

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

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

**YEAR ENDED JUNE 30, 2019**



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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, 2019, and the related consolidated statement of activities, cash flows, and functional expenses, for the year 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, 2019, 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.

**Effect of Adopting New Accounting Standard**

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

**Other Matters**


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the 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.

Board of Directors  
Ascentria Community Services, Inc. and Subsidiary

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, 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.

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

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
December 20, 2019

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	-
Accounts Receivable, Net of Estimated Uncollectible Accounts		3,868,580
Prepaid Expenses		87,471
Vehicle Inventory		70,292
Due from Third Party		543
Total Current Assets		4,026,886

**ASSETS LIMITED AS TO USE**

Beneficial Interest in Net Assets of Related Party		977,537
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**PROPERTY AND EQUIPMENT**

Land		45,314
Building		85,798
Building Improvements		953,881
Leasehold Improvements		353,467
Furniture and Equipment		246,311
Vehicles		344,994
Equipment Held Under Capital Lease		499,374
Computer Equipment and Software		147,017
Total		2,676,156
Less: Accumulated Depreciation		1,790,804
Total Property and Equipment		885,352

**DUE FROM RELATED PARTIES**

5,781

**OTHER ASSETS**

Deposits		104,742
Total Other Assets		104,742

Total Assets	\$	6,000,298
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*See accompanying Notes to Consolidated Financial Statements.*

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2019**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current Maturities of Long-Term Debt	\$ 43,100
Accounts Payable	922,390
Accrued Expenses	1,055,170
Deferred Revenue	176,471
Due to State of Maine	62,472
Total Current Liabilities	2,259,603

**DUE TO RELATED PARTIES**

2,802,397

442,534

**LONG-TERM DEBT, Net of Current Maturities**

5,504,534

Total Liabilities

**NET ASSETS (DEFICIT)**

Without Donor Restrictions	(566,615)
With Donor Restrictions	1,062,379
Total Net Assets	495,764

Total Liabilities and Net Assets (Deficit)

\$ 6,000,298

*See accompanying Notes to Consolidated Financial Statements.*

**ASCENTRIA COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**NET ASSET REVENUE WITHOUT DONOR RESTRICTION**

Program Service Revenue:	
Public Sources	\$ 29,943,008
Private Sources	4,364,898
Donated Vehicles	1,734,097
In-Kind Donations	22,246
Total Program Service Revenue	<u>36,064,249</u>

**OTHER INCOME**

Net Assets Released from Restriction Used for Operations	282,886
Other Income	450,077
Total Other Income	<u>732,963</u>

Total Revenue 36,797,212

**EXPENSES**

Salaries and Wages	18,359,186
Employee Benefits	4,103,776
Occupancy Costs	2,074,571
Operating Supplies and Expenses	444,508
Professional Fees	2,393,074
Garage Expenses	864,974
Donated Vehicle Expenses	819,292
Client Support Expenses	546,303
Translation Expenses	534,107
Repairs and Maintenance	389,201
Travel Expenses	867,166
Educational Events and Meetings	43,697
Management Fees	5,020,851
Taxes	555,336
Recruitment Advertising	9,918
Advertising	181,151
Licenses and Fees	7,389
Custodial Fees	6,009
Insurance	190,029
Interest	34,677
Bad Debt Expenses	56,981
Depreciation and Amortization	97,738
Total Expenses	<u>37,599,934</u>

**OPERATING LOSS** (802,722)

**NONOPERATING ACTIVITY**

Gain on Sale of Property and Equipment	17,873
Equity Transfers, Net	(57,346)
Total Nonoperating Activity	<u>(39,473)</u>

**DECREASE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS** \$ (842,195)

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>BALANCE - JUNE 30, 2018 (SEE NOTE 14)</b>	\$ 275,580	\$ 1,278,529	\$ 1,554,109
Decrease in Net Assets without Donor Restrictions	(842,195)	-	(842,195)
Change in Beneficial Interest in Net Assets of Related Party	-	66,736	66,736
Net Assets Released from Restrictions - Operations	-	<u>(282,886)</u>	<u>(282,886)</u>
Change in Net Assets (Deficit)	<u>(842,195)</u>	<u>(216,150)</u>	<u>(1,058,345)</u>
<b>BALANCE - JUNE 30, 2019</b>	<u><u>\$ (566,615)</u></u>	<u><u>\$ 1,062,379</u></u>	<u><u>\$ 495,764</u></u>

