ascentria charged the Organizations a custodial fee. The custodial fee charged to operations was \$5,891 and \$7,166 for the years ended June 30, 2018 and 2017, 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 \$200,248 and \$154,615 for the years ended June 30, 2018 and 2017, respectively. Office space and vehicle related party rents amounted to \$427,184 and \$386,473 for the years ended June 30, 2018 and 2017, respectively.
- During the years ended June 30, 2018 and 2017, the Organizations received federal funding of \$420,000 and \$198,000 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:

	2018	2017
Due from Related Parties:		
Lutheran Community Services - Creative Living, Inc.	\$ 57,814	\$ 45,075
Lutheran Housing Corporation Brockton, Inc.	5,632	461
Good News Garage - LSS, Inc.	57,774	9,601
Emanuel Development Corporation	149	-
Total	\$ 121,369	\$ 55,137

	2018	2017
Due to Related Parties:		
Ascentria Care Alliance, Inc.	\$ 1,498,860	\$ 169
Emanuel Development Corporation	-	9
Total	\$ 1,498,860	\$ 178

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 and 2017.

**NOTE 5 ACCOUNTS RECEIVABLE**

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

	2018	2017
Accounts Receivable - Program Services	\$ 3,189,017	\$ 3,004,092
Less: Allowance for Doubtful Accounts	(39,821)	(14,296)
Accounts Receivable, Net	\$ 3,149,196	\$ 2,989,796

**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.

**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 85% of the Organizations revenue was received from state and federal agencies directly or via pass through for the year ended June 30, 2018.

**Due from Related Parties**

The Organizations extended unsecured credit to a related party. The balance due to related parties totaled \$121,369 at June 30, 2018.

**Beneficial Interest in Net Assets of Related Party**

The Organizations' unsecured gifts, held by a related party, amounted to \$711,633 at June 30, 2018.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)**

**Accounts Receivable**

The Organizations extend unsecured credit to its customers. Accounts receivable amounted to \$3,149,196 at June 30, 2018.

**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 to 40 Years
Equipment, Furniture and Fixtures, and Vehicles	3 to 10 Years
Equipment Under Capital Lease	3 to 5 Years
Computer Equipment and Software	3 Years

Depreciation and amortization (including amortization of equipment under capital lease) expense charged to operations was \$73,710 and \$106,004 for the years ended June 30, 2018 and 2017, 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 \$181,000 and \$82,000 for the years ended June 30, 2018 and 2017, 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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 9 LONG-TERM DEBT**

The Organizations are liable on long-term debt at June 30, 2018 and 2017 as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
<u>Note Payable</u>		
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.	\$ 212,984	\$ 227,164
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.	285,338	296,708
<u>Capital Lease Obligations</u>		
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%.	7,642	15,284
Total Long-Term Debt	505,964	539,156
Less: Current Maturities	(33,131)	(33,161)
Long-Term Debt, Net of Current Maturities	<u>\$ 472,833</u>	<u>\$ 505,995</u>

Following are current maturities for the next five years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 33,131
2020	29,343
2021	31,606
2022	33,943
2023	36,455

Interest charged to operations for the above long-term debt amounted to \$36,718 and \$38,718 for the years ended June 30, 2018 and 2017, respectively.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 OPERATING LEASES**

The Organizations lease land, buildings, equipment, and motor vehicles under various operating lease agreements with terms of one to three years. Total rent and related expenses amounted to \$909,843 and \$881,411 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 911,796
2020	422,172
2021	188,358
Total	<u>\$ 1,522,326</u>

**NOTE 11 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.

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 \$2,500,000 and \$2,200,000 as of June 30, 2018 and 2017, respectively.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 12 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, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Net				
Assets of Related Party:	\$ 711,633	\$ -	\$ -	\$ 711,633
Total	\$ 711,633	\$ -	\$ -	\$ 711,633
	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

The following table provides a summary of changes in fair value of the Organizations' Level 3 financial assets for the years ended June 30, 2018 and 2017, respectively:

Balance - July 1, 2016	\$ 766,424
Income, Net of Releases	(112,621)
Balance - July 1, 2017	653,803
Income, Net of Releases	57,830
Balance - July 1, 2018	\$ 711,633

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 DEPARTMENT AGREEMENTS  
 YEAR ENDED JUNE 30, 2018**

Department Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses
<b>DHHS:</b>								
DPS	ADS-17-2572	57,168	7/1/2016 -06/30/2017	Rental Subsidy	Interim	\$ -	\$ 57,092	\$ 57,092
DPS	MH2-16-518G	78,000	7/1/2015 -6/30/2018	Community Integration	Final	-	39,905	39,905
OSAMHS	MH2-18-900	25,427	12/01/17 - 6/30/2018		Final	-	25,427	25,427
<b>Total</b>						<b>\$ -</b>	<b>\$ 122,424</b>	<b>\$ 122,424</b>