**ASCENTRIA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program Services					Supporting Services				Total Expenses
	Transportation Services	Disability & Mental Health	Child & Family Programs	In-Home Services	Services For New Americans	Total Program	Management & General	Fundraising	Total Support Services	
Salaries and Wages	\$ 968,707	\$ 5,735,567	\$ 2,715,258	\$ 3,953,013	\$ 4,759,294	\$ 18,131,839	\$ 227,347	\$ -	\$ 227,347	\$ 18,359,186
Employee Benefits	236,075	1,462,866	516,804	910,093	869,958	3,995,796	107,980	-	107,980	4,103,776
Occupancy Costs	146,268	655,710	464,178	49,184	515,830	1,831,170	243,401	-	243,401	2,074,571
Operating Supplies and Expenses	27,189	206,160	64,069	30,160	88,896	416,474	28,034	-	28,034	444,508
Professional Fees	134,610	387,997	1,540,130	8,646	257,587	2,328,970	64,104	-	64,104	2,393,074
Garage Expenses	862,333	2,555	-	-	86	864,974	-	-	-	864,974
Donated Vehicle Expenses	819,292	-	-	-	-	819,292	-	-	-	819,292
Client Support Expenses	71	10,162	180,737	22	354,831	545,823	480	-	480	546,303
Translation Expenses	-	30,484	357	-	498,641	529,482	4,625	-	4,625	534,107
Repairs and Maintenance	49,833	38,191	100,064	72,631	101,896	362,615	26,586	-	26,586	389,201
Travel Expenses	152,833	228,390	163,221	36,645	272,283	853,372	13,794	-	13,794	867,166
Educational Events and Meetings	3,164	4,164	14,617	6,798	8,202	36,945	6,752	-	6,752	43,697
Management Fees	-	-	-	-	-	-	5,020,851	-	5,020,851	5,020,851
Taxes	502	543,621	-	11,132	81	555,336	-	-	-	555,336
Recruitment Advertising	2,133	215	3,271	3,771	338	9,728	190	-	190	9,918
Advertising	-	-	-	-	-	-	181,151	-	181,151	181,151
Licenses and Fees	637	146	3,832	250	563	5,428	1,961	-	1,961	7,389
Custodial Fees	-	-	-	-	-	-	-	6,009	6,009	6,009
Insurance	7,062	59,721	28,969	41,193	49,077	186,022	4,007	-	4,007	190,029
Interest	-	-	-	-	-	-	34,677	-	34,677	34,677
Bad Debt Expenses	188	10,978	-	18,229	27,586	56,981	-	-	-	56,981
Total Before Depreciation and Amortization	3,410,897	9,376,927	5,795,507	5,141,767	7,805,149	31,530,247	5,965,940	6,009	5,971,949	37,502,196
Depreciation and Amortization	26,217	6,041	53,607	-	11,785	97,650	88	-	88	97,738
Total Functional Expenses	<u>\$ 3,437,114</u>	<u>\$ 9,382,968</u>	<u>\$ 5,849,114</u>	<u>\$ 5,141,767</u>	<u>\$ 7,816,934</u>	<u>\$ 31,627,897</u>	<u>\$ 5,966,028</u>	<u>\$ 6,009</u>	<u>\$ 5,972,037</u>	<u>\$ 37,599,934</u>

See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (1,058,345)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation and Amortization	97,738
Bad Debts	56,981
Gain on Sale of Property and Equipment	(17,873)
Change in Beneficial Interest in Net Assets of Related Party	(66,736)
(Increase) Decrease in Assets:	
Accounts Receivable	(583,196)
Prepaid Expenses	16,431
Deposits	37,534
Beneficial Interest in Net Assets of Related Party	287,285
Vehicle Inventory	(4,964)
Due to Third Party	885
Increase (Decrease) in Liabilities:	
Accounts Payable	5,976
Accrued Expenses	110,986
Deferred Revenue	(40,612)
Due to State of Maine	(118,938)
Net Cash Used by Operating Activities	<u>(1,276,848)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(232,172)
Proceeds from Sale of Fixed Assets	<u>22,902</u>
Net Cash Used by Investing Activities	<u>(209,270)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Long-Term Debt	(48,988)
Advanced from Related Parties, Net	<u>1,361,351</u>
Net Cash Provided by Financing Activities	<u>1,312,363</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(173,755)

Cash and Cash Equivalents - Beginning of Year

173,755

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ -

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	<u><u>\$ 34,677</u></u>
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See accompanying Notes to Consolidated Financial Statements.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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. Effective July 1, 2018, assets were transferred to the Organization from Good News Garage – LSS, Inc. (GNG), related parties, as a result of the combination of operations (see Note 14 for details). The Organizations provide community service programs to children, families, refugees, and developmentally disabled adults throughout New England. ACS 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.

*Good News Garage* – provides low-income individuals with transportation, such as ownership of donated vehicles or access to shared rides, providing these individuals with access to jobs and other economic opportunities, thus helping them to achieve economic independence.

**Going Concern**

The Organization has recognized their continuous operating 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 subsidiary in order for the Organization to meet its obligations.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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.

**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.

**Inventory**

Vehicles identified for the purpose of being delivered to program participants are valued based on the average contract reimbursement rate for the reporting period which approximates the lower of cost or net realized value.

Program vehicles expected to be sold at retail are recorded based on trade-in value.

Vehicles expected to be sold at wholesale are valued using the average sales proceeds for all vehicles sold during the reporting period.

Vehicles are recorded as donated vehicles or donated vehicles – wholesale when the vehicle is received.

**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 net assets without donor restriction 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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Property and Equipment (Continued)**

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, 2019.

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:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the Organizations and/or the passage of time. Other donor-imposed restrictions are perpetual in nature when the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions consist of \$977,537 for beneficial interest in net assets of related party and \$84,842 other program restrictions for the years ended June 30, 2019. There were no net assets invested in perpetuity as of June 30, 2019.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**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.

**Program Service Revenue**

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

**Donated Vehicle Revenue**

Donated vehicle revenue includes vehicles that will be repaired and delivered to program participants. They are valued based on the average contract reimbursement rate for the reporting period. Additionally, donated vehicle revenue includes donated vehicles that do not meet the needs of program participants. These vehicles are sold at auction and valued based on average proceeds for the reporting period.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs paid for by the Organization amounted to \$118,678 for the year ended June 30, 2019. Contributions of advertising are recorded at the estimated fair value on the date of the contribution. The Organization received contributions of advertising estimated to have a value of \$22,246 for the year ended June 30, 2019.

**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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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. Salaries and benefits are allocated on the basis of time and effort. The expenses that are allocated are the portions of depreciation and interest expense that are not directly attributable to specific programs or services. These expenses are allocated on a square footage basis.

**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.

*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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Fair Value Measurements (Continued)**

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, 2019.

**Change in Accounting Principles**

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

*New Accounting Pronouncements*

*Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

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

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

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Change in Accounting Principles (Continued)**

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

**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 20, 2019, 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 \$977,537 at June 30, 2019. For the year ending June 30, 2019, 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.

**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 \$4,928,088 for the year ended June 30, 2019. These expenses have been included on the statement of activities under the caption "Management Fees". In addition, Ascentria is the central contracting entity for insurance coverage, and insurance costs are then billed monthly to the Organizations.
- In connection with soliciting and managing donations received, Ascentria charged the Organizations a custodial fee. The custodial fee charged to operations was \$6,009 for the year ended June 30, 2019.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

- 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 \$119,254 for the year ended June 30, 2019. Office space and vehicle related party rents amounted to \$454,395 for the year ended June 30, 2019.
- Related Party loans that bear no interest and have no fixed repayment terms, are as follows:

Due from Related Parties:

Lutheran Housing Corporation Brockton, Inc.	\$ 5,632
Emanuel Development Corporation	149
Total	\$ 5,781

Due to Related Parties:

Ascentria Care Alliance, Inc.	\$ 2,802,397
Total	\$ 2,802,397

**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. The Organizations had no pension costs charged to operations or contributions to the plan for the year ended June 30, 2019.