**Disclosures:**

Is your agency required to have a Single Audit? **Yes: X** **No:**

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipient</u>
<b>U.S. Department of Health &amp; Human Services</b>				
Pass-Through Commonwealth of Massachusetts				
<b>Department of Social Services:</b>				
Unaccompanied Refugee Minors	* 93.566	INTF0000009921519369	\$ 1,580,819	\$ -
<b>Office of Refugees and Immigrants:</b>				
Comprehensive Refugee Employment Services	* 93.566	CTORI10017CRES000006	101,500	-
Comprehensive Refugee Employment Services	* 93.566	CTORI10017CRES000007	75,508	-
Refugee Case Management	93.583	CTORI0100 17 RCM000007 WF	97,404	-
Refugee Case Management	* 93.566	CTORI0100 17 RCM000007 RSS	6,300	-
Refugee Case Management	93.583	CTORI0100157CM000008 WF	46,169	-
Refugee Case Management	* 93.566	CTORI010017RCM000008 RSS	4,500	-
Massachusetts Refugee Enterprise Achievement Program	* 93.566	CTORI010014REAP000002	19,108	-
Social Adjustment Services	* 93.566	CTORI0110017SAS000001	2,206	-
Targeted Assistance Employment Services	93.584	CTORI 0100 15 TAG000004	41,368	-
Targeted Assistance Employment Services	93.584	CTORI 0100 15 TAG000005	30,978	-
Refugee School Impact (RSI)	93.576	CTORI010015SI000001	8,274	-
PEERS - Worcester	* 93.566	CT ORI010016PRS000005	16,849	-
MA Health Promotion Program	93.576	CT ORI 010015HPP000006	10,592	-
Pass-Through State of New Hampshire				
<b>Office of Minority Health and Refugee Affairs:</b>				
Social Services Formula Grant	* 93.566	010-045-7922000042200013	103,144	-
Preventive Health Grant	93.576	010-042-7922000042200012	31,706	-
Refugee Targeting Assistance Program	93.576	010-042-79220000	83,244	-
OMHRA Bi-Cultural Services for Older refugees	93.576	010-095-59580000-102-010-042-	18,199	-
Refugee Targeting Assistance Program - Formula	93.576	010-042-79220000-500731-	36,200	-
Health Coordination	* 93.566	010-042-79220000-500731-	40,759	-
NH School Impact Project	93.667	010-042 79220000 42200011	42,017	-
Intergrated Delivery Network IDN	93.778		57,664	-
Pass-Through Lutheran Immigration and Refugee Service				
<b>Office of Refugees and Immigrants:</b>				
Voluntary Agencies Matching Grant Program	93.567	1802MDRVMG	25,492	-
Voluntary Agencies Matching Grant Program	93.567	1802MDRVMG	48,965	-
Foster Care	93.676	90ZUO182-02-05	732,769	-
Digital Fingerprinting	93.676	90ZU223-02	120,983	-
LIRS Intensive case Management	93.576	90RP0113-02-00	18,043	-
Pass-Through EMM				
<b>Office of Refugees and Immigrants:</b>				
Preferred Communities	93.576	90RP0105	11,722	-
Pass-Through Church World Services				
<b>Office of Refugees and Immigrants:</b>				
Match Grant	93.567	EMM SPRMC010CA017	70,999	-
Pass-Through VERA Institute for Justice				
VERA - Institute for Justice	93.676	RFP: HHSP233201500046C	49,379	-

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, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipient</u>
<b>U.S. Department of State</b>				
Pass-Through Lutheran Immigration and Refugee Service				
<b>Division of Unaccompanied Minors:</b>				
Reception and Placement	19.510	SPRMCO016CA1003	\$ 305,982	\$ -
LIRS URMP R&P	19.510	SPRMCO016CA1003	17,000	-
Reception and Placement	19.510	SPRMCO016CA1003	26,322	-
Pass-Through Church World Services				
<b>Division of Unaccompanied Minors:</b>				
Reception and Placement	19.510	SPRMCO18CA0010	107,438	-
<b>U.S. Department of Agriculture</b>				
Pass-Through Commonwealth of Massachusetts				
Supplemental Nutrition Assistance Program	10.561	CT WEL 44003064 LSS 0001A	299,382	-
<b>Department of Transportation</b>				
Pass-Through Commonwealth of Massachusetts				
MA DOT Elderly Transportation	20.513	INTF00x02017P0099295	17,777	-
<b>U.S. Department of Education</b>				
Pass-Through State of NH Department of Education				
NH Department of Education	84.002	Project # 77008 CAN 616 and CAN 716	40,253	-
Pass-Through Commonwealth of Massachusetts				
Vehicle Donation for VR Employment opportunity	84.126	SCMRC2007011GNGVD002	420,000	420,000
<b>U.S. Department of Justice</b>				
DOJ Victims of Human Trafficking				
	16.32	2016-VT-BX-Ko29	139,624	-
Pass-Through Commonwealth of Massachusetts				
Victims of Crime	16.575	VOCA2017ACSN00000000	125,919	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,032,557</u>	<u>\$ 420,000</u>

\* Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

**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, 2018. 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.

**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, 2018, 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 27, 2018.

**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.

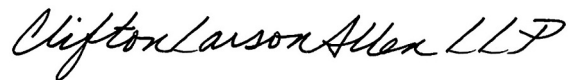
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 27, 2018



**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 Subsidiary  
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, 2018. 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, 2018.

### **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**

Boston, Massachusetts  
December 27, 2018

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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***Section I – Summary of Auditors’ Results***

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***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***

93.566      Refugee and Entrant Assistance – State Administered Programs

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

Auditee qualified as low-risk auditee?        x   yes      \_\_\_\_\_ no

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.