**NOTE 5 ACCOUNTS RECEIVABLE**

The accounts receivable balance consisted of the following at June 30, 2019 :

Accounts Receivable - Program Services	\$ 3,896,798
Less: Allowance for Doubtful Accounts	(28,218)
Accounts Receivable, Net	\$ 3,868,580

**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.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019.

**Due from Related Parties**

The Organizations extended unsecured credit to a related party. The balance due to related parties totaled \$5,781 at June 30, 2019.

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

The Organizations' unsecured gifts, held by a related party, amounted to \$977,537 at June 30, 2019.

**Accounts Receivable**

The Organizations extend unsecured credit to its customers. Accounts receivable amounted to \$3,868,580 at June 30, 2019.

**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 \$97,738 for the year ended June 30, 2019.

**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 \$62,000 for the year ended June 30, 2019. 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, 2019**

**NOTE 9 LONG-TERM DEBT**

The Organizations are liable on long-term debt at June 30, 2019 as follows:

<u>Description</u>	<u>Amount</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.	\$ 199,377
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.	271,355
<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%.	14,902
Total Long-Term Debt	485,634
Less: Current Maturities	(43,100)
Long-Term Debt, Net of Current Maturities	\$ 442,534

Following are current maturities for the next five years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 43,100
2021	32,752
2022	33,944
2023	36,455
2024	39,087
Thereafter	300,296
Total	\$ 485,634

Interest charged to operations for the above long-term debt amounted to \$34,677 for the year ended June 30, 2019.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 \$1,056,543 for the year ended June 30, 2019.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 778,568
2021	490,014
2022	257,828
Total	<u>\$ 1,526,410</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 \$2,775,000 as of June 30, 2019.

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019:

	2019			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Net				
Assets of Related Party:	\$ 977,537	\$ -	\$ -	\$ 977,537
Total	\$ 977,537	\$ -	\$ -	\$ 977,537

The following table provides a summary of changes in fair value of the Organizations’ Level 3 financial assets for the years ended June 30, 2019:

Balance - June 30, 2018	\$ 1,198,086
Income, Net of Releases	(220,549)
Balance - June 30, 2019	\$ 977,537

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.

**NOTE 13 AVAILABLE RESOURCES AND LIQUIDITY**

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Service considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Organization considers the following to be available to meet cash needs for general expenditures:

Total Financial Assets	\$ 3,868,580
Donor-Imposed Restrictions	(84,842)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,783,738

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 ASSETS TRANSFERS**

On June 26, 2019 Ascentria Community Services, Inc. (ACS), and Good News Garage – LSS, Inc. (GNG) combined their operations. The Organizations provide community services programs and were combined to further their common mission by improving their community services programs and achieving economies of scale and other synergies through integration of services. As a result of the combination, the surviving organization is ACS.

The Organization followed the guidance related to transactions between entities under common control to record the transition as Ascentria Care Alliance, Inc. (ACA) is the sole corporate member of both entities. As a result of this transaction, the net assets of the transferring Organization will be accounted for at the carrying amount as of the beginning of the reporting period in which the transfer occurs. Therefore, effective July 1, 2018 the carrying amount of net assets of GNG were transferred to ACS. As of July 1, 2018 the following was the respective carrying amounts of assets, liabilities, and net assets transferred:

Total Assets	\$	824,075
<i>Cash and Cash Equivalents</i>		42,309
Total Liabilities		307,808
Total Net Assets		516,267
<i>Without Donor Restrictions</i>		29,814
<i>With Donor Restrictions</i>		486,453

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS  
YEAR ENDED JUNE 30, 2019**

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	\$ -	\$ 57,415	\$ 57,415
DPS	MH2-16-518G	78,000	7/1/2015 -6/30/2018	Community Integration	Final	-	32,852	32,852
OSAMHS	MH2-18-900	25,427	12/01/17 - 6/30/2018		Final	-	31,349	31,349
<b>Total</b>						<b>\$ -</b>	<b>\$ 121,616</b>	<b>\$ 121,616</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, 2019**

<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>				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	INTF0000009921519369	\$ 1,665,221	\$ -
<b>Office of Refugees and Immigrants:</b>				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI10017CRES000006	134,436	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI10017CRES000007	111,259	-
Refugee and Entrant Assistance Wilson/Fish Program	93.583	CTORI0100 17 RCM000007 WF	65,524	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI0100 17 RCM000007 RSS	1,689	-
Refugee and Entrant Assistance Wilson/Fish Program	93.583	CTORI010017CM000008 WF	44,367	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI010017RCM000008 RSS	4,500	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI010017SAS000001, CTORI010019SAS000001	10,435	2,274
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI010019SAS000001	8,450	2,250
Refugee and Entrant Assistance Targeted Assistance	93.584	CTORI 0100 18 TAG000005	47,100	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CTORI010015RSI000001	1,990	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	CT ORI010016PRS000002, CTORI010019PRS000002	20,960	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	CTORI010019SAS000005	14,820	3,750
Refugee and Entrant Assistance Discretionary Grants	93.576	CTORI010018HPP000006 and	5,164	-
Pass-Through State of New Hampshire				
<b>Office of Minority Health and Refugee Affairs:</b>				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	010-045-7922000042200013	105,106	-
Refugee and Entrant Assistance Discretionary Grants	93.576	010-042-7922000042200012	31,915	-
Refugee and Entrant Assistance Discretionary Grants	93.576	010-042-79220000	30,728	-
Refugee and Entrant Assistance Discretionary Grants	93.576	010-095-59580000-102-010-042-	16,778	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	* 93.566	010-042-79220000-500731-42200010	44,166	-
Refugee and Entrant Assistance Voluntary Agency Programs	93.566	010-042 79220000 42200011	52,254	-
Medical Assistance Program	93.778		120,427	-
Pass-Through State of Vermont				
<b>Department of Children and Families</b>				
Temporary Assistance for Needy Families (TANF) Cluster	93.558	03440-1440-18 FAIN G1702VTTANF	309,091	-
Pass-Through Lutheran Immigration and Refugee Service				
<b>Office of Refugees and Immigrants:</b>				
Refugee and Entrant Assistance Voluntary Agency Programs	93.567	1802MDRVMG	30,434	-
Unaccompanied Alien Children Program	93.676	90 ZU0182-02-05	735,001	-
Unaccompanied Alien Children Program	93.676	90ZU0223-02	146,303	-
Refugee and Entrant Assistance Discretionary Grants	93.576	90RP0113-02-00	4,063	-
Pass-Through Church World Services				
<b>Office of Refugees and Immigrants:</b>				
Refugee and Entrant Assistance Voluntary Agency Programs	93.567	EMM SPRMC010CA017	41,800	-
Pass-Through VERA Institute for Justice				
VERA - Institute for Justice	93.676	RFP: HHSP233201500046C	51,879	-

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, 2019**

<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>				
U.S. Refugee Admissions Program	19.510	SPRMC0016CA1003	\$ 203,163	\$ -
U.S. Refugee Admissions Program	19.510	SPRMC0016CA1003	17,050	-
Pass-Through Church World Services				
<b>Division of Unaccompanied Minors:</b>				
U.S. Refugee Admissions Program	19.510	SPRMC018CA0010	256,381	-
<b>U.S. Department of Agriculture</b>				
Pass-Through Commonwealth of Massachusetts				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program Cluster	10.561	CT WEL 44003064 LSS 0001A	300,373	-
<b>U.S. Department of Education</b>				
Pass-Through State of NH Department of Education				
Adult Education - Basic Grants to States	84.002	Project # 77008 CAN 616 and CAN 716	56,685	-
Pass-Through State of MA Department of Elementary and				
Adult Education - Basic Grants to States	84.002		140,255	-
Pass-Through Commonwealth of Massachusetts				
Rehabilitation Services Vocational Rehabilitation Grants	84.126	SCMRC2007011GNGVD002	1,551	-
<b>U.S. Department of Justice</b>				
Services for Trafficking Victims	16.32	2016-VT-BX-Ko29	210,111	-
Pass-Through Commonwealth of Massachusetts				
Crime Victim Assistance	16.575	VOCA2017ACSN00000000	<u>127,252</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,168,680</u>	<u>\$ 8,274</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, 2019**

**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, 2019. 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, 2019, 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 20, 2019.

**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**

Charlotte, North Carolina  
December 20, 2019



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

Board of Directors  
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, 2019. 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, 2019.

### **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**

Charlotte, North Carolina  
December 20, 2019

**ASCENTRIA COMMUNITY SERVICES, INC. AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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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, 2019**

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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).